

To Shareholders

*Shape your future*

**CEC**

Computer Engineering & Consulting

## The 39th-Term Annual Review

From February 1, 2006 to January 31, 2007

**Computer Engineering & Consulting, Ltd.**



# Shape your future with our IT engineering

## Corporate Philosophy

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



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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 that investment decisions not be made solely on the basis of these forecasts.

# To Shareholders

It is a great honor for us to announce our financial results for the 39th fiscal term (February 1, 2006 to January 31, 2007).

During the term, thanks to the domestic economic recovery, we received an increasing number of orders for development of mission-critical systems from the financial sector. On the other hand, we focused on our areas of strength, such as the development of embedded software for cellular phones and digital appliances as well as verification and inspection services, to successfully achieve considerable growth in our results. We also actively worked on building alliances with promising companies in other industries and on expanding new businesses.

Consequently, on a consolidated basis, net sales reached ¥48,802 million, up ¥4,965 million (11.3%) from the previous year. Ordinary income was ¥2,709 million, up ¥632 million (30.5%) from the previous year, while net income was ¥1,535 million, up ¥249 million (19.4%) from the previous year.

Taking these factors into consideration and to reward our shareholders for their continued support, we are pleased to pay a dividend of



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



**Kazuyuki Shinno**  
Representative Director &  
President

¥27 per share for the full term (including the interim dividend of ¥12.50 per share). This is an increase of ¥2 per share from the previous year.

In fiscal 2007, we celebrate our 40th year in business. On this occasion, we will be strengthening our business customer base, which we have been consistently cultivating, and expanding new businesses in an agile and flexible manner. While fully leveraging the advantages that we enjoy as an independent systems integrator as well as our accumulated technical capabilities and expertise, each and every member of the Company is committed to achieving further gains, without resting on our laurels. We will continue to win the confidence of our customers as their IT engineering partner in the true sense.

We look forward to your continued support and encouragement.



## Agile & Innovative

“Agile” means to be swift and lively and “innovative” means to change a conventional framework or mechanism into a new form in line with shifting circumstances. We have adopted this motto as our key theme for the fiscal year 2007. In a rapidly changing and evolving business environment, we will respond quickly and flexibly, and will seek to be a service provider respected by shareholders, customers, business partners, employees and all other stakeholders.



### Q What were the second-year results of the medium-term management plan?

A During the 39th term that ended in January 2007, strong corporate revenues and soaring capital investment resulted in proactive investment in systems development, information security solutions and other information systems. Demand for IT expanded not merely in the manufacturing sector but in many other different business sectors as well, including finance and retail sectors. In this environment, in the second year of

the plan we strengthened our foothold in the information systems business which encompasses business applications, software development and IT management, and in the control systems business which includes the development of embedded software. We also steadily expanded our operations into new businesses. As a result, we attained year-on-year growth in consolidated net sales of more than 10%.

### Q How do you view the current market conditions?

A The banking sector, including the very largest banks, are consolidating their business foundations. Securities, insurance and credit card companies are meanwhile riding the surging wave of IT business seen in, for example, the diffusion of Electronic Toll Collection (ETC) systems and cellular phones. In the manufacturing sector, demand for automobiles

remains buoyant while sales of digital cameras and other precision equipment rebounding impressively. Despite this steady increase in demand, corporate clients still assess the cost effectiveness of any investment in IT so strictly that we and other information service businesses need to redouble our commitment to improving development productivity and profitability.

### Q What was the focus of business operations in fiscal 2006?

A We saw fiscal 2006 as a year for “growing” and “accelerating” the business seeds we had sown to date. Our open source software (OSS) business, in full operation since fiscal 2005, must now expand not only to provide system infrastructure foundations but also to broaden its array of useful applications that can enhance our customers’ managerial and operational quality. In fact, we received an order to develop large OSS-powered systems from a major precision machinery manufacturer. In fiscal 2007 as well, we are set to release new products. Widening the range of our proprietary packaged software and promptly responding to the new business models such as “Software as a Service (SaaS)”, we will swiftly support new business that will increase the value of our OSS

brand and expand our sales in new markets.

Our environmental business launched in March 2006 was introduced to some 50 outlets of a supermarket chain affiliated with a department store. It has a unique business model that combines EcoBino®, for cutting store electricity consumption, with operation control at our data center. We will seek to expand this business model as a service that is not provided by any of our competitors .

For those corporate customers seeking compliance with internal control requirements and the Japanese version of the Sarbanes-Oxley (SOX) Act, we provide security solutions centered on our proprietary ID card system: SmartSESAME®.

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## Q Recruiting and training of human resources are essential in build the foundation for future growth. What view do you have on this?

**A** We aspire to be a leading IT engineering and service company. We are working to build the skills of our engineering staff and to develop an environment with two pillars so that we can equip our Company with a team of IT engineering professionals. Specifically, these pillars include the training of personnel and recruitment of excellent human resources from Japan and abroad.

In February 2006, we embarked on an initiative to visualize engineers' skill levels in accordance with our original CEC Skill Standard (CEC-SS), which is compliant with the IT Skill Standard (ITSS) set out by the Ministry of Economy, Trade and Industry. In line with this certification program, we provide long-term training and

skill enhancement training as part of our initiatives, and foster an environment that ensures efficient development of expertise.

While constantly recruiting new graduates and experienced personnel, we also seek to hire engineers from China and India. In 2006, we recruited 30 new graduates in China. They are expected to work as skilled engineers after receiving Japanese language training and technical education for a one-year period. In the future, we will employ distinguished engineers from China and India, and build a human resources system that enables them to play roles in high value-added projects.

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## Q What efforts are being made to meet corporate social responsibility (CSR)?

**A** We are making a Group-wide efforts on the CSR initiative, since it will turn our business principle and vision into reality. In organizational terms, we set up the CSR Promotion Division in September 2006 to boost CSR activities for the entire Group. We are studying our CSR policies, and are taking steps to implement them fully or to monitor their operational status.

At the moment, our efforts are focused on

compliance, security, internal control, environmental conservation and quality assurance as priority challenges. In the future, we would like to continue our dialogue with stakeholders in different forms to pursue high quality CSR activities.



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## Q Finally, what message would you give to shareholders?

**A** This fiscal year marks the 40th anniversary of our foundation. Since the Company's early days our shareholders have offered powerful support to help us succeed in a rapidly changing information service industry. I would like to convey my sincerest gratitude for this. In the next decade leading to our 50th

anniversary, we will commit to increasing the satisfaction of shareholders and other stakeholders and to creating business stability and new business models. We hope that our shareholders will provide us with continued support in our bid to establish the CEC brand and to achieve substantial growth.

## Alliance in OSS application hosting services business with GMO Hosting & Security

CEC and GMO Hosting and Security, Inc. (“GMS-HS”), a major hosting service provider, jointly launched “Software as a Service (SaaS)”\* solution. It offers CRM and other business applications in a speedy manner and at low cost.

Without hosting any software purchased on in-house servers in advance, customers can use software on an as-needed basis. Characterized by its abilities to reduce introductory costs incurred by customers and to flexibly modify any application unsuitable to operations, SaaS is an ideal system for those customers who find IT investment burdensome.

GMO-HS is now one of the leading providers of corporate hosting services in terms of subscriber base and is expanding its share in the market for small and medium enterprises (SMEs). Given that the hosting service market is growing constantly, CEC formed the alliance to support system development. In the future, we will offer not only the CRM application but also other OSS software products.

\* SaaS (Software as a Service)  
SaaS is a form of service that allows customers to use only the required functions of application software installed on the remote server via a network when necessary.

### CEC's Activities in the 39th Term

#### 2006 February March

- Releases the EcoBino® energy management system
- Releases the SmartSESAME® SecurePrint! Plus printing security solution
- Announces the financial results for the year ended January 2006

#### April

- Releases the OpusSquare® BLOG, an OSS-based blog system for corporate users
- Releases the Linux Start Pack, a Linux server bundled with the OSS installation and support services
- Consolidates Chiyoda Electric Co., Ltd., making it a subsidiary
- Holds the 38th general meeting of shareholders
- Forms an alliance with Open Source Japan, Ltd. and Zend Japan, Ltd. for LAMP solutions for corporate users

#### May

- Cooperates with Stratus Technologies Japan, Inc. in the area of Linux server solutions
- Opens .NET Solution
- Participates in Linuxworld Expo Tokyo 2006

#### June

- Announces the first quarter financial results for the year ended January 2007

#### July

- Participates in Nikkei IR Fair Stockworld Summer 2006
- Opens office at Miyakonojo in Miyazaki Prefecture

#### August

- Forms a business partnership with U.S. firm, JasperSoft Corporation in the area of business intelligence (BI)
- Acquires shares in PILOT Inc.

## Overseas subsidiary renamed

Our overseas subsidiary, Chuangzhu Information Technology (Shanghai), Ltd., was renamed Computer Engineering & Consulting (Shanghai), Ltd. Under the same corporate brand as that used in Japan, we will work to expand and strengthen the business in China for providing high quality IT services that give customers further satisfaction.

## Participation in the Design Engineering and Manufacturing Solutions Expo – a large-scale trade fair for the manufacturing industry

CEC exhibited at the 9th Design Engineering and Manufacturing Solutions Expo Kansai held at the International Exhibition Center, Osaka (INTEX Osaka). This is one of the largest trade exhibitions in Japan, bringing together providers of solutions that include comprehensive support for design and manufacturing processes. CEC demonstrated a total of five solutions, namely the NC Multistation software for the construction of FA networks, a robotics solution, a CAD/CAE solution, a software management solution for design and manufacturing and SmartSESAME®.

The control systems business is an area we are focusing on and expanding as one of CEC's three business pillars. We will utilize opportunities like this to cultivate our customer base for control systems solutions.



## Expanding range of business services for trading and wholesale industries in collaboration with Idemitsu Kosan

CEC entered into a business tie-up with the major oil wholesaler, Idemitsu Kosan Co., Ltd., to broaden the array of sales support solutions for the trading and wholesale sectors.

Both companies are working together to provide one-stop service ranging from planning and consulting for the introduction of sales support systems through systems development, customization, operation and maintenance.

Idemitsu Kosan will expand the range of its services in the e-business area. In addition to its existing service of supporting construction of Enterprise Resource Planning (ERP) systems, it offers IT deployment support for streamlined sales operations, cost cuts and business strategies.

CEC will standardize the system supplied to Idemitsu Kosan

with dedicated features of client management and daily sales reporting. As a framework of sales support systems for trading and wholesale sectors, we will add it to our array of services, and expand sales of this solution.

For the purpose of supporting the management of oil customers and preparation of daily sales reports, Idemitsu Kosan contracted with CEC to develop sales support systems under the framework of WonderWeb®. The systems were adopted in 2002. Based on their operation track record at Idemitsu Kosan, the systems have been expanded to Group firms since 2003, namely Idemitsu Engineering Co., Ltd. and Astomos Energy Corporation, formerly Idemitsu Gas and Life Co., Ltd.

- Announces results for the fiscal half-year of the year ended January 2007
- Forms alliance with Idemitsu Kosan Co., Ltd. for sales support solutions for the trading and wholesale sectors

**September**

**October**

**November**

**December**

**2007 January February**

- Takes part in the 9th Design Engineering and Manufacturing Solutions Expo Kansai
- Releases the Stealth Folder software, which prevents information leaks

- Announces the third quarter financial results for the year ended January 2007

- Renames Chuangzhu Information Technology (Shanghai), Ltd., an overseas subsidiary, Computer Engineering & Consulting to (Shanghai), Ltd.

## The management team of U.S. SugarCRM visits Japan and delivers a keynote speech at the CRM seminar hosted by CEC.

CEC organized a seminar entitled “The Secret to Business Success with the Adoption of CRM – Key Points in Choosing CRM Solutions from Successful Case Studies.” We invited the management team of our CRM partner firm, SugarCRM Inc. (a rapidly growing company in the U.S. CRM market) to the seminar to deliver a presentation on case studies of CRM introduction to financial institutions, manufacturers and retailers. In the United States, CRM is increasingly being introduced to these industry sectors. The presentation suggested how to solve problems with CRM setting up as well as some useful hints.

In an age when IT-based use of information cannot be ignored, there are growing corporate needs for CRM. On the other hand, several drawbacks have been raised, such as high introduction costs, complexity of functions and difficulties in using it. SugarCRM became the first to successfully address

these problems in the United States. Referring to this company’s business strategy and its global strategy, the presentation explained solutions to problems with introducing CRM as well as points for adoption.



## Personnel education at CEC’s Chinese subsidiary enhanced by launching remote tutorials the Japanese language.

CEC has launched a tutor program for educating personnel at our Chinese subsidiary, Computer Engineering & Consulting (Shanghai), Ltd. The program features practical language training in different settings ranging from everyday communications in Japanese to an actual environment where development activities take place. The scheme also offers e-mail-based training for building Japanese writing skills so that the trainees will be able to take part in meetings with Japanese engineers (customers) and to make presentations on technical matters. Repeated corrections and guidance given by Japanese trainers will help the trainees acquire a natural command of Japanese.

After developing their Japanese language proficiency, trainees are expected to join the systems development process as project members.



This consolidated fiscal term, the information services industry saw an upward trend in orders from financial and manufacturing businesses for systems development and enhanced information security solutions, reflecting of strong corporate-sector earnings and a rise in capital investment. With severe competition to acquire customers, every vendor was required to develop its technical and proposal capabilities to respond to wide-ranging needs.

In this environment, the Group worked to strengthen the business infrastructure for the development of information and control system software within our existing business framework and addressed new businesses in such areas as open source software (OSS) and environmental business in a bid to increase our corporate value.

In the OSS business in particular, which has been in full operation since last year, we focused our efforts on Opus Square® and Opus Core®. Open Square® is a business-oriented application with additional services including a blog feature. Opus Core® refers to a service to construct high-reliability IT infrastructure.

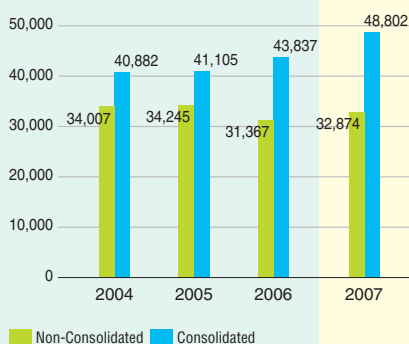
In the .NET solution business, we entered into an alliance with a major oil wholesaler to provide trading and wholesale businesses with a service based on

our own system framework, WonderWeb®, to help streamline sales processes and lead to IT utilization for business strategies. In the IT service management and operations area, we enhanced IT management services in accordance with the global standard guidelines, the Information Technology Infrastructure Library (ITIL), to help our customers establish their internal control.

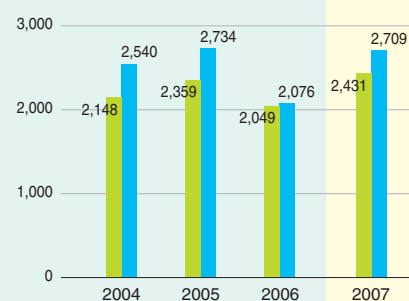
Given that fulfilling corporate social responsibility (CSR) is now essential to corporate activities, we have set up a section dedicated to CSR activities to enforce statutory compliance and information security within our Group.

In addition to these activities, the full-year performance of Sojitz Systems Corporation, which became part of our Group last year, was incorporated into our consolidated financial results during the term under review. As a result, on a consolidated basis, net sales totaled ¥48,802 million, up ¥4,965 million (11.3%) from the previous year. Ordinary income was ¥2,709 million, up ¥632 million (30.5%), while net income reached ¥1,535 million, up ¥249 million (19.4%). On a non-consolidated basis, net sales were ¥32,874 million, up ¥1,506 million (4.8%) from the previous year; ordinary income was ¥2,431 million, up ¥382 million (18.7%); and net income stood at ¥1,695 million, up ¥128 million (8.2%).

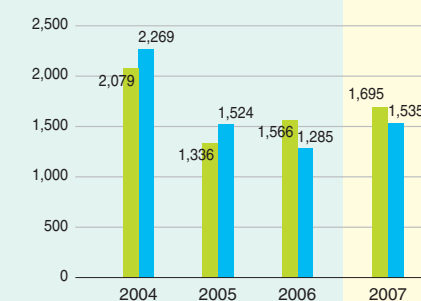
**Net Sales** (Millions of yen)  
Fiscal years ended January 31



**Ordinary Income** (Millions of yen)  
Fiscal years ended January 31



**Net Income** (Millions of yen)  
Fiscal years ended January 31





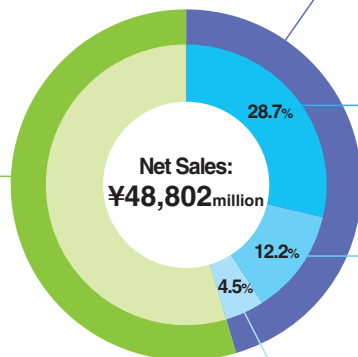
# Business Review by Segment (Consolidated)

## Ratio of Net Sales by Segment

**¥26,664 million 54.6%**

### Software Development

Owing to an increase in information system investment by financial and manufacturing sectors whose results are steady, net sales were ¥26,604 million, up ¥2,530 million (10.5%) from the previous year.



**¥22,137 million 45.4%**

### Information System Services

As a result of posting the performance by Sojitz Systems Corporation which joined in our Group last year, net sales totaled ¥22,137 million, up ¥2,434 million (12.4%) from the previous year.

### Professional Services

Thanks to the contribution of Sojitz Systems Corporation and steady sales growth in the embedded software product verification service business, net sales were ¥14,000 million, up ¥3,268 million (20.4%) from the previous year.

### Outsourcing Services

As a result of a decrease in sales of data entry service business, etc., net sales were ¥5,943 million, down ¥1,524 million (20.4%) from the previous year.

### Package Products

With an increase in sales of data backup products, and the contribution of Sojitz Systems Corporation, net sales reached ¥2,194 million, up ¥690 million (45.9%) from the previous year.

## Future Tasks for Our Group

Although our industry will continue to enjoy proactive corporate IT investment, the circumstances surrounding vendors are increasingly severe, with a shortage of good engineers and measures against information leakage risks.

In such an environment, based on our key themes "Agile and Innovative," the Group is striving to develop its business to respond quickly and flexibly to customers' needs and to achieve the goals set out in the three-year medium-term management plan.

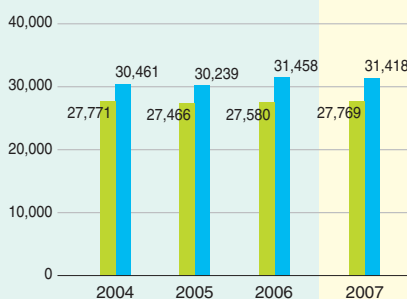
First, in addition to the establishment of our own brand, PROVEQ™, for a high-end third-party verification and inspection service, we will pursue a sales strategy designed to strengthen the customer base, and reinforce

relations with customers.

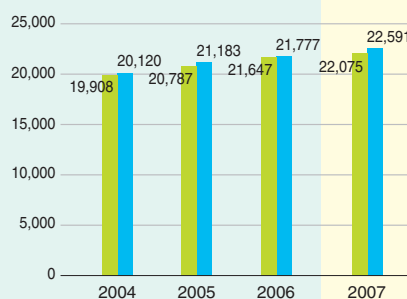
We will enhance our in-house education system to enable the Group to operate at an even higher level and achieve gains in productivity and profitability. In so doing, we will address the challenge of training professionals specializing in different areas.

Meanwhile, we will strive to ensure statutory compliance to prevent any misconduct and to create an effective system of internal control that enables tighter corporate governance and open management.

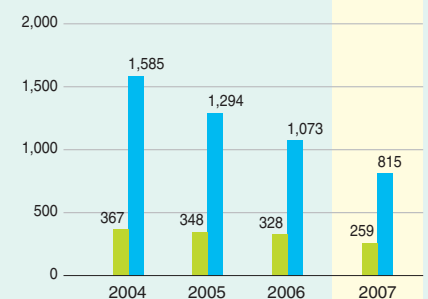
**Total Assets** (Millions of yen)  
As of January 31



**Net Assets** (Millions of yen)  
As of January 31



**Interest Bearing Debt** (Millions of yen)  
As of January 31



# Consolidated Financial Statements

## Consolidated Balance Sheets As of January 31

	(Thousands of yen)		(Thousands of yen)	
	2007	2006	2007	2006
<Assets>			<Liabilities>	
<b>Current assets</b>	<b>17,342,628</b>	<b>17,119,780</b>	<b>Current liabilities</b>	<b>6,180,576</b>
Cash and time deposits	4,079,299	5,373,657	Accounts payable - trade	2,677,794
Notes and accounts receivable - trade	9,047,182	8,482,454	Short-term borrowings	669,516
Inventories	2,965,068	1,944,514	Accrued income taxes	899,527
Deferred tax assets	450,612	387,764	Accrued bonuses	445,376
Other	816,832	939,872	Reserve for directors' and corporate auditors' bonuses	55,900
Allowance for doubtful accounts	(16,366)	(8,482)	Other	1,432,461
			<b>Long-term liabilities</b>	<b>2,646,144</b>
<b>Fixed assets</b>	<b>14,075,811</b>	<b>14,338,757</b>	Long-term borrowings	146,097
<b>Property, plant and equipment</b>	<b>7,412,115</b>	<b>7,494,200</b>	Accrued severance indemnities	1,834,478
Buildings and structures	4,462,532	4,550,612	Allowance for directors' and corporate auditors' retirement benefits	451,153
Land	2,512,896	2,511,776	Other	214,415
Other	436,686	431,812	<b>Total liabilities</b>	<b>8,826,721</b>
<b>Intangible fixed assets</b>	<b>854,510</b>	<b>894,761</b>	<Minority interests>	
<b>Investments and other assets</b>	<b>5,809,185</b>	<b>5,949,794</b>	<b>Minority interests</b>	<b>—</b>
Investments in securities	2,332,650	3,268,128	<Shareholders' equity>	
Deferred tax assets	1,524,857	1,410,163	<b>Common stock</b>	<b>—</b>
Other	2,078,850	1,398,672	<b>Capital surplus</b>	<b>—</b>
Allowance for doubtful accounts	(127,173)	(127,170)	<b>Retained earnings</b>	<b>—</b>
			<b>Net unrealized gains on other securities</b>	<b>—</b>
<b>Total assets</b>	<b>31,418,439</b>	<b>31,458,537</b>	<b>Foreign currency translation adjustments</b>	<b>—</b>
			<b>Treasury stock</b>	<b>—</b>
Accumulated depreciation on property, plant and equipment	4,923,557	4,726,879	<b>Total shareholders' equity</b>	<b>—</b>
			<b>Total liabilities, minority interests and shareholders' equity</b>	<b>—</b>
			<Net assets>	
			<b>Shareholders' equity</b>	<b>21,709,983</b>
			Common stock	6,586,000
			Capital surplus	6,415,030
			Retained earnings	10,158,884
			Treasury stock	(1,449,931)
			<b>Valuation and translation adjustments, etc.</b>	<b>334,044</b>
			Net unrealized gains on other securities	333,073
			Foreign currency translation adjustments	971
			<b>Minority interests</b>	<b>547,690</b>
			<b>Total net assets</b>	<b>22,591,718</b>
			<b>Total liabilities and net assets</b>	<b>31,418,439</b>

**Consolidated Statements of Operations**  
Years ended January 31

(Thousands of yen)

	2007	2006
Net sales	48,802,431	43,837,347
Cost of sales	39,598,365	35,461,195
<b>Gross profit</b>	<b>9,204,066</b>	<b>8,376,152</b>
Selling, general and administrative expenses	6,676,465	6,481,820
<b>Operating income</b>	<b>2,527,601</b>	<b>1,894,331</b>
Other income	229,771	200,329
Other expenses	48,333	18,395
<b>Ordinary income</b>	<b>2,709,038</b>	<b>2,076,266</b>
Extraordinary income	301,594	733,061
Extraordinary losses	83,549	250,032
<b>Income before income taxes</b>	<b>2,927,083</b>	<b>2,559,295</b>
Income taxes	1,318,689	1,332,864
Deferred income taxes	19,516	(31,687)
Minority interests in net income (loss)	53,755	(27,229)
<b>Net income</b>	<b>1,535,122</b>	<b>1,285,347</b>

**Consolidated Statements of Cash Flows**  
Years ended January 31

(Thousands of yen)

	2007	2006
Cash flows from operating activities	391,268	2,243,102
Cash flows from investing activities	(501,963)	(606,603)
Cash flows from financing activities	(1,251,780)	(1,288,018)
Effect of exchange rate changes on cash and cash equivalents	985	3,981
Net increase in cash and cash equivalents	(1,361,490)	352,461
Cash and cash equivalents at beginning of period	5,432,789	5,080,328
Cash and cash equivalents at end of period	4,071,299	5,432,789



# Consolidated Financial Statements

## Consolidated Statements of Changes in Shareholders' Equity Year ended January 31, 2007

(Thousands of yen)

	Shareholders' equity					Valuation and translation adjustments, etc.		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance at year ended January 31, 2006	6,586,000	6,415,030	9,160,602	(996,730)	21,164,902	615,119	(2,134)	612,984
Changes during the period								
Dividends			(494,364)		(494,364)			
Payments of directors' and corporate auditors' bonuses			(42,476)		(42,476)			
Net income			1,535,122		1,535,122			
Acquisition of treasury stock				(453,200)	(453,200)			
Changes in items other than shareholders' equity during the period (net)					—	(282,046)	3,106	(278,939)
Total changes during the period	—	—	998,282	(453,200)	545,081	(282,046)	3,106	(278,939)
Balance at year ended January 31, 2007	6,586,000	6,415,030	10,158,884	(1,449,931)	21,709,983	333,073	971	334,044

	Minority interests	Total net assets
Balance at year ended January 31, 2006	497,273	22,275,159
Changes during the period		
Dividends		(494,364)
Payments of directors' and corporate auditors' bonuses		(42,476)
Net income		1,535,122
Acquisition of treasury stock		(453,200)
Changes in items other than shareholders' equity during the period (net)	50,417	(228,522)
Total changes during the period	50,417	316,559
Balance at year ended January 31, 2007	547,690	22,591,718

## Consolidated Statements of Retained Earnings Years ended January 31

(Thousands of yen)

	2006
<Capital surplus>	
Capital surplus at beginning of period	6,415,030
Capital surplus at end of period	6,415,030
<Retained earnings>	
Retained earnings at beginning of period	8,289,280
Increase in retained earnings	1,285,347
Decrease in retained earnings	414,025
Retained earnings at end of period	9,160,602

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheets

As of January 31

(Thousands of yen)

	2007	2006
<Assets>		
<b>Current assets</b>	<b>12,774,199</b>	<b>12,703,839</b>
<b>Fixed assets</b>	<b>14,995,793</b>	<b>14,876,764</b>
Property, plant and equipment	6,809,505	6,967,584
Intangible fixed assets	409,788	489,977
Investments and other assets	7,776,499	7,419,202
<b>Total assets</b>	<b>27,769,993</b>	<b>27,580,604</b>
<Liabilities>		
<b>Current liabilities</b>	<b>4,017,925</b>	<b>3,908,247</b>
<b>Long-term liabilities</b>	<b>1,676,887</b>	<b>2,024,760</b>
<b>Total liabilities</b>	<b>5,694,813</b>	<b>5,933,008</b>
<Shareholders' equity>		
<b>Common stock</b>	—	<b>6,586,000</b>
<b>Capital surplus</b>	—	<b>6,415,030</b>
<b>Retained earnings</b>	—	<b>9,041,807</b>
<b>Net unrealized gains on investment in securities</b>	—	<b>601,488</b>
<b>Treasury stock</b>	—	<b>(996,730)</b>
<b>Total shareholders' equity</b>	—	<b>21,647,595</b>
<b>Total liabilities and shareholders' equity</b>	—	<b>27,580,604</b>
<Net assets>		
<b>Shareholders' equity</b>	<b>21,759,340</b>	—
Common stock	6,586,000	—
Capital surplus	6,415,030	—
Capital reserve	6,415,030	—
Retained earnings	10,208,242	—
Legal earned surplus reserve	300,783	—
Other retained earnings	9,907,459	—
Treasury stock	(1,449,931)	—
<b>Valuation and translation adjustments, etc.</b>	<b>315,839</b>	—
<b>Total net assets</b>	<b>22,075,180</b>	—
<b>Total liabilities and net assets</b>	<b>27,769,993</b>	—

Accumulated depreciation on property, plant and equipment

4,579,407

4,376,948

## Non-consolidated Statements of Operations

Years ended January 31

(Thousands of yen)

	2007	2006
Net sales	32,874,071	31,367,413
Cost of sales	26,626,837	25,430,783
<b>Gross profit</b>	<b>6,247,233</b>	<b>5,936,629</b>
Selling, general and administrative expenses	4,332,420	4,410,751
<b>Operating income</b>	<b>1,914,812</b>	<b>1,525,878</b>
Other income	548,683	528,885
Other expenses	32,007	5,515
<b>Ordinary income</b>	<b>2,431,488</b>	<b>2,049,248</b>
Extraordinary income	391,303	694,785
Extraordinary losses	41,033	169,041
<b>Income before income taxes</b>	<b>2,781,758</b>	<b>2,574,992</b>
Income taxes	1,060,416	1,043,465
Deferred income taxes	26,143	(34,772)
<b>Net income</b>	<b>1,695,198</b>	<b>1,566,299</b>
Unappropriated retained earnings brought forward from the previous period	—	446,021
Interim Dividends	—	181,792
<b>Unappropriated retained earnings</b>	—	<b>1,830,528</b>

## Non-consolidated Statements of Changes in Shareholders' Equity

Year ended January 31, 2007

(Thousands of yen)

	Shareholders' equity					Valuation and translation adjustments, etc.		Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities	Total valuation and translation adjustments	
Balance at year ended January 31, 2006	6,586,000	6,415,030	9,041,807	(996,730)	21,046,106	601,488	601,488	21,647,595
Changes during the period								
Dividends			(494,364)		(494,364)		—	(494,364)
Payments of directors' and corporate auditors' bonuses			(34,400)		(34,400)		—	(34,400)
Net income			1,695,198		1,695,198		—	1,695,198
Acquisition of treasury stock				(453,200)	(453,200)		—	(453,200)
Changes in items other than shareholders' equity during period (net)					—	(285,649)	(285,649)	(285,649)
Total changes during the period	—	—	1,166,434	(453,200)	713,234	(285,649)	(285,649)	427,584
Balance at year ended January 31, 2007	6,586,000	6,415,030	10,208,242	(1,449,931)	21,759,340	315,839	315,839	22,075,180

- **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:** 1,593

## ● 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

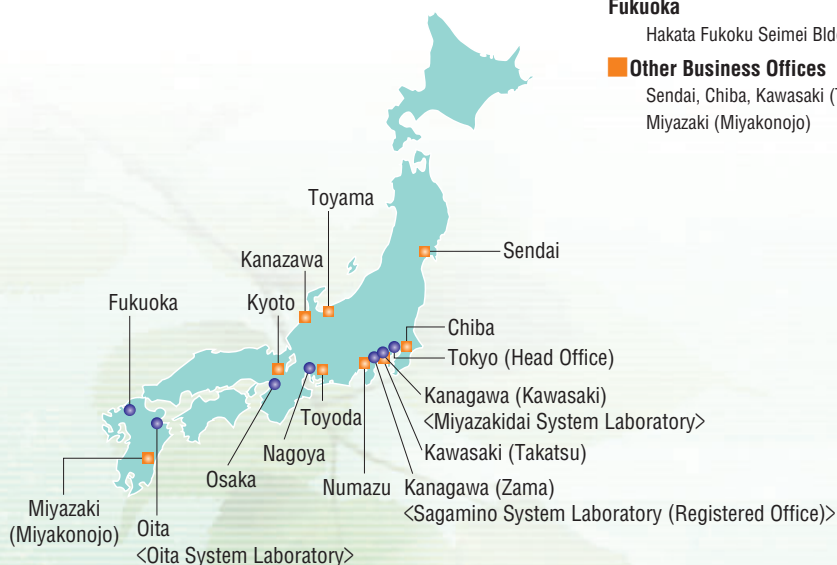
Shin-Osaka Daiichi Seimei Bldg., 5-24, Miyahara 3-chome, Yodogawa-ku, Osaka 532-0003

### Fukuoka

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

### ■ Other Business Offices

Sendai, Chiba, Kawasaki (Takatsu), Numazu, Toyama, Kanazawa, Toyoda, Kyoto, Miyazaki (Miyakonojo)



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

	Name	Common Stock (Millions of yen)	Ratio of Voting Rights (%)	Main Business
<b>Consolidated Subsidiaries</b>	Foresight System Co., Ltd.	250	83.2	Software development
	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
	Chiyoda Electric Co., Ltd. *1	49	100.0	Information system and coin-operated parking operation
	Oita Computer Engineering & Consulting Ltd.	30	100.0	Software development
	Computer Engineering & Consulting (Shanghai), Ltd. *5	US\$1,000,000	100.0	Software development
<b>Affiliates to which the Equity Method is Applied</b>	E-Plat Co., Ltd. *3	218	19.8	Development of energy conservation system
	eStrategy Corporation	169	22.4	Software development
	Pilot Corporation *2	45	30.0	WEB & EC sites
	Shanghai BaoXi Computer Technology Co., Ltd.	US\$600,000	30.0	Software development

\*1 Effective April 12, 2006, the Company added Chiyoda Electric Co., Ltd. to the list of consolidated subsidiaries as a result of acquiring all outstanding shares in Chiyoda Electric Co., Ltd.

\*2 Effective August 31, 2006, the Company applied the equity method to the Pilot Corporation as a result of acquiring 30% of in Pilot Corporation's shares.

\*3 On November 17, 2006, the Company extended a loan to E-Plat Co., Ltd.; already holding a 19.8% interest, the Company effectively made E-Plat Co., Ltd. an equity method affiliate.

\*4 Although formally the equity method had been applied to Fujitsu Middleware Ltd. and Fujitsu Oita Software Laboratory Ltd., it was not applied this fiscal year because the Company had sold all shares in those companies.

\*5 Effective February 1, 2007, Shanghai BaoXi Computer Technology Co., Ltd (Shanghai) changed its trade name to Computer Engineering & Consulting (Shanghai), Ltd.



## ● Directors, Corporate Auditors and Executive Officers (As of April 20, 2007)

### <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 Managing Officer)	Osamu Yoshitake
Director (Executive Officer)	Kiyomi Hashimura
Director (Executive Officer)	Fujio Tahara
Standing Corporate Auditor	Hideo Nakahara
Corporate Auditor	Tsuyoshi Nagahama
Corporate Auditor	Kazuto Kojima

### <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
Executive Officer	Masahiro Hirota

● **Common Stock Authorized** 40,000,000 shares

● **Common Stock Issued** 18,800,000 shares

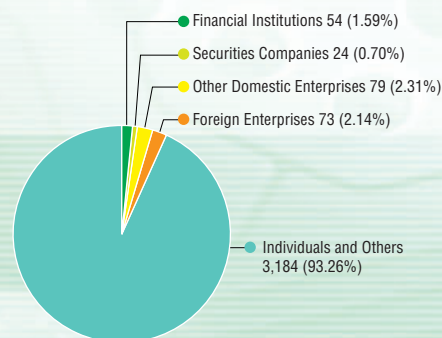
● **Number of Shareholders** 3,414

## ● Major Shareholders

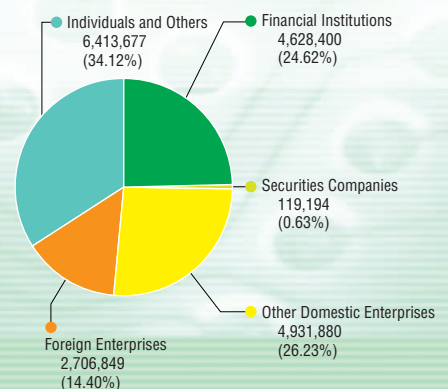
	Name	Number of Shares Held	Ratio of Shares Held (%)
1	Mitsuiwa Corporation	2,423,600	13.70
2	Fujitsu Limited	1,680,000	9.50
3	Japan Trustee Services Bank, Limited (Trust Account)	1,210,200	6.84
4	Hirosato Iwasaki	938,200	5.30
5	The Master Trust Bank of Japan, Limited (Trust Account)	572,600	3.23
6	Japan Foresight Electronics Limited	465,480	2.63
7	CEC Employee Ownership Association	437,100	2.47
8	The Chase Manhattan Bank, N.A. London S L Omnibus Account	431,200	2.43
9	Goldman Sachs International	373,035	2.10
10	The Chase Manhattan Bank, N. A.	325,500	1.84

Note: Other than the above, the Company has its self-owning treasury stock totaling 1,119,921 shares.

## ● Composition of Shareholders (number)



## ● Total Number of Shares Issued (shares)



Note: The 1,119,921 shares owned by the Company are included in "Individuals and Others."

# Web Information

Through its website, CEC proactively discloses various information, 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 better understand our Company. However, please note that the information is currently provided in Japanese only.



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

## ● Information for Shareholders

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### Business year

from February 1 to January 31 of the following year

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### General Meeting of Shareholders

Annually in April

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### Ex-dividends of Shareholders

January 31 for year-end dividend

July 31 for interim dividend

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### Record Date

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

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### Administrator of Shareholder Register

Mitsubishi UFJ Trust and Banking Corporation

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

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### Handling Office

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

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

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### Mailing Address

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

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

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

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### Agency Office

All branch offices of Mitsubishi UFJ Trust and Banking Corporation

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### One unit of shares

100 shares

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### Stock Exchange Listing

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

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### Method of Public Notices

By electronic means

Web site address of public notice: <http://www.cec-ltd.co.jp>

(When electronic public notices are not available owing accidents or other unavoidable reasons, they shall be given in the newspaper, the Nihon Keizai Shinbun)

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 (Corporate Agency Division at the Head Office)

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

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

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## Computer Engineering & Consulting, Ltd.

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

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