

To Shareholders



## The 38th-Term Annual Review

From February 1, 2005 to January 31, 2006



**Computer Engineering & Consulting, Ltd.**



# Corporate Philosophy

Aiming to be a top-level IT engineering and service company, we contribute to development of information-oriented society as a company with a firm presence.

## C O N T E N T S

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The financial information appearing in this review is a translation from the original Japanese text and is based on generally accepted accounting standards and practices in Japan.

Forecasts of future performance contained in this review are based on Computer Engineering & Consulting, Ltd.'s current expectations, estimates and assessment of the market in which it operates.

A number of factors, many beyond the Company's control, could cause actual results to differ from the forecasts contained in this review. It is recommended investment decisions not be made solely on the basis of these forecasts.



**Hirosato Iwasaki**  
Representative Director &  
Chairman of the Board



**Kazuyuki Shinno**  
Representative Director &  
President

It is a great honor for us to announce our financial results for the 38th fiscal term (February 1, 2005 to January 31, 2006).

During the term, aiming to be a truly professional conglomerate group with a practice of customer first principle, we have been pursuing four core initiatives: Quality (high quality), Cost (fair price), Delivery (maintaining strict delivery schedules), and Speed (high productivity), and creating and expanding new businesses.

We enhanced our operations with capital alliances, including the addition of Sojitz Systems Corporation to our group in April 2005. In addition, we aggressively promoted business development in new fields with our participation in the open source software (OSS) business.

Consequently, on a consolidated basis, net sales reached ¥43,837 million, up ¥2,731 million (6.6%) from the previous year. However, ordinary income was ¥2,076 million, down ¥658 million (24.1%) from the previous year, mainly due to the adverse effect of unprofitable projects, etc. Net income was ¥1,285 million, down ¥239 million (15.7%)

from the previous year.

Taking the various factors into consideration, to reward our shareholders for the continued support, we are pleased to pay a dividend of ¥25 per share (including an interim dividend of ¥10) for the full term. This is an increase of ¥5 per share from the previous year.

The fiscal year 2006 marks the second year of our medium-term management plan. It is an important year as we aim to reach the management objectives outlined in the plan by the next fiscal year 2007. We vigorously push forward with our goal to make fiscal 2006 the year when new businesses blossom and develop in concert with our key theme of “Growth and Acceleration” through the collaborative and unified effort of all the employees throughout the Company.

We look forward to your continued support and encouragement.



## Focus on Reinforcement of Business



**Kazuyuki Shinno**

Representative Director &  
President

### Q | What were the achievements in the first year (fiscal year 2005) of the medium-term management plan?

CEC recognized that the fiscal year 2005 was the year to establish a system and formulate strategies for development and growth, as the first year of the medium-term management plan. Therefore we restructured our organization and reform it into our system centering two core business lines: information systems business and control systems business. We concurrently built a business foundation for solid growth by reviewing personnel and training systems, and launching new businesses, etc.

More specifically, we welcomed Sojitz Systems Corporation, a systems company under the umbrella of a trading company, into the CEC Group in April, and in October, we took a stake in eStrategy Corporation, a company with high technical capability in services for manufacturing industry.

In August, we formed a business alliance with SpikeSource, Inc. in the United States and entered into the Open Source Software (OSS) business, which is expected to expand in the future. In November, we tied up with SugarCRM Inc. in the United States in the business application field. As an initiative to expand our data center business, which is one area on which we are focusing, we commenced to provide “D-Share Intelligence™,” an ASP service that facilitates collaboration among divisions and individuals by our data center and the Internet. Also in November, we opened our fourth data center in Tokyo in order to meet the strong needs from our customers. In the area of IT management, which supports the operation management of customers’ information systems, we started to provide support service for system operation management optimization by utilizing “Sostenuto™ ITSM,” an IT management tool based on ITIL\*, as one of our services to support establishment of a company’s internal control systems.

With respect to the reinforcement of our business foundation, we reviewed our personnel system as well as we established our standard training system, “CEC-SS (CEC-Skill Standard)” for fostering the growth of professional employees.

\*ITIL stands for Information Technology Infrastructure Library, a framework for best practices in IT service management. It is a compilation of the successful information technology management knowledge and expertise prepared and practiced by the UK government organizations. In Europe and the US, it is already recognized as the de facto standard for the industry.

# Foundation and Launch of New Businesses

**Q | What are the future strategies for the OSS business?**

“Open Source Expert™” is our brand in the OSS field, which we entered in earnest in fiscal year 2005. Under this brand, we provide wide-ranging support, from the construction of a system environment best-suited for the customer’s needs to operation support, with OSS as its core, which has been spreading rapidly in government, other public offices and in private companies. By utilization of ten thousands or more of OSS in the world which are provided free or at a low price, we provide efficient, effective and high cost performance system without reliance on any specific vender. “Open Source Expert™” is largely divided into two systems: “OpusCore™” a service for constructing IT infrastructure for businesses, and “OpusSquare™” which offers business-oriented applications based on OSS.

“OpusCore™” not only provides support and updating services related to OSS as core services, but also constructs systems using verified OSS. This product drives the sale of servers in which OSS is installed and the infrastructure construction business for companies using these servers.

“OpusSquare™” provides packaged products and constructs systems mainly in the area of OSS applications. We entered into an agreement with SugarCRM Inc., the Company attracting the most attention in the United States in the area of CRM/SFA systems, which is also an area where we have experience and an established track record. SugarCRM Inc. has an outstanding reputation, with 500,000 downloads. We offer commercial CRM/SFA packages which is developed based on the OSS of SugarCRM Inc. as an application product under our “OpusSquare™ CRM” brand. By selecting high-performance OSS packages both in Japan and abroad for institutional uses, we will further enhance our line-up of business-oriented applications in the future in order to provide our products with our Japanese customers with responsibility.

**Q | Unprofitable projects seem to be a factor that depressed profits in the IT industry, and what are the measures?**

CEC is working to eliminate unprofitable projects through the establishment of a specialized group. However, in the information systems business, the number of unprofitable projects increased in the previous year mainly due to intensified competition and our aggressive entry into new technical fields.

To eliminate unprofitable projects, we reviewed our management process and structure such as from initiative of sales negotiation, to estimation, defining requirements and to contracts, together with development managers in front field of development. Then, we standardized the development process at the Company and systematized the way we measure the progress of deliverables.

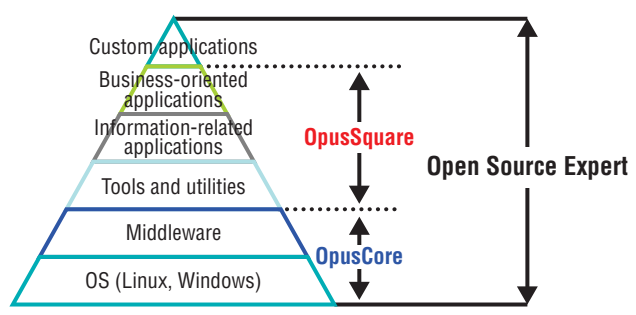
Based on these improvements, we have established a system that can be used by myself, and managers of each group/division to check on the progress in each process whenever necessary. While unprofitable projects are causing a problem across the industry, we aim to eliminate them by fully enforcing QCDS (Quality, Cost, Delivery and Speed) initiatives throughout the Company and clarifying the sharing of roles with our customers in business discussions and system development.

**Q | We have seen many cases of corporate misconduct lately. What are the measures CEC is taking to improve compliance?**

In addition to the pursuit of profit as a business entity, we regard good compliance practices as one of the most important management tasks for the Company as a social entity. To this end, we have formulated action guidelines for conducting business activities fairly and with transparency. In September 2005, we established a group to promote CSR (Corporate Social Responsibility) activities throughout the Company, with the goals of improving customer satisfaction, protecting the environment, and contributing to the society/community. With this group at the core, we are making compliance one of the key issues for the Company and thoroughly reviewing our in-house training programs and regulations.

**Q | What are the management policies for the fiscal year 2006?**

We believe fiscal year 2006 to be the year that will see “Growth and Acceleration” of the various business seeds we sowed in fiscal year 2005. In addition, we will strengthen our business base by fostering IT professionals among our employees based on our standard training system CEC-SS and the implementation of a new personnel system. With these initiatives, we will strive to achieve the targets for sales of ¥50 billion, and ordinary income of ¥4 billion set in our medium-term management plan.



This consolidated fiscal term, the information service industry environment in Japan remained difficult in terms of profits due to the strong demand from customers for lower prices and product differentiation, although the industry did see a trend of increasing IT-related investment by improvement of corporate earnings.

Under this background, our group completely renewed its management structure and promoted business based on our basic mission of “aiming to be a top-level IT engineering and service company, and contribute to development of information-oriented society as a company with a firm presence.” More specifically, we launched our medium-term management plan in March 2005, with target of sales at ¥50 billion and ordinary income at ¥4 billion by the fiscal year 2007. In addition, we made the strategic move in April 2005 by welcoming Sojitz Systems Corporation into our group for further expansion of our customer base and global business operations.

In the second half of the term, we entered the OSS business by forging a business alliance with SpikeSource, Inc. and SugarCRM Inc., leading players in the United States in the OSS field. Our aim is to provide a comprehensive range of OSS services from introduction and technical support to construction and inspection, and offer user-friendly and value-added CRM/SFA software for our Japanese customers. Moreover, we opened the Tokyo Data

Center, an urban data center that meets the needs of our clients.

For project implementation, we developed company-wide educational programs focusing on the cultivation of high-quality personnel and the full enforcement of QCDS (Quality, Cost, Delivery and Speed) initiatives.

As a result, on a consolidated basis, net sales totaled ¥43,837 million, up ¥2,731 million (6.6%) from the previous year thanks in a large part to the participation of Sojitz Systems Corporation in our group. In terms of profits, however, ordinary income was ¥2,076 million, down ¥658 million (24.1%) from the previous year, primarily reflecting the adverse effect of unprofitable projects continuing from the previous year and a decline in orders on a non-consolidated basis. Net income was ¥1,285 million, down ¥239 million (15.7%) from the previous year.

On a non-consolidated basis, net sales were ¥31,367 million, down ¥2,878 million (8.4%) from the previous year, mainly due to the reasons mentioned above and to the transfer of part of the package software sales business to a group company. Ordinary income was ¥2,049 million, down ¥310 million (13.2%) from the previous year. However, net income was ¥1,566 million, up ¥230 million (17.2%) from the previous year, thanks to the sale of investment securities among other factors.

## March

- Results briefing for the year ended January 2005
- Announcement of the medium-term management plan for fiscal year 2005 to 2007

## April

- A business alliance with Konica Minolta Medical & Graphic, Inc. in the area of medical information security
- Sojitz Systems Corporation fully consolidated to expand operations
- The 37th general meeting of shareholders

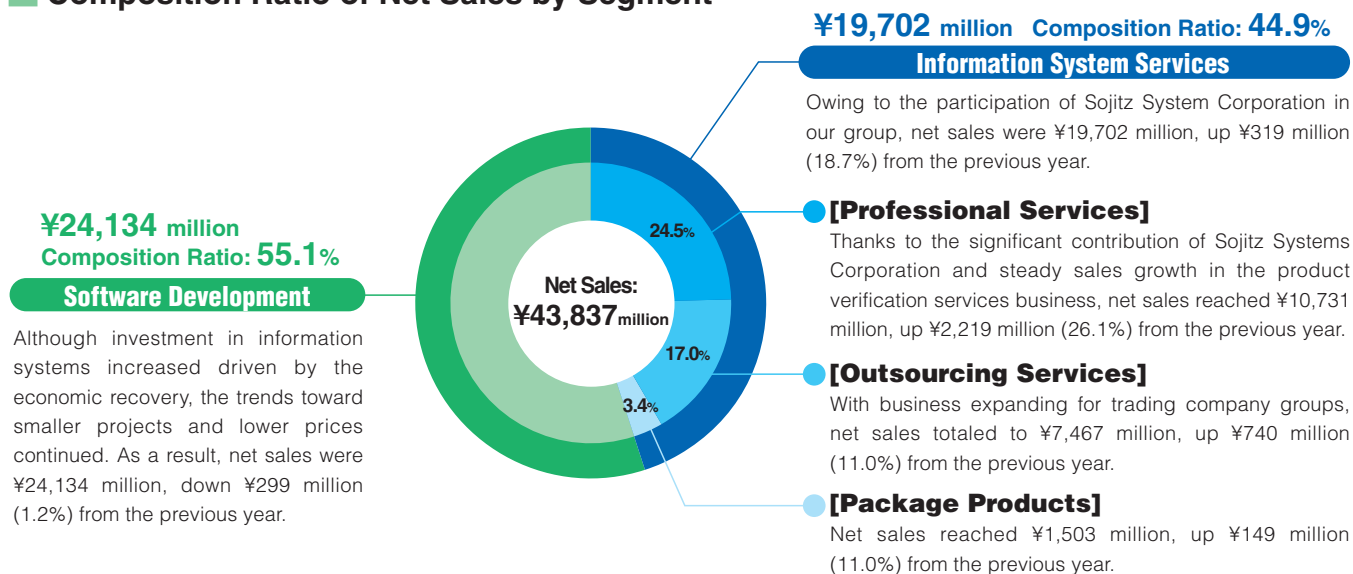
## July

- “LogiCUBE™” (distribution solution) made available

CEC's  
Activities in  
38th-Term

# Business Overview by Segment (Consolidated)

## Composition Ratio of Net Sales by Segment



## Future Tasks for Our Group

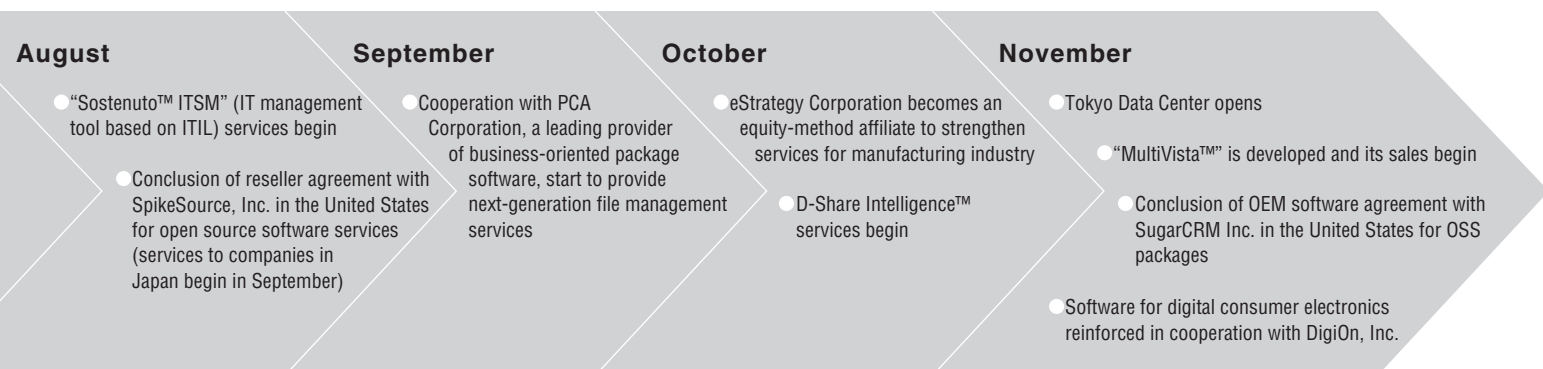
In the information service industry, customers' demand for information systems is becoming increasingly sophisticated and complex. In such an environment, a quicker response is required. Based on our key themes of "Growth and Acceleration," our group strives to conduct operations at a faster speed to keep up with waves of business.

To this end, we are first focusing on firming up and expanding our operational infrastructure through cutting-edge businesses such as the OSS business, which we entered in this term, product verification inspection services, embedded system solutions, and operation management services based on ITIL, the global standard for the management and operation of information systems.

Secondly, we are progressing with the selection and concentration of our existing businesses. We are looking to further

enhance our group's strength areas, such as the entrusted development of Enterprise Resource Planning (ERP) systems, while aggressively investing in future growth areas. The Tokyo Data Center, which we opened in November 2005, aims to expand sales as an urban data center business, an area of growth, by taking advantage of its high level of security and a variety of services offered in conjunction with our three existing data centers (in Kanagawa, Osaka and Oita).

Further, we are reducing costs through technical innovations and the promotion of various initiatives to generate profits. These include the introduction of a centralized system to eliminate unprofitable projects, the implementation of intensive technical training, and the development of a consistent educational system.

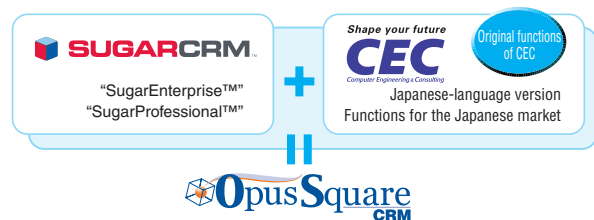


## Launch of “OpusSquare™ CRM,” an OEM version of a popular CRM package in the United States

In November 2005, we entered into an OEM software agreement for two products, “SugarEnterprise™” and “SugarProfessional™,” both of which are commercial versions of “SugarCRM™,” a popular open source CRM package in the United States. After adding a few optional functions we started selling these products as the “OpusSquare™ CRM” series for Japanese users from December 1, 2005.

“OpusSquare™ CRM” is a software package based on software produced by SugarCRM Inc. to which we have added a Japanese-language support function. It is equipped with a flexible information sharing system and various business support functions, including client management, business meeting management, preparation and management of estimates, sales forecasting and analysis. One of the main features of this product is that programming skills are not required to add or change input items to coincide with the business process of the Company using the product, so anyone who is not information systems professional can use the product easily. Taking advantage of our high level of expertise in CRM software, we plan to

provide value-added functions in the future, such as a support for preparation of visiting plans to customers and the these visiting records. “OpusSquare™ CRM” is sold through our resellers and our “Soft Direct” (<https://www.soft-direct.com>), a software download site, as well as our direct sales as one of our solutions menus. Based on our experience and accumulated knowledge regarding the provision of CRM/SFA systems, we also support the construction of open source CRM systems by providing a menu of comprehensive services, including consultation and education regarding system introduction, customized customer support, and maintenance and operation management after the package is introduced.

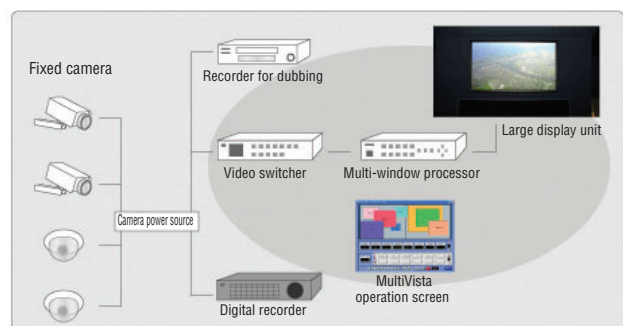


## Overall control of multiple imaging data and implementation provides a wide variety of imaging displays

Taking advantage of our expertise in controlling technologies for various imaging devices and software development, we developed “MultiVista™,” a screen control software that supports Matsushita Electric Industrial Co., Ltd.’s multi-window processor. “MultiVista™” flexibly displays eight screens on one output device and is capable of easily switching images from various input devices, such as a fixed camera or a DVD, and changing the location and size of screen displays utilizing just the user’s PC. We provide “MultiVista™” for image production at locations where multiple image sources are required, such as event halls, hotels, model rooms, and amusement parks, as well as for educational purposes.

This product is also used to construct low-cost monitoring systems for crime prevention and enable a quick response to accidents and disasters at large public facilities, commercial facilities and production plants. Image data (moving images and still images) collected from multiple monitoring cameras can be centrally controlled on a large screen for highly efficient monitoring.

### Sample configuration





## Commencement of “D-Share Intelligence™” services, secure file storage and access through the data center and the Internet

Preventing the leakage of confidential information, such as personal and corporate data, is an important management issue for businesses. At the same time, increase of document management costs by the improvement of security is becoming a new management issue as information sharing with operation bases and business partners both in Japan and abroad has been increasing.

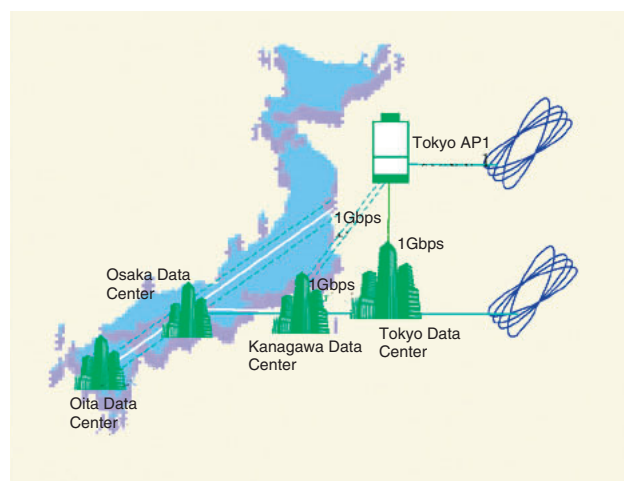
“D-Share Intelligence™,” an ASP service we offer, enables users to store documents and other files stored in our high-security data center, which our customers can then access, usually via the Internet, with a few simple operations. Users can access the stored files as if they had been saved in their PCs. In addition, the users can safely refer to and update the files saved in the data center from anywhere via Internet browsers, such as Internet Explorer. Users are

also able to access files on business trips both in Japan and abroad and share the files as necessary with others to collaborate on projects. With respect to security, “D-Share Intelligence™” has equipped with measures that keep information safety (i.e. by providing a scheme that prevents information leakage linked to the incorrect transmission of e-mail). Users can flexibly set the definition of members of sharing files, the restriction of periods and times for sharing files with others, and employ a variety of functions to assist in the completion of projects, such as automatic e-mail notification to a file owner when changes are made to their file.

## Urban data center opens in Tokyo for convenience and confidence of client companies

Japanese companies are being forced to improve their internal control systems, as compliance requirements become increasingly stringent. This is exemplified by the introduction of the Japanese version of the Sarbanes-Oxley Act (J-SOX) and the new Company Law which will take effect in 2006. Information systems are required to manage such risks as system failure, hacking, and information leakage, and at the same time to secure business continuity as well. We focus on outsourcing services through which we can take over the time-consuming management of information systems on behalf of the clients who wish to concentrate on their core businesses. To meet the needs by customers who want their information systems situated close to their head offices, we opened a data center in Tokyo in November 2005, our fourth data center in Japan. In our

data centers, we provide one-stop service for system operation management and offer a wide array of operations menus based on ITIL, the global standard for IT service management.

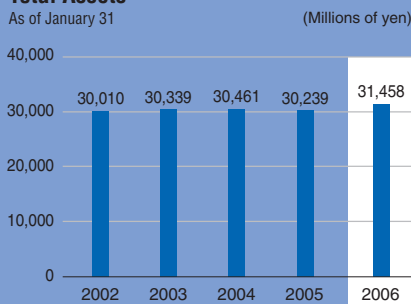


# Consolidated Financial Statements

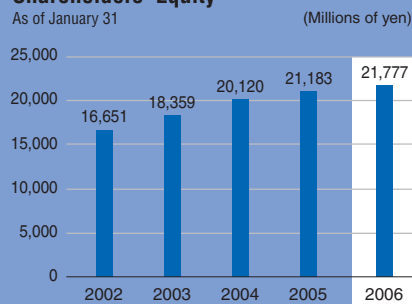
## Consolidated Balance Sheets January 31

	(Thousands of yen)		(Thousands of yen)	
	2006	2005	2006	2005
<Assets>				
<b>Current assets</b>	<b>17,119,780</b>	<b>16,164,415</b>	<b>Current liabilities</b>	<b>6,187,249</b>
Cash and time deposits	5,373,657	5,121,188	Accounts payable - trade	2,616,463
Notes and accounts receivable - trade	8,482,454	8,590,579	Short-term borrowings	798,076
Inventories	1,944,514	1,882,515	Accrued income taxes	859,769
Deferred tax assets	387,764	242,045	Accrued bonuses	433,919
Other	939,872	336,919	Other	1,479,020
Allowance for doubtful accounts	(8,482)	(8,832)	<b>Long-term liabilities</b>	<b>2,996,128</b>
<b>Fixed assets</b>	<b>14,338,757</b>	<b>14,075,344</b>	Long-term borrowings	275,613
<b>Property, plant and equipment</b>	<b>7,494,200</b>	<b>7,848,767</b>	Accrued severance indemnities	1,868,995
Buildings and structures	4,550,612	4,797,463	Allowance for directors' and corporate auditors' retirement benefits	422,689
Land	2,511,776	2,612,545	Other	428,830
Other	431,812	438,758	<b>Total liabilities</b>	<b>9,183,377</b>
<b>Intangible fixed assets</b>	<b>894,761</b>	<b>547,824</b>	<Minority interests>	
<b>Investments and other assets</b>	<b>5,949,794</b>	<b>5,678,752</b>	<b>Minority interests</b>	<b>497,273</b>
Investments in securities	3,268,128	2,999,302	<Shareholders' equity>	
Deferred tax assets	1,410,163	1,603,678	<b>Common stock</b>	<b>6,586,000</b>
Other	1,398,672	1,232,942	<b>Capital surplus</b>	<b>6,415,030</b>
Allowance for doubtful accounts	(127,170)	(157,170)	<b>Retained earnings</b>	<b>9,160,602</b>
<b>Total assets</b>	<b>31,458,537</b>	<b>30,239,760</b>	<b>Net unrealized gains on other securities</b>	<b>615,119</b>
Accumulated depreciation on property, plant and equipment	4,726,879	4,505,296	<b>Foreign currency translation adjustments</b>	<b>(2,134)</b>
			<b>Treasury stock</b>	<b>(996,730)</b>
			<b>Total shareholders' equity</b>	<b>21,777,886</b>
			<b>Total liabilities, minority interests and shareholders' equity</b>	<b>31,458,537</b>
				<b>21,183,844</b>
				<b>30,239,760</b>

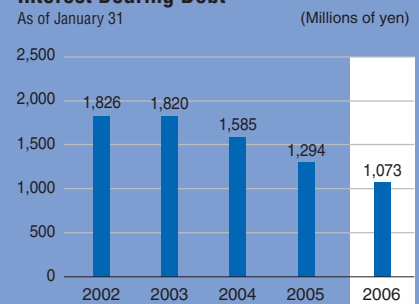
### Total Assets



### Shareholders' Equity



### Interest Bearing Debt



## Consolidated Statements of Operations Years ended January 31

(Thousands of yen)

	2006	2005
Net sales	43,837,347	41,105,558
Cost of sales	35,461,195	33,191,716
<b>Gross profit</b>	<b>8,376,152</b>	<b>7,913,842</b>
Selling, general and administrative expenses	6,481,820	5,313,194
<b>Operating income</b>	<b>1,894,331</b>	<b>2,600,647</b>
Other income	200,329	205,011
Other expenses	18,395	71,363
<b>Ordinary income</b>	<b>2,076,266</b>	<b>2,734,296</b>
Extraordinary income	733,061	9,561
Extraordinary losses	250,032	32,605
<b>Income before income taxes</b>	<b>2,559,295</b>	<b>2,711,252</b>
Income taxes	1,332,864	1,253,637
Deferred income taxes	(31,687)	(91,236)
Minority interests in net income (loss)	(27,229)	24,430
<b>Net income</b>	<b>1,285,347</b>	<b>1,524,420</b>

## Consolidated Statements of Retained Earnings Years ended January 31

(Thousands of yen)

	2006	2005
<Capital surplus>		
Capital surplus at beginning of period	6,415,030	6,415,030
Capital surplus at end of period	6,415,030	6,415,030
<Retained earnings>		
Retained earnings at beginning of period	8,289,280	7,192,214
Increase in retained earnings	1,285,347	1,524,420
Decrease in retained earnings	414,025	427,354
Retained earnings at end of period	9,160,602	8,289,280

## Consolidated Statements of Cash Flows Years ended January 31

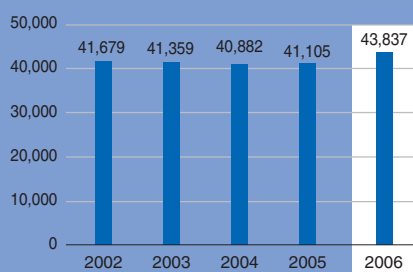
(Thousands of yen)

	2006	2005
Cash flows from operating activities	2,243,102	2,421,406
Cash flows from investing activities	(606,603)	(1,356,812)
Cash flows from financing activities	(1,288,018)	(664,934)
Effect of exchange rate changes on cash and cash equivalents	3,981	(1,283)
Net increase in cash and cash equivalents	352,461	398,376
Cash and cash equivalents at beginning of period	5,080,328	4,681,951
Cash and cash equivalents at end of period	5,432,789	5,080,328

### Net Sales

Fiscal years ended January 31

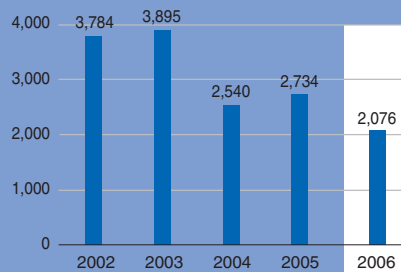
(Millions of yen)



### Ordinary Income

Fiscal years ended January 31

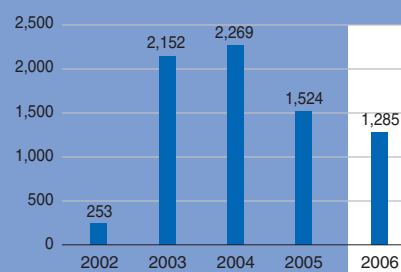
(Millions of yen)



### Net Income

Fiscal years ended January 31

(Millions of yen)



For the year ended January 31, 2002, the transition difference due to the adoption of a new accounting standard for employees' retirement benefits totaling ¥2,868 million was collectively incurred as the extraordinary losses.



# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheets January 31

	(Thousands of yen)		(Thousands of yen)	
	2006	2005	2006	2005
<Assets>				
<b>Current assets</b>	<b>12,703,839</b>	<b>13,577,453</b>	<b>3,908,247</b>	<b>4,129,862</b>
Cash and time deposits	4,564,429	4,703,210	Accounts payable - trade	1,579,906
Notes receivable	90,794	78,892	Short-term borrowings	319,200
Accounts receivable - trade	6,154,978	7,206,619	Accrued income taxes	636,180
Inventories	915,536	888,819	Accrued bonuses	245,644
Deferred tax assets	253,094	178,103	Other	1,127,317
Others	730,616	528,894	<b>Long-term liabilities</b>	<b>2,024,760</b>
Allowance for doubtful accounts	(5,610)	(7,087)	Long-term borrowings	9,600
<b>Fixed assets</b>	<b>14,876,764</b>	<b>13,889,461</b>	Accrued severance indemnities	1,188,581
<b>Property, plant and equipment</b>	<b>6,967,584</b>	<b>7,359,392</b>	Allowance for directors' and corporate auditors' retirement benefits	397,749
Buildings	4,250,273	4,497,508	Other	428,830
Land	2,282,725	2,383,494	<b>Total liabilities</b>	<b>5,933,008</b>
Other	434,585	478,389	<Shareholders' equity>	
<b>Intangible fixed assets</b>	<b>489,977</b>	<b>537,083</b>	<b>Common stock</b>	<b>6,586,000</b>
Software	454,627	501,280	<b>Capital reserves</b>	<b>6,415,030</b>
Other	35,350	35,802	Capital surplus	6,415,030
<b>Investments and other assets</b>	<b>7,419,202</b>	<b>5,992,985</b>	<b>Retained earnings</b>	<b>9,041,807</b>
Investments in securities	2,828,747	2,279,116	Revenue reserve	300,783
Investments in subsidiaries	2,640,460	1,502,960	Voluntary reserve	6,910,495
Equity investments	53,455	55,859	Program and other, reserve	75,114
Equity investments in subsidiaries	59,700	59,700	Special depreciation reserve	25,381
Guarantee and deposits	546,806	545,600	General reserve	6,810,000
Deferred tax assets	854,152	1,169,820	Unappropriated retained earnings	1,830,528
Other	511,830	455,879	<b>Net unrealized gains on investment in securities</b>	<b>601,488</b>
Allowance for doubtful accounts	(75,950)	(75,950)	<b>Treasury stock</b>	<b>(996,730)</b>
<b>Total assets</b>	<b>27,580,604</b>	<b>27,466,915</b>	<b>Total shareholders' equity</b>	<b>21,647,595</b>
Accumulated depreciation on property, plant and equipment	4,376,948	4,241,514	<b>Total liabilities and shareholders' equity</b>	<b>27,580,604</b>

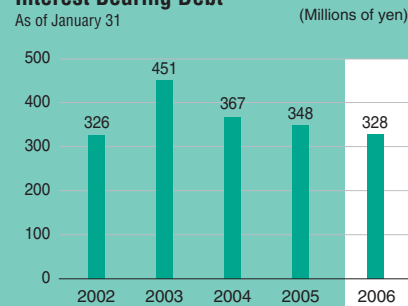
### Total Assets



### Shareholders' Equity



### Interest Bearing Debt



## Non-Consolidated Statements of Operations Years ended January 31

(Thousands of yen)

	2006	2005
Net sales	31,367,413	34,245,890
Cost of sales	25,430,783	27,794,712
<b>Gross profit</b>	<b>5,936,629</b>	<b>6,451,177</b>
Selling, general and administrative expenses	4,410,751	4,194,014
<b>Operating income</b>	<b>1,525,878</b>	<b>2,257,162</b>
Other income	528,885	164,323
Other expenses	5,515	61,786
<b>Ordinary income</b>	<b>2,049,248</b>	<b>2,359,699</b>
Extraordinary income	694,785	—
Extraordinary losses	169,041	28,075
<b>Income before income taxes</b>	<b>2,574,992</b>	<b>2,331,624</b>
Income taxes	1,043,465	1,071,076
Deferred income taxes	(34,772)	(75,456)
<b>Net income</b>	<b>1,566,299</b>	<b>1,336,004</b>
Unappropriated retained earnings brought forward from the previous period	446,021	500,090
Interim Dividends	181,792	185,405
<b>Unappropriated retained earnings</b>	<b>1,830,528</b>	<b>1,650,689</b>

## Non-Consolidated Statements of Appropriation of Retained Earnings

(Thousands of yen)

	2006 (April 21)	2005 (April 26)
<b>Unappropriated retained earnings for the period</b>	<b>1,830,528</b>	<b>1,650,689</b>
Reduction of revenue reserve	23,359	23,738
Reduction of program and other, reserve	14,291	12,275
Reduction of special depreciation reserve	9,068	11,462
<b>Total</b>	<b>1,853,888</b>	<b>1,674,427</b>
<b>Amounts to be appropriated as follows:</b>		
Dividends	269,653	185,405
	[¥15.00 per share]	[¥10.00 per share]
Bonuses for directors and corporate auditors	34,400	43,000
[Corporate auditor bonuses]	(1,400)	(1,400)
Revenue reserve	1,100,000	1,000,000
General reserve	1,100,000	1,000,000
<b>Total</b>	<b>1,404,053</b>	<b>1,228,405</b>
<b>Retained earnings carried forward to the next period</b>	<b>449,835</b>	<b>446,021</b>

(Notes) 1. An interim dividend of ¥10 per share was paid on October 4, 2005.  
2. Dividend payments do not include dividends on treasury stock (823,121 shares in the FY2005, 259,421 shares in the FY2004).

### Basic Policy for Appropriation of Retained Earnings

"The Company's policy on profit distribution is to increase retained earnings on a long-term basis and to maintain a steady distribution of earnings in consideration of overall future business environment and dividend payout.

In addition, the Company enhance our business fundamentals by allocating retained earnings to capital expenditures such as research and development for advanced technologies and infrastructure development for improving business operations.

The Company decided the interim dividend of ¥10 per share and the final dividend of ¥15 per share, totalling ¥25 per share for the period under review."

### Net Sales

Fiscal years ended January 31

(Millions of yen)



### Ordinary Income

Fiscal years ended January 31

(Millions of yen)



### Net Income

Fiscal years ended January 31

(Millions of yen)



For the year ended January 31, 2002, the transition difference due to the adoption of a new accounting standard for employees' retirement benefits totaling ¥2,789 million was collectively incurred as the extraordinary losses.

- **Corporate Name:** Computer Engineering & Consulting, Ltd.
- **Establishment:** February 24, 1968
- **Common Stock:** 6,586,000,000 yen
- **Fiscal Year-end:** January 31
- **Number of Employees:** 1,474

## ● Main Offices and Laboratories

### Tokyo (Head Office)

JR Ebisu Bldg., 5-5, Ebisu Minami 1-chome, Shibuya-ku, Tokyo 150-0022

### Kanagawa (Zama) <Sagamino System Laboratory (Registered Office)>

1-11, Higashihara 5-chome, Zama-shi, Kanagawa 228-8567

### Kanagawa (Kawasaki) <Miyazakidai System Laboratory>

9-16, Miyazaki 2-chome, Miyamae-ku, Kawasaki-shi, Kanagawa 216-0033

### Oita <Oita System Laboratory>

21-1, Ohira Aza Kumano, Oaza Kitsuki-shi, Oita 873-0008

### Nagoya

Shirakawa No.8 Bldg., 10-29, Marunouchi 1-chome, Naka-ku, Nagoya 460-0002

### Osaka

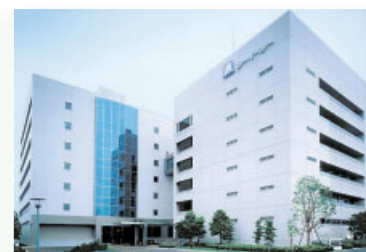
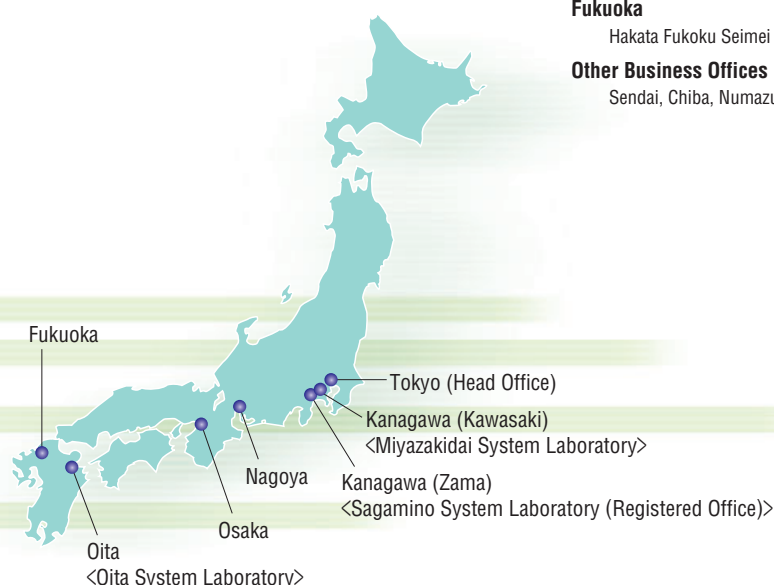
Shin-Osaka Daiichi Seimei Bldg., 5-24, Miyahara 3-chome, Yodogawa-ku, Osaka 532-0003

### Fukuoka

Hakata Fukoku Seimei Bldg., 8-30, Tenyamachi, Hakata-ku, Fukuoka 812-0025

### Other Business Offices

Sendai, Chiba, Numazu, Toyama, Toyoda, Kyoto



Kanagawa (Zama)  
<Sagamino System Laboratory (Registered Office)>

	Name	Common Stock (Millions of yen)	Ratio of Voting Rights (%)	Main Business
<b>Consolidated</b>	Foresight System Co., Ltd.	250	83.2	Software development
<b>Subsidiaries</b>	CEC Information Service Co., Ltd.	160	100.0	Information system services
	Sojitz Systems Corporation	111	70.0	Software development, System maintenance and operation
	CEC Solutions Inc.	100	100.0	Information system services
	CEC Nagoya Information Service Ltd.	50	100.0	System maintenance and operation
	Oita Computer Engineering & Consulting Ltd.	30	100.0	Software development
	Computer Engineering & Consulting (Shanghai), Ltd.	U.S.\$500,000	100.0	Software development
<b>Affiliates to which the Equity Method is Applied</b>	Fujitsu Middleware Ltd.	200	20.0	Package software development and sales
	eStrategy Corporation	164	23.1	Software development
	Fujitsu Oita Software Laboratory Ltd.	120	20.0	Software development
	Shanghai BaoXi Computer Technology Co., Ltd.	U.S.\$600,000	30.0	Software development

Note: eStrategy Corporation became an equity-method affiliate of CEC on October 27, 2005, following our acquisition of 32.2% of its outstanding shares through third-party allocation. Because eStrategy Corporation allocated new shares to a third party at a later date, the ratio of voting rights for CEC has declined to 23.1% as of March 16, 2006.



## ● Directors, Corporate Auditors and Executive Officers

(As of April 21, 2006)

<Directors and Corporate Auditors>

Chairman of the Board (Representative Director)	Hirosato Iwasaki
Vice Chairman of the Board	Hiroomi Hamajima
President (Representative Director)	Kazuyuki Shinno
Director (Executive Officer)	Koshige Hayashi
Director (Executive Officer)	Osamu Yoshitake
Director (Executive Officer)	Kiyomi Hashimura
Director (Executive Officer)	Fujio Tahara
Standing Corporate Auditor	Hideo Nakahara
Corporate Auditor	Akiho Fujimoto
Corporate Auditor	Tsuyoshi Nagahama

<Executive Officers>

Executive Officer	Hiroharu Kinone
Executive Officer	Kazuhiro Osada
Executive Officer	Tatsuo Obayashi
Executive Officer	Tadayoshi Hanaoka
Executive Officer	Hiroshi Nakano
Executive Officer	Tadashi Igari

## ● Common Stock Authorized

40,000,000 shares

## ● Common Stock Issued

18,800,000 shares

## ● Number of shareholders

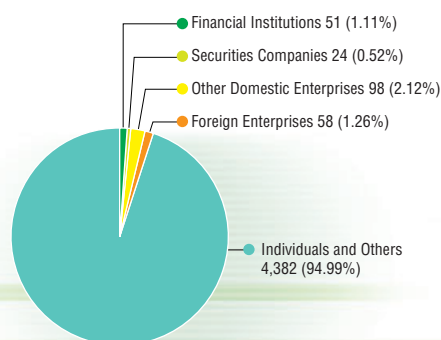
4,613

## ● Major shareholders

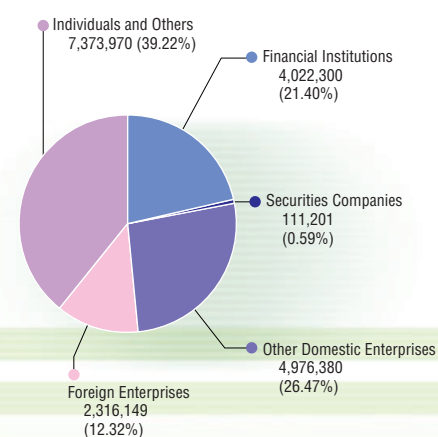
	Name	Number of shares held	Ratio of voting rights (%)
1	mitsuiwa corporation	2,423,600	13.48
2	Fujitsu Limited	1,680,000	9.34
3	Hirosato Iwasaki	938,200	5.21
4	Japan Trustee Services Bank, Limited (Trust Account)	785,000	4.36
5	The Master Trust Bank of Japan, Limited (Trust account)	702,400	3.90
6	Japan Foresight Electronics Limited	465,480	2.58
7	CEC Employee Ownership Association	429,000	2.38
8	Goldman Sachs International	328,900	1.82
9	State Street Bank and Trust Company	321,800	1.79
10	Morgan Stanley and Company International Limited	291,100	1.61

Note: Other than the above, the company has its self-owning treasury stock totaling 823,121 shares.

## ● Composition of Shareholders (number)



## ● Total Number of Shares Issued (shares)



# Web Information

CEC proactively discloses various information through its website, including corporate and financial data, to shareholders and investors, and also introduces its corporate activities and status on the site. We hope you will access the website to understand our Company in a better manner. However, please note that those information is currently provided in Japanese only.

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



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## ● Information for Shareholders

### Date of Fiscal Year-end

January 31 each year

### General Meeting of Shareholders

Annually in April

### Ex-dividends of Shareholders

January 31 for year-end dividend

July 31 for interim dividend

### Record Date

January 31 (In addition, public notice shall require whenever necessary.)

### Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

### Transfer Agent Office

Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

### (Mailing Address)

Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081

Tel: 0210-232-711 (Toll free number)

### Handling of Transfer Agent

All Branch Offices of Mitsubishi UFJ Trust and Banking Corporation

### Number of Shares Per Unit

100 shares

### Stock Exchange Listing

First Section, Tokyo Stock Exchange (Security Code: 9692)

### Independent Auditor

Chuoayama PriceWaterhouseCoopers

### Display of Public Notice

Nihon Keizai Shimbun

With regard to the Company's public notice, Balance Sheets and Statements of Operations are provided via the following page of our Website ([http://www.cec-ltd.co.jp/ir\\_info/ir\\_index.html](http://www.cec-ltd.co.jp/ir_info/ir_index.html)).

Requests for procedural forms related to our stock can be made 24 hours a day by calling the Mitsubishi UFJ Trust and Banking branches listed below or via the Internet.

Tel (toll-free): 0120-244-479 (Stock Transfer Agency Division at the Head Office)

0120-684-479 (Stock Transfer Agency Division at the Osaka Branch)

Internet website: <http://www.tr.mufg.jp/daikou>

## Computer Engineering & Consulting, Ltd.

JR EBISU BLDG, 1-5-5, EBISUMINAMI SHIBUYA-KU, TOKYO, 150-0022

Tel: +81-3-5789-2441

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

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