

August 31, 2006

## Briefing on the Financial Results for the Fiscal Year Ended June 30, 2006

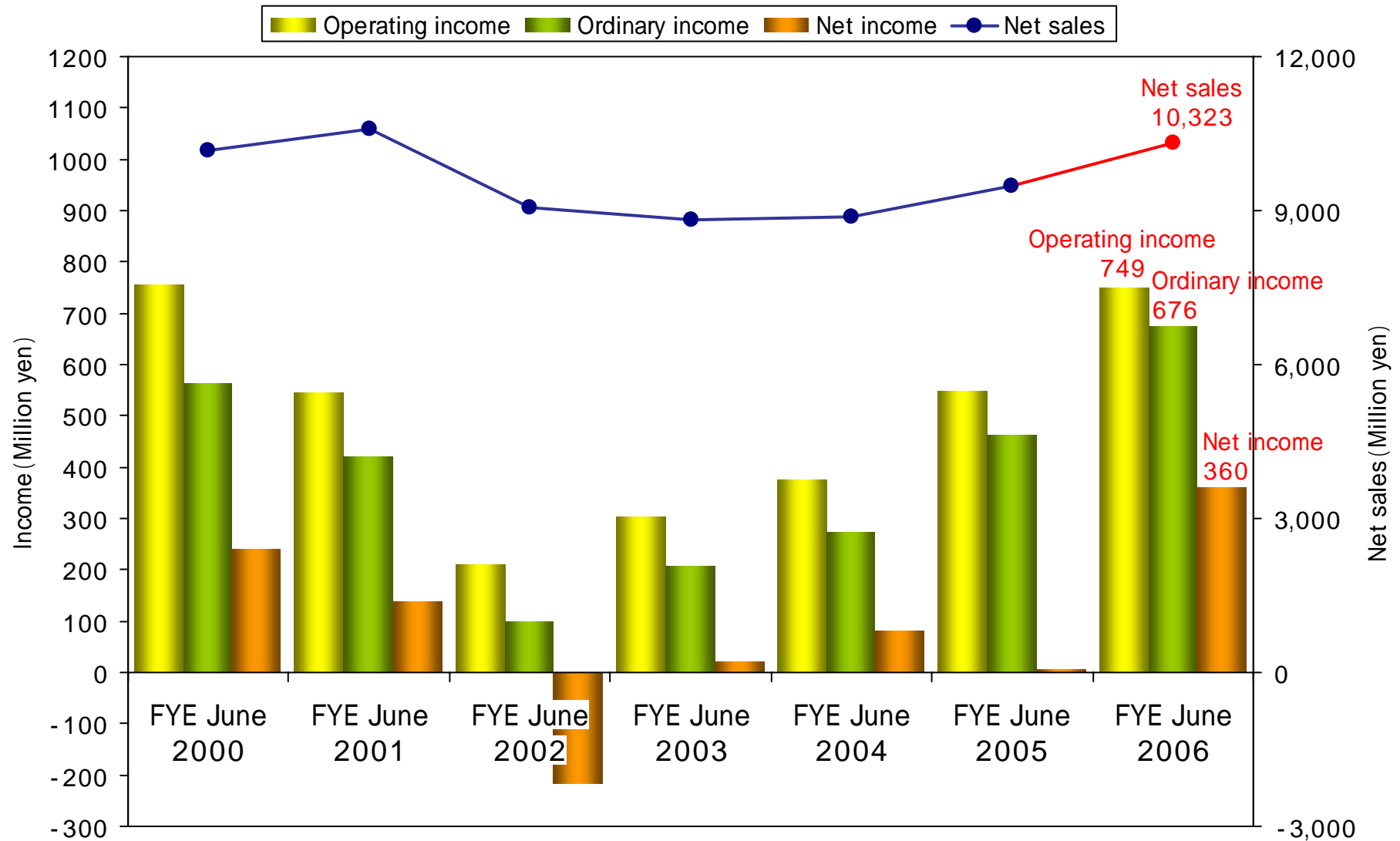
KOZO KEIKAKU ENGINEERING Inc.

Note pertaining to this data: Results forecasts appearing in this material are prepared based on the information available as of the date of publication. Actual performance results may differ from forecasted figures due to uncertainties such as the economic environment.

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# 1 . Outline of financial results

# Performance since IPO



## Contributing factors for our planned achievements for the year ended June 2006

- Rise of market needs
  - Economic recovery in Japan
  - Investment for IT has been recovered in Manufacturing industry and Information & Telecommunication industries
- Reinforcement of sales force
  - Proposal for high added-value in suggested sales
  - Proposal by cooperation between different sections
- Avoidance of nonconformity
  - Efforts of the Software Engineering Center etc.

# Outline of financial results

(Million yen)

	FYE June 2005	FYE June 2006		-	-
		Plan	Results	Change from previous FY (rate of change)	Discrepancy from plan (rate of change)
Net sales	9,473	10,000	10,323	849 (9.0%)	323 (3.2%)
Operating income	550	730	749	199 (36.3%)	19 (2.7%)
Ordinary income	462	620	676	213 (46.3%)	56 (9.1%)
Net income	7	330	360	353 ( - )	30 (9.4%)

# Balance sheet

(Million yen)

	FYE June 2004	FYE June 2005	FYE June 2006	Change from previous FY
Current assets	3,568	3,351	3,414	63
Cash on hand and in banks	583	303	386	82
Trade notes and accounts receivable	1,760	1,995	1,587	408
Fixed assets	6,756	7,001	6,952	48
Total assets	10,324	10,352	10,367	14
Current liabilities	3,294	3,670	3,812	141
Short - term debt *	1,752	1,890	1,895	5
Long - term liabilities	3,867	3,626	3,146	480
Long - term debt	3,211	2,606	2,071	535
Total liabilities	7,162	7,297	6,958	338
Total net worth	3,162	3,055	3,408	353
Total liabilities and net worth	10,324	10,352	10,367	14

- Accounts receivable  
- Decreased by amelioration of payback ratio and shortening of retaining period.
- Long - term debt  
- Long - term debt decreased gradually.
- Total shareholder's equity  
- Ratio of net worth improved from 29.5% in FYE June 2005 to 32.9% in FYE June 2006.

\*"Long - term debt scheduled for repayment within 1 year" are included in short - term debt.

# Income statement

(Million yen)

	FYE June 2004	FYE June 2005	FYE June 2006	Change from previous FY (rate of change)
Net sales	8,877	9,473	10,323	849
Cost of sales	5,956	6,444	6,753	309
Gross profit	2,920	3,029	3,569	540
Sales and administrative expenses	2,546	2,478	2,820	341
Operating income	374	550	749	199
Non - operating income	16	18	22	4
Non - operating expense	115	106	96	10
Ordinary income	274	462	676	213
Extraordinary profit	64	-	26	26
Extraordinary loss	172	384	35	348
Net income before tax	166	77	667	589
Corporate income tax, local tax, and business tax	214	293	399	106
Adjusted amount of corporate income tax	130	222	92	129
Net income	82	7	360	353

- Net sales
  - Increases were the result of reinforcement of sale force.
- Cost of sales
  - Increase in outsourcing cost and purchasing cost with activation of business.
- Gross profit
  - Amelioration by increase in net sales and profitability projects.
- Sales and administrative expenses
  - Increase in sales personnel for seeking new customers and new business.
  - Increase in education and training expense.
- Non - operating expenses
  - Decrease in interest expense.
- Extraordinary loss
  - Accounting for dormant assets.



# Statement of cash flows

(Million yen)

	FYE June 2004	FYE June 2005	FYE June 2006
Cash and cash equivalents at beginning of term	405	583	303
Cash flow from operations	926	621	898
Cash flow from investments	63	320	259
Cash flow from financing	684	581	556
Cash and cash equivalents at end of term	583	303	386

## Breakdown of cash flow

### ➤ Cash flow from operations

- Net income before income tax ¥667 million
- Depreciation charges ¥305 million
- Loss of impaired assets ¥29 million
- Decrease in accounts receivable ¥450 million
- Increase in inventories -¥290 million
- Amount paid for corporate income tax -¥344 million

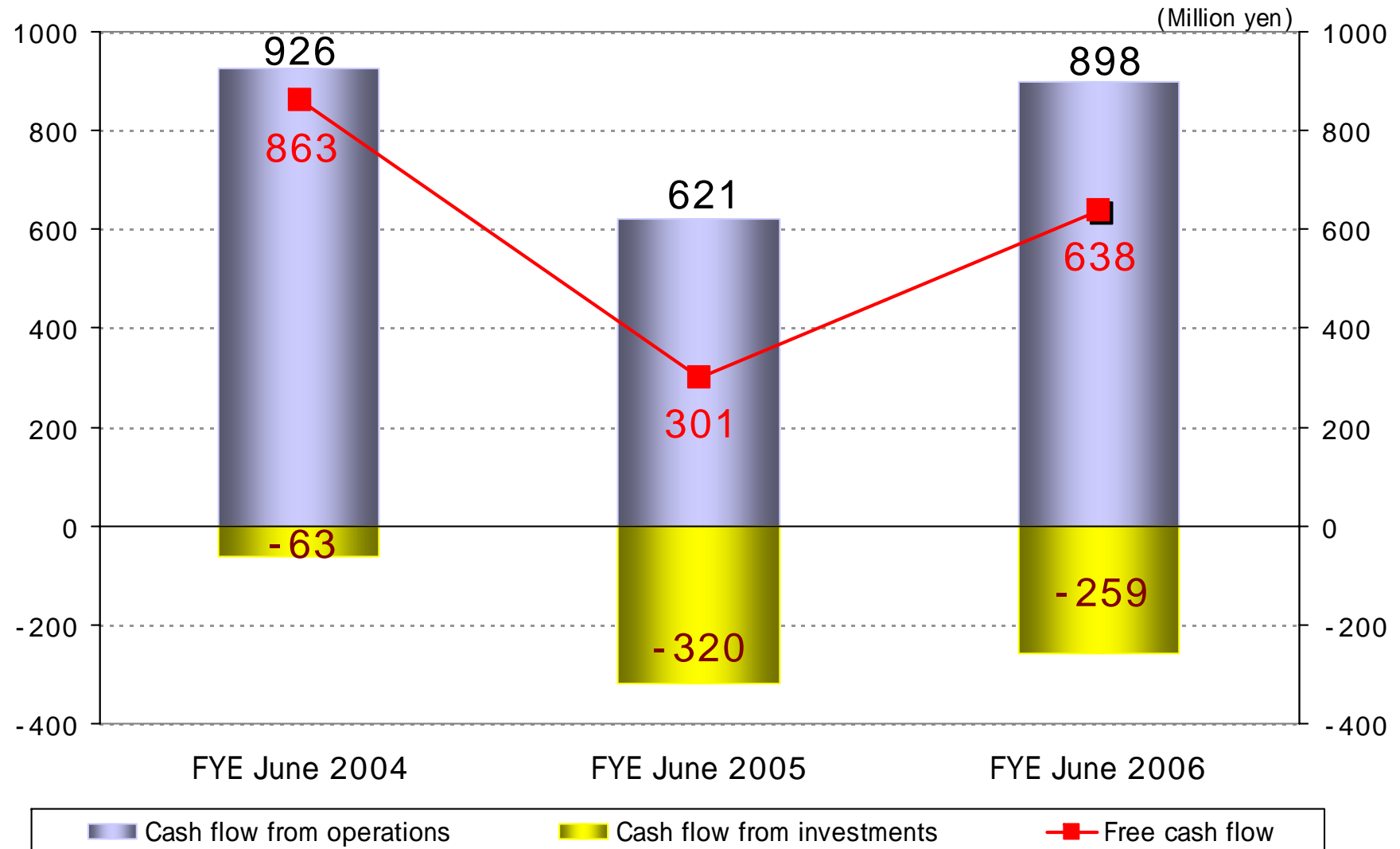
### ➤ Cash flow from investments

- Acquisition of investment securities -¥38 million
- Acquisition of tangible fixed assets -¥25 million
- Acquisition of intangible fixed assets -¥211 million

### ➤ Cash flow from financing

- Increase in short-term debt ¥30 million
- Increase in long-term debt ¥700 million
- Decrease in long-term debt -¥1,260 million
- Payment of dividends -¥56 million

# Free cash flow



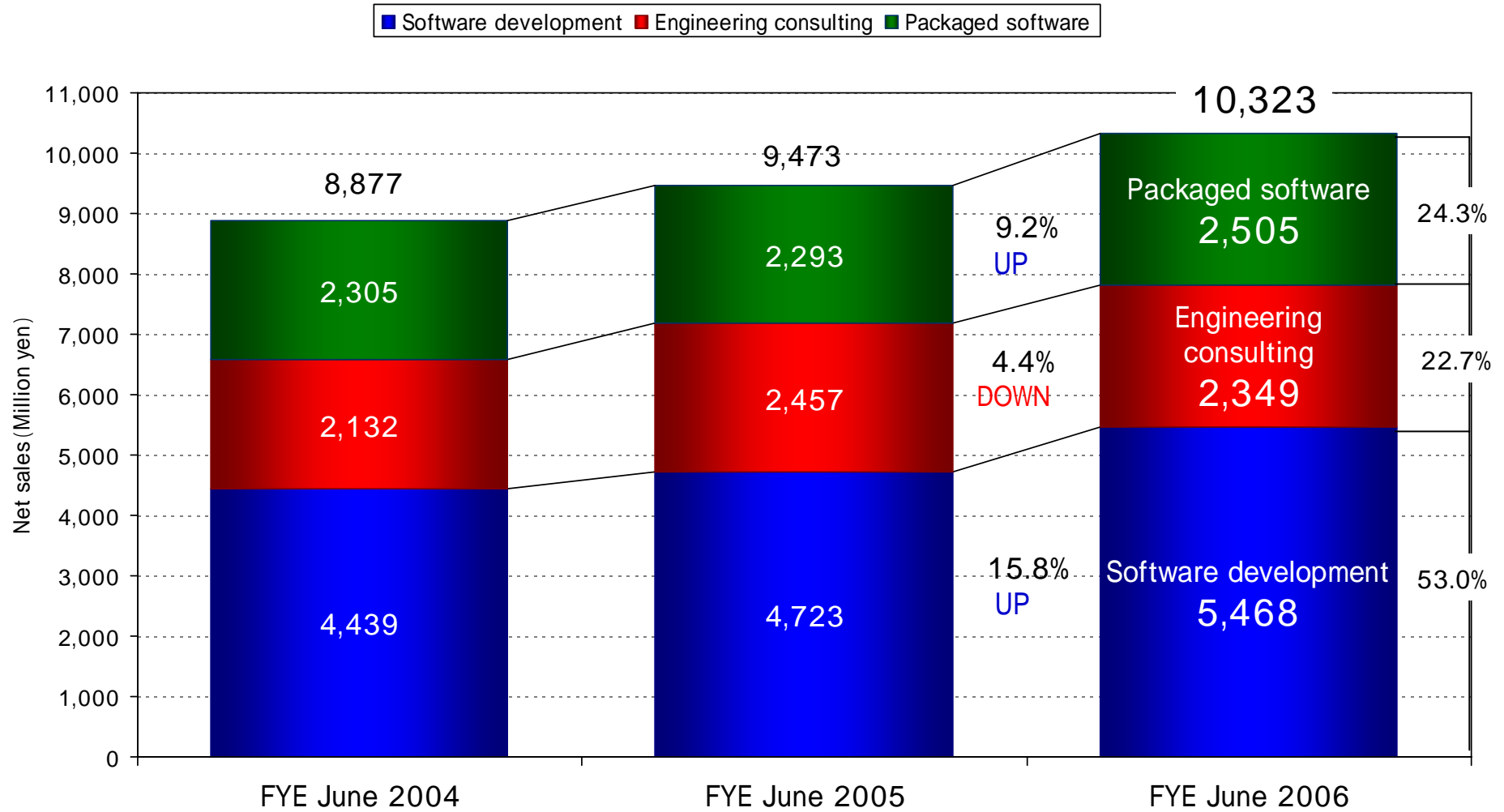
## 2 . Breakdown by segment

# Segment overview

(Million yen)

Segment	Description of business	Contribution to net sales		
		FYE June 2004	FYE June 2005	FYE June 2006
Software development	<ul style="list-style-type: none"> <li>❖ Mobile telecoms, mobile network communications</li> <li>❖ Sales/design support systems for manufacturing</li> <li>❖ Architectural and construction software</li> <li>❖ Multimedia</li> </ul>	4,439 (50.0%)	4,723 (49.9%)	5,468 (53.0%)
Engineering consulting	<ul style="list-style-type: none"> <li>❖ Architectural structure design</li> <li>❖ Disaster prevention, anti-seismic, numerical analysis</li> <li>❖ Marketing/decision-making support consulting</li> <li>❖ Production/logistics solutions</li> </ul>	2,132 (24.0%)	2,457 (25.9%)	2,349 (22.7%)
Packaged software	<ul style="list-style-type: none"> <li>❖ CAE software for designers</li> <li>❖ Structural analysis/anti-seismic inspection software packages</li> <li>❖ Architectural/civil engineering CAD software packages</li> <li>❖ Marketing/decision-making support software</li> <li>❖ Electromagnetic wave propagation analysis software</li> </ul>	2,305 (26.0%)	2,293 (24.2%)	2,505 (24.3%)
Total		8,877 (100.0%)	9,473 (100.0%)	10,323 (100.0%)

# Net sales breakdown by segment



# Gross profit breakdown by segment

(Million yen)

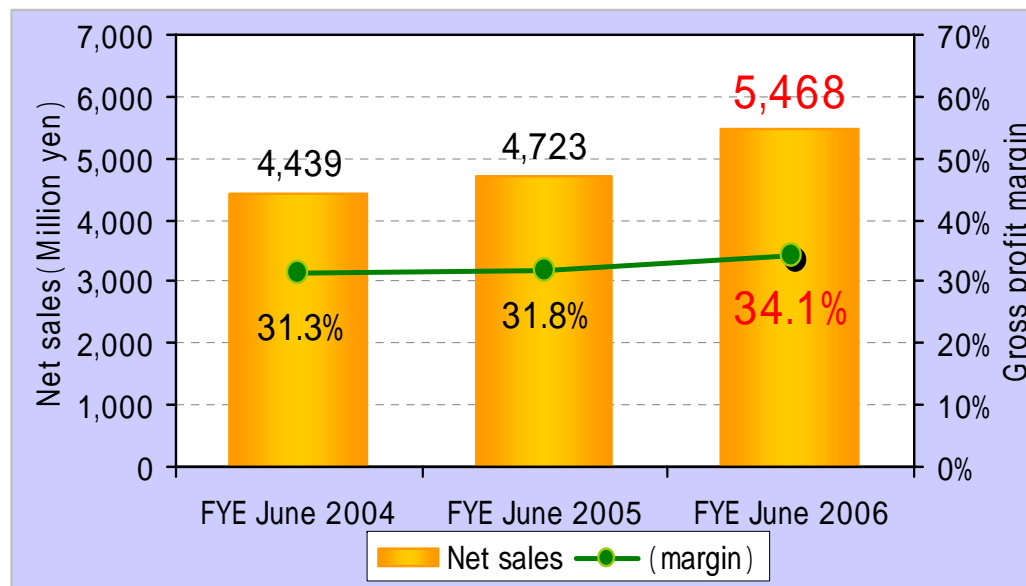
Category	Software development	Engineering consulting	Packaged software	Total
Net sales	5,468	2,349	2,505	10,323
Cost of sales	3,603	1,567	2,011*	7,182
Gross profit (margin)	1,865 (34.1%)	781 (33.3%)	493 (19.7%)	3,140 (30.4%)

\*In the packaged software segment, the cost of sales includes its sales/administrative expenses.

# Software development

(Million yen)

	FYE June 2004	FYE June 2005	FYE June 2006
Net sales	4,439	4,723	5,468
Cost of sales	3,049	3,222	3,603
Gross profit (margin)	1,390 (31.3%)	1,500 (31.8%)	1,865 (34.1%)



## ➤ Net sales

- With the recovery of economy in the background, our valued clients' motivation to invest is enhanced especially in software development in the IT service sector and manufacturing sectors contributing to our performance.

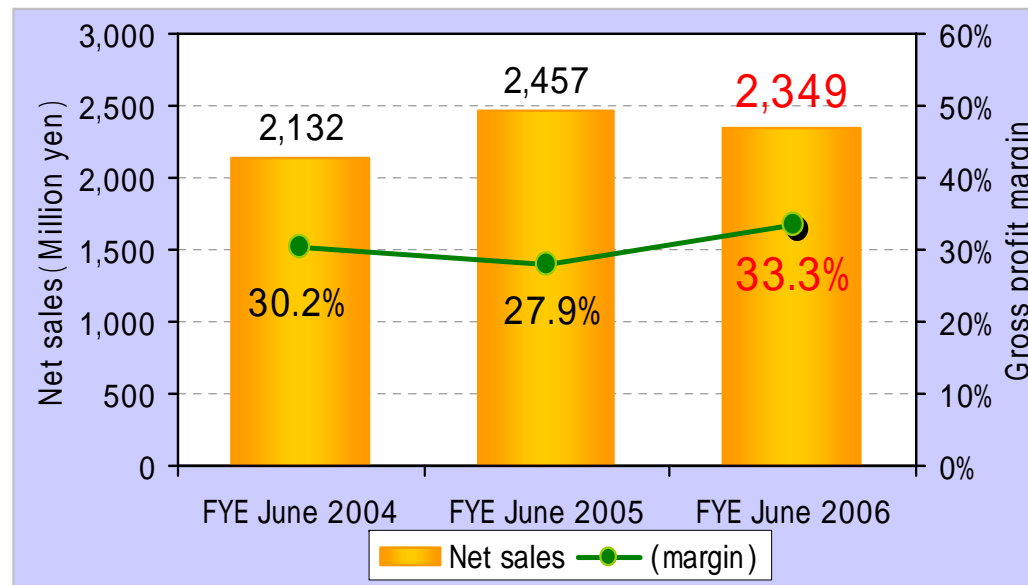
## ➤ Segment income

- Software development for wireless communication in the IT service sector, information service system for traffic sector and the development of sales management system for the manufacturing sector contributed to our profits.

# Engineering consulting

(Million yen)

	FYE June 2004	FYE June 2005	FYE June 2006
Net sales	2,132	2,457	2,349
Cost of sales	1,487	1,771	1,567
Gross profit (margin)	644 (30.2%)	685 (27.9%)	781 (33.3%)



## ➤ Net sales

- Net sales decreased because the strategic launching new business and withdrawal from unprofitable business. Our continuing business will feature the development of high added-value and distinct services.

## ➤ Segment income

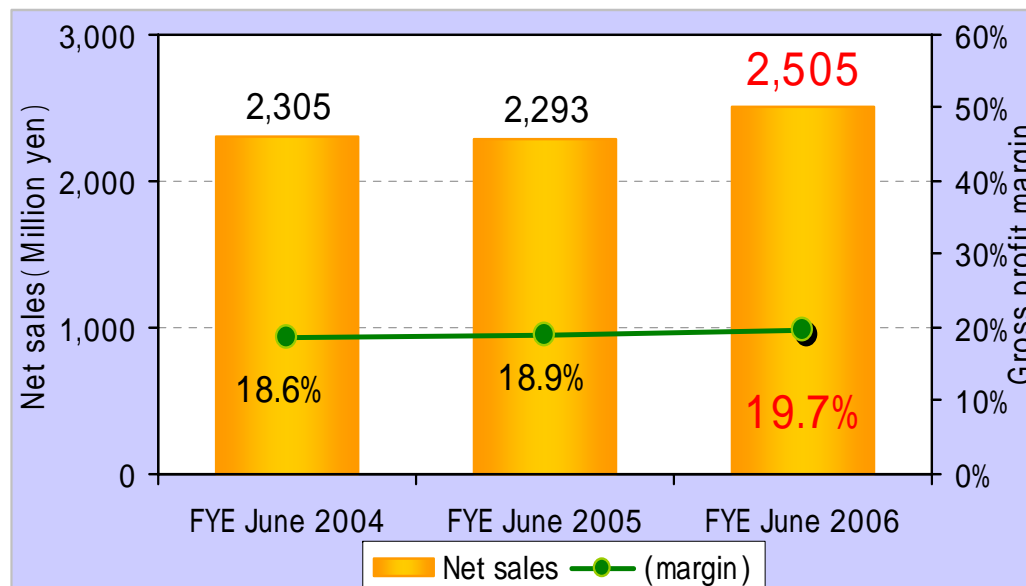
- Our earthquake resistant consulting business including structural design for construction companies greatly contributed to income. Our marketing and decision making support consulting business pursuing efficiency in the service sector contributed greatly to our performance.



# Packaged software

(Million yen)

	FYE June 2004	FYE June 2005	FYE June 2006
Net sales	2,305	2,293	2,505
Cost of sales	1,876	1,858	2,011
Gross profit (margin)	428 (18.6%)	434 (18.9%)	493 (19.7%)



NOTE: In the packaged software segment, cost of sales includes its sales/administrative expenses.

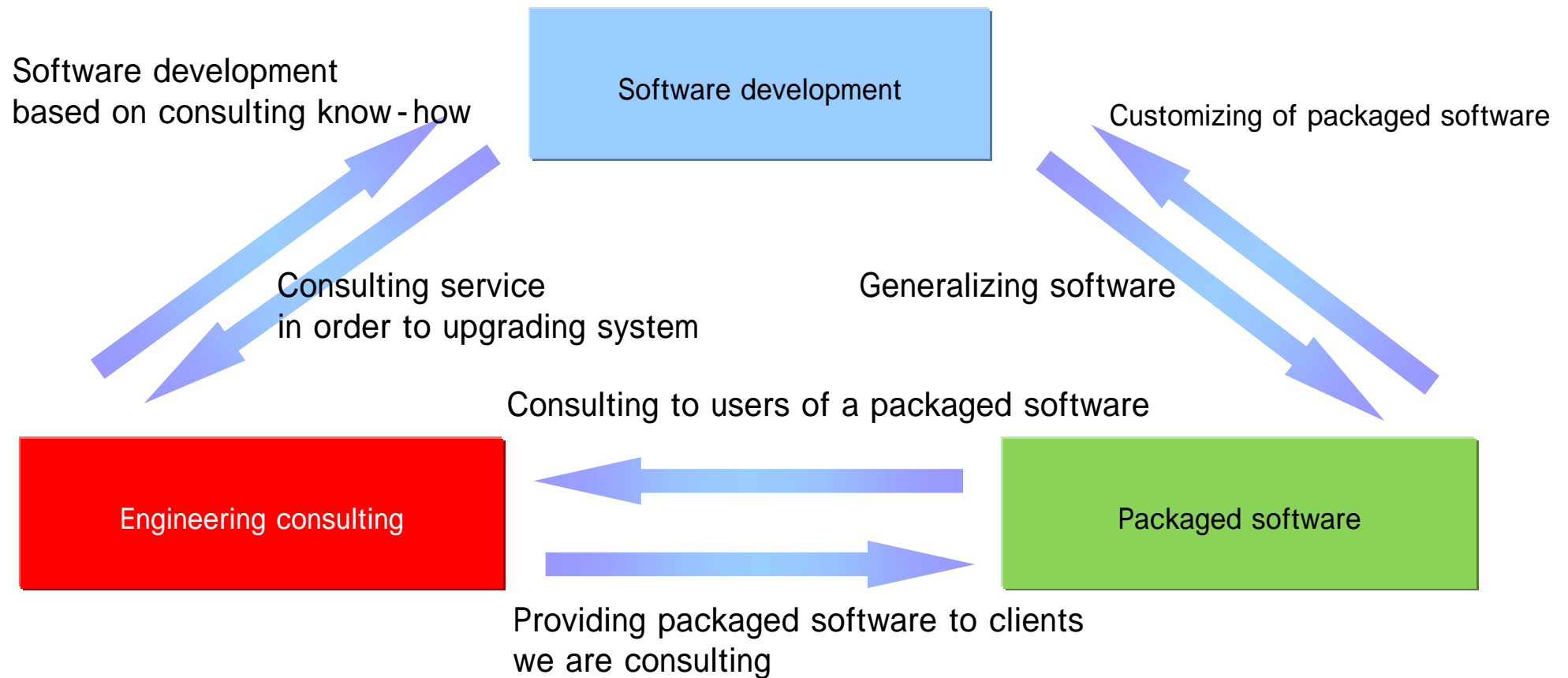
## ➤ Net sales and profits

The following have contributed to our net sales and profits:

- COSMOS, software for thermal fluid analysis, the flagship of this segment since the beginning.
- EFD.Lab, software now being developed jointly with NIKA of Germany.
- QualNet, new high speed and high accuracy network simulator.
- RapLab, software for radio wave propagation analysis for the IT service sector.

# Relations of three segments

We can provide three kinds of services at a time.  
This enhances our added-value to clients.



# 3 . Plans for the Fiscal Year Ending June 2007

# Outlook for FYE June 2007

(Million yen)

	FYE June 2006	FYE June 2006 plan	Change from previous FY	Rate of change from previous FY
<b>Net sales</b>	<b>10,323</b>	<b>10,800</b>	<b>476</b>	<b>4.6%</b>
Software development	5,468	6,000	531	9.7%
Engineering consulting	2,349	2,600	250	10.7%
Packaged software	2,505	2,200	305	12.2%
<b>Operating income</b>	<b>749</b>	<b>1,050</b>	<b>300</b>	<b>40.1%</b>
<b>Ordinary income</b>	<b>676</b>	<b>950</b>	<b>273</b>	<b>40.5%</b>
<b>Net income</b>	<b>360</b>	<b>550</b>	<b>189</b>	<b>52.4%</b>
<b>Dividend</b>	<b>@¥18 / share</b>	<b>@¥25 / share</b>	Targeting payout ratio of 30%	

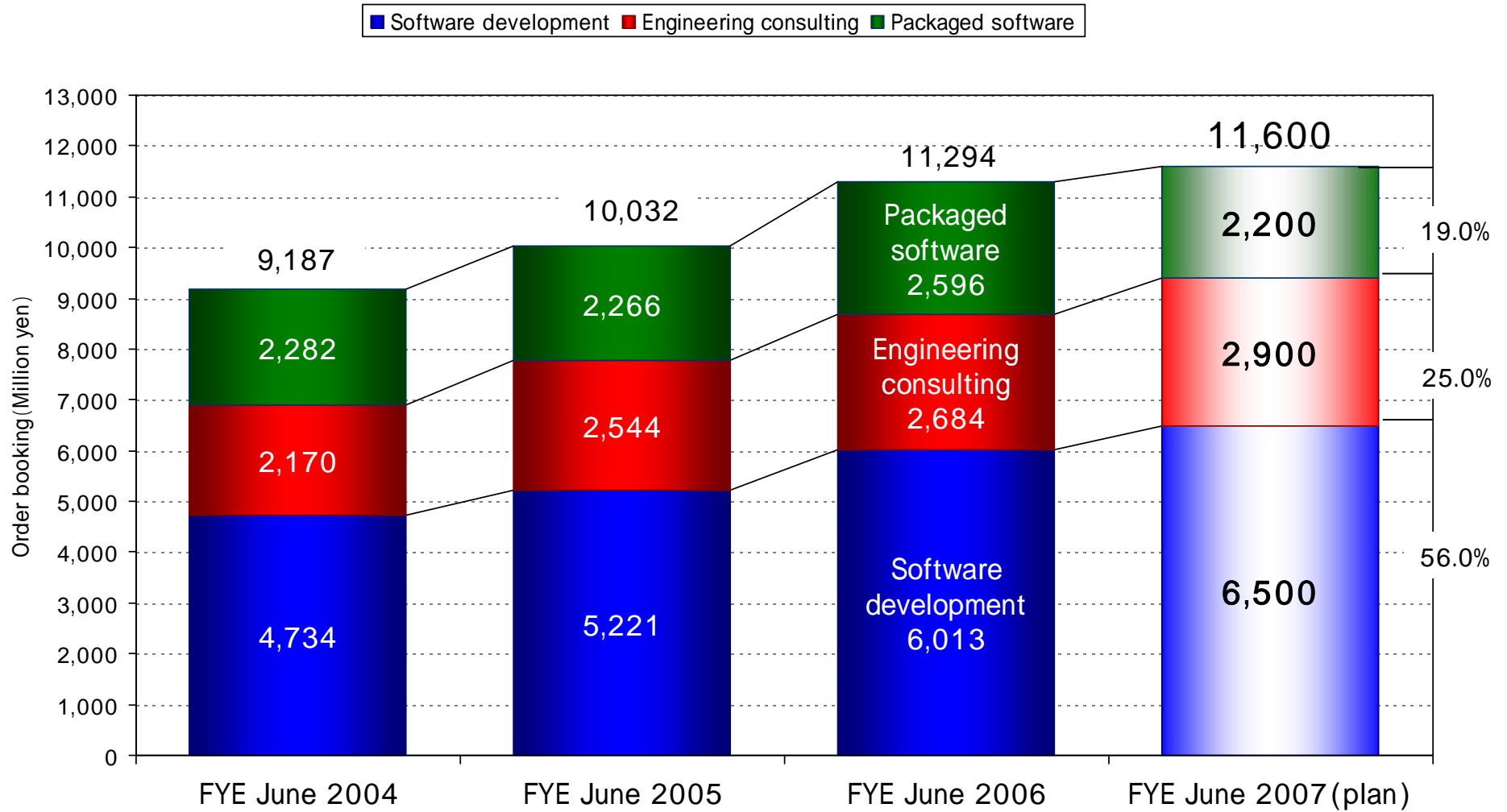
Note: Results forecasts are prepared based on the information available at the time of preparation but include many elements of uncertainty.

# Midterm business plan (FYE June 2005 to FYE June 2007)

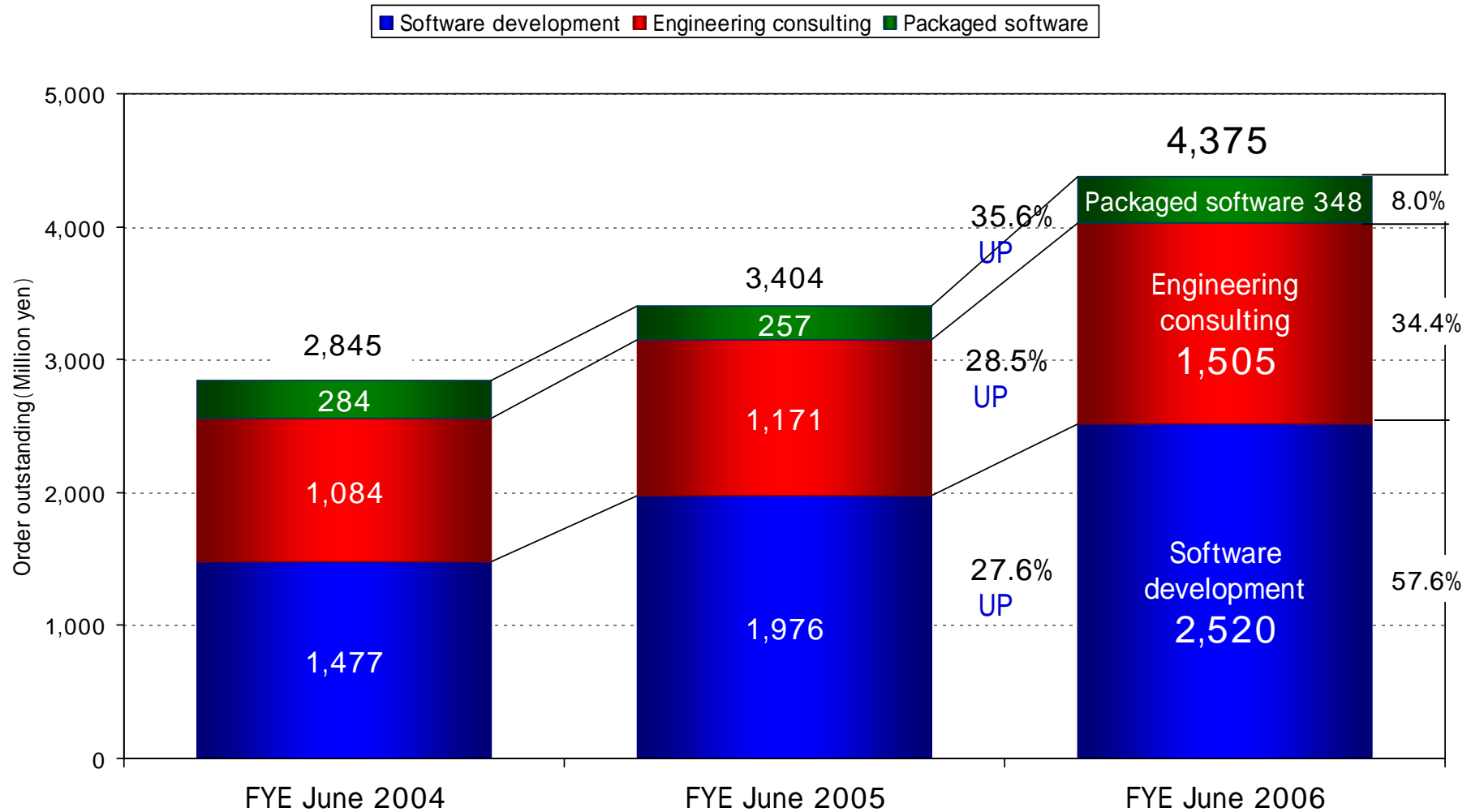
(Million yen)

	FYE June 2005		FYE June 2006		FYE June 2007	
	Plan	Results	Plan	Results	Plan	Adjusted plan
Net sales	9,500	9,473	10,000	10,323	10,500	10,800
Operating income	540	550	730	749	1,000	1,050
Ordinary income	420	462	620	676	900	950
Net income	160	7	330	360	500	550

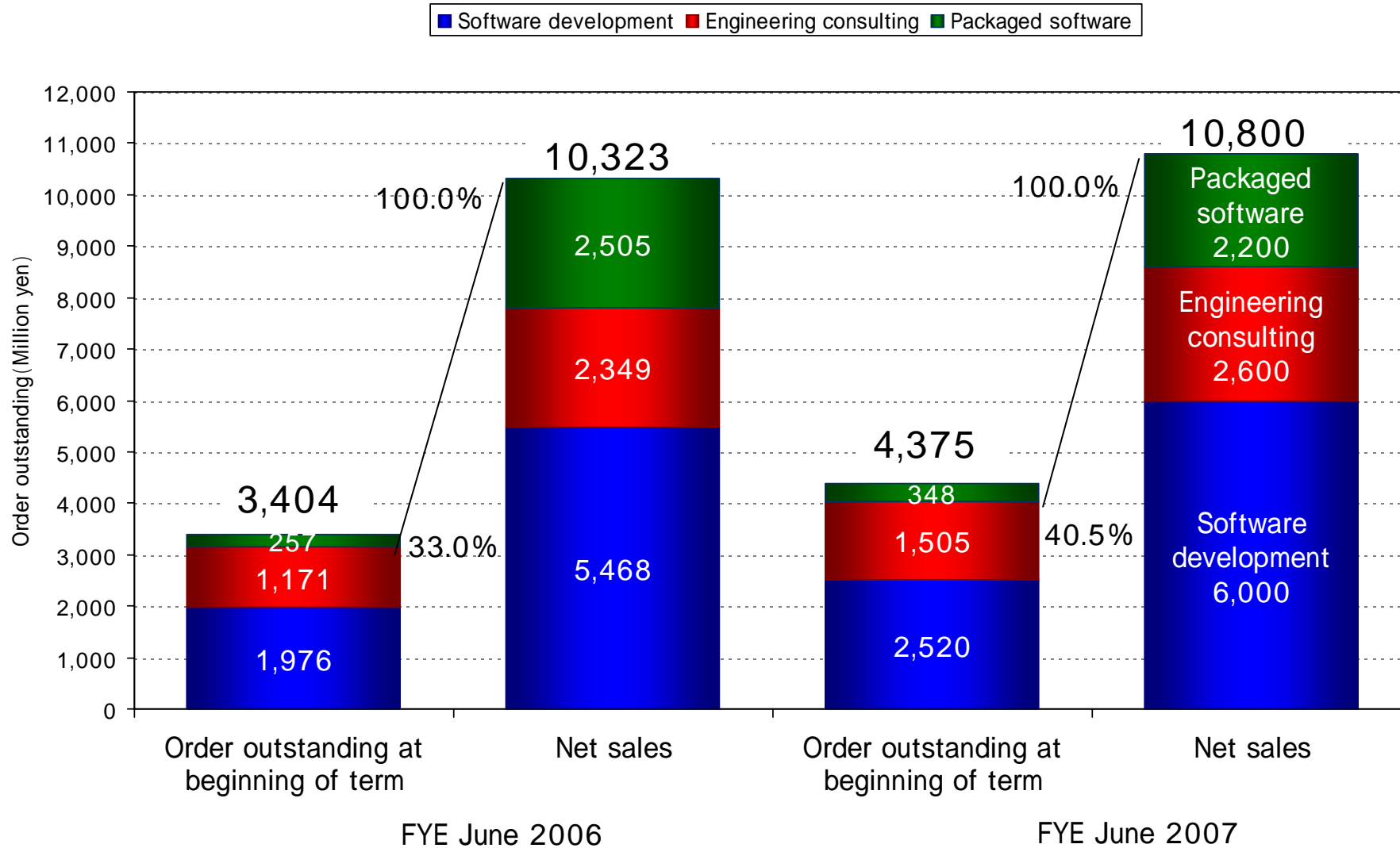
# Order transition by segment



# Transition of order outstanding at beginning of term by segment

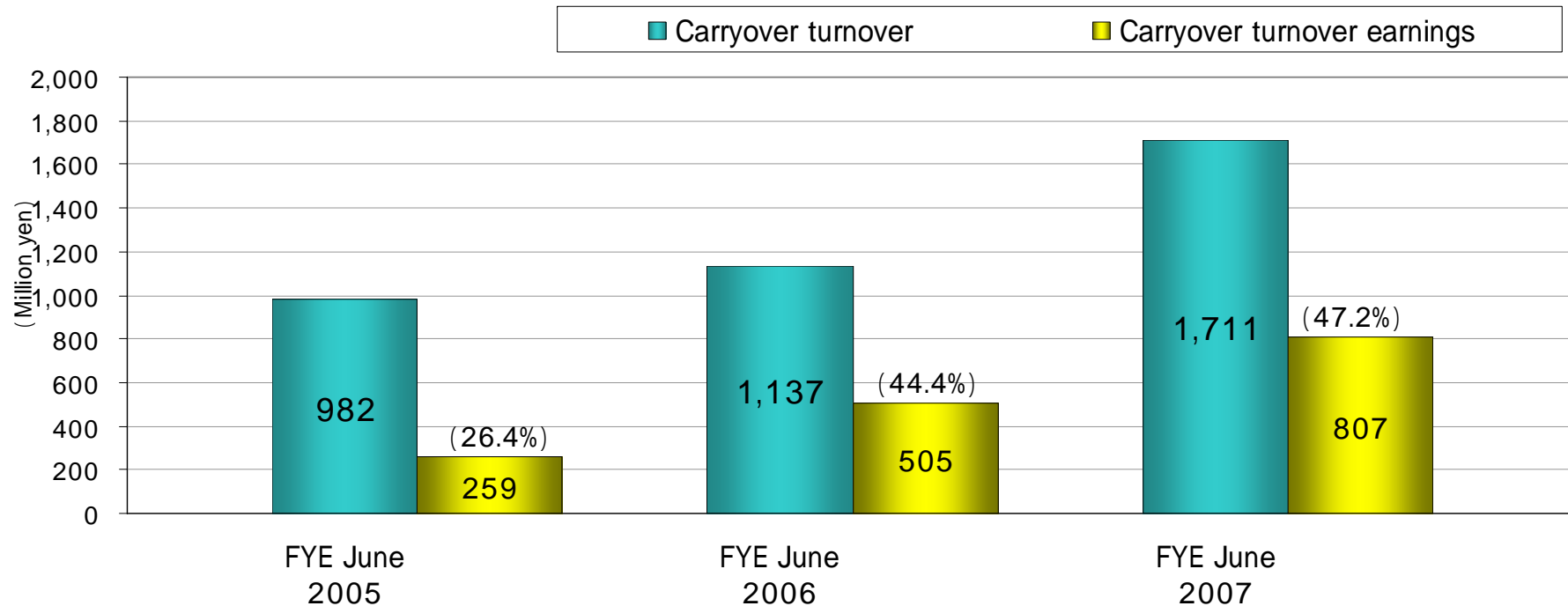


# Order outstanding at beginning of term and sales plan



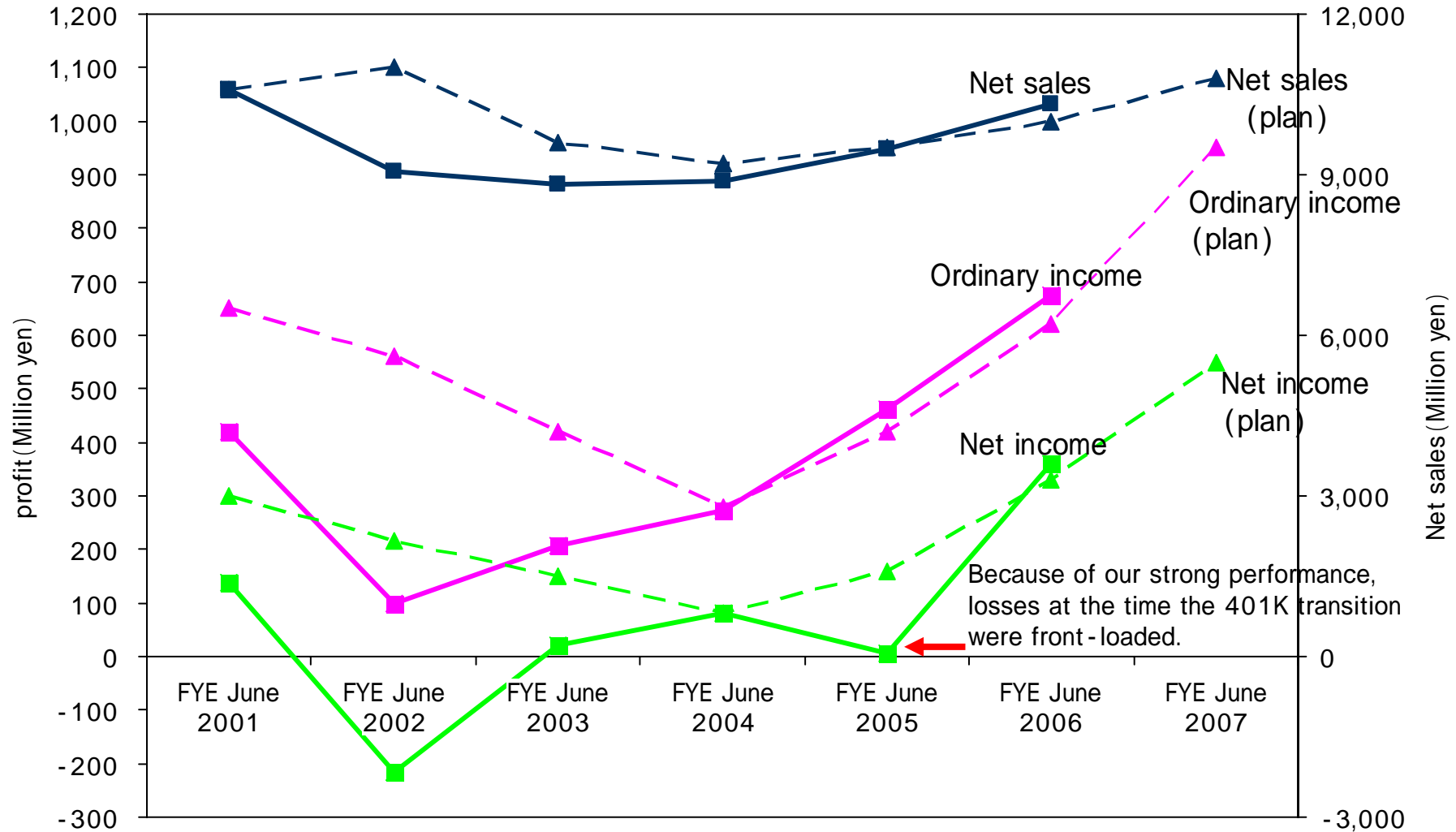


# Carryover turnover and carryover turnover earnings



- The current term net income is calculated based on the progress of projects with the same method as the construction industry.
  - Turnover : Progress of projects x Orders
  - Turnover earnings : Turnover - cost
- We used this index for internal project management.
- Turnover, cost and turnover earnings for unrecorded sales projects will be carried over to the next FY.

# Budget management - discrepancy between plans and results



## Basis for achieving FYE June 2007 plans

- Market amelioration ( our customers' businesses are booming )
- Orders at the beginning of term worth ¥4.3 billion.  
This accounts for over 40% of the net sales plan for FYE June 2007.  
Cf. FYE June 2006: 33%
- Carried-over turnover earnings of projects increased by ¥300 million.
- Budget management system was ameliorated.

# Ordinary income of first half year and latter half

