

October 23, 2006

F Y E J u n e 2 0 0 7
Q1 Financial Results
Supplemental Documentation

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.

Agenda

Note: All monetary figures in this document are rounded down to the nearest million yen.

1. Outline of Q1 financial results.....2
2. Progress of the plans for FYE June 2007.....7

1 . Outline of Q1 financial results

Outline of Q1 financial results

Million Yen

	FYE June 2006 1 Q	FYE June 2007 1 Q	FYE June 2007 (Plan)	- Change from previous FY (rate of change)	/ Achievement ratio of full year
Net sales	1,091	1,584	10,800	493 (45.2%)	14.7%
Operating income	597	198	1,050	399 (-)	—
Ordinary income	618	215	950	402 (-)	—
Net income	380	106	550	273 (-)	—

Income statement

(Million yen)

	FYE June 2006 1Q	FYE June 2007 1Q	Change from previous FY (rate of change)
Net sales	1,091	1,584	493 (45.2%)
Cost of sales	957	1,134	177 (18.5%)
Gross profit	134	450	316 (235.5%)
Sales and administrative expenses	732	648	83 (11.4%)
Operating income	597	198	399 (-)

- Net sales
 - Increases were the result of efforts to provide high added value service continued from last year.
- Cost of sales
 - Increases were recorded due to a rise in net sales, however, profits improved due to a rise in productivity.
- Sales and administrative expenses
 - Decreases in the number of sales persons as well as in employment const were due to optimal human resource allocation and the activation of our business.

Balance sheet

Million yen

	FYE June 2006 1Q	FYE June 2007 1Q	Change from previous FY (rate of change)
Current assets	3,656	3,940	283
Cash on hand and in banks	608	433	174
Trade notes and accounts receivable	950	1,216	265
Fixed assets	6,924	7,013	88
Total assets	10,581	10,953	371
Current liabilities	4,598	4,963	365
Short-term debt *	3,297	3,345	47
Long-term liabilities	3,358	2,846	511
Long-term debt	2,320	1,800	520
Total liabilities	7,956	7,809	146
Total net worth	2,624	3,143	518
Total liabilities and net worth	10,581	10,953	371

- Accounts receivable
 - Increased by growth of net sales.
- Long-term debt
 - Interest-bearing debt is decreased steadily as per initial plan.
- Total net worth
 - Net worth ratio ameliorated by the increase of residual income.

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

Statement of cash flows

Million yen

	FYE June 2006 1Q	FYE June 2007 1Q
Cash and cash equivalents at beginning of term	303	386
Cash flow from operations	762	881
Cash flow from investments	2	147
Cash flow from financing	1,070	1,076
Cash and cash equivalents at end of term	608	433

Breakdown of cash flows in current period

➤ Cash flow from operations

- Net income before income tax -¥170 million
- Depreciation charges ¥73 million
- Decrease in accounts receivable ¥493 million
- Increase in inventory assets -¥694 million
- Payment of corporate tax -¥258 million

➤ Cash flow from investments

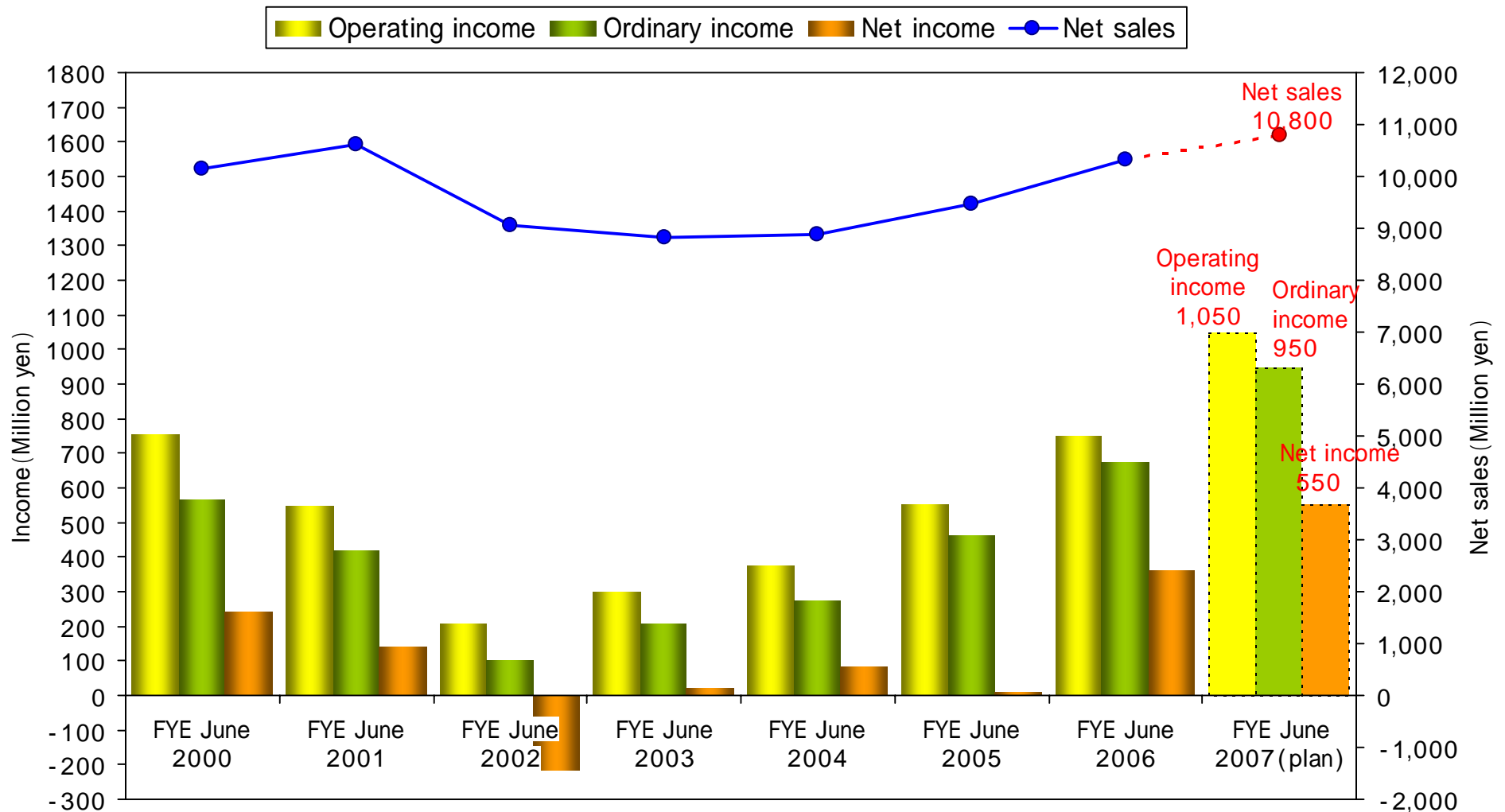
- Acquisition of investment securities -¥148 million
- Acquisition of intangible fixed assets -¥21 million
- Decrease of deposits ¥30 million

➤ Cash flow from financing

- Increase in short-term debt ¥1,500 million
- Decrease in long-term debt -¥321 million
- Payment of dividends -¥88 million

2 . Progress of the plans for FYE June 2007

Performance since IPO and plan of this term (full term)



The plan is achievable as long as the planned number of orders is reached and the quality of project management is maintained.

Full-year and Q1 results comparison

Million yen

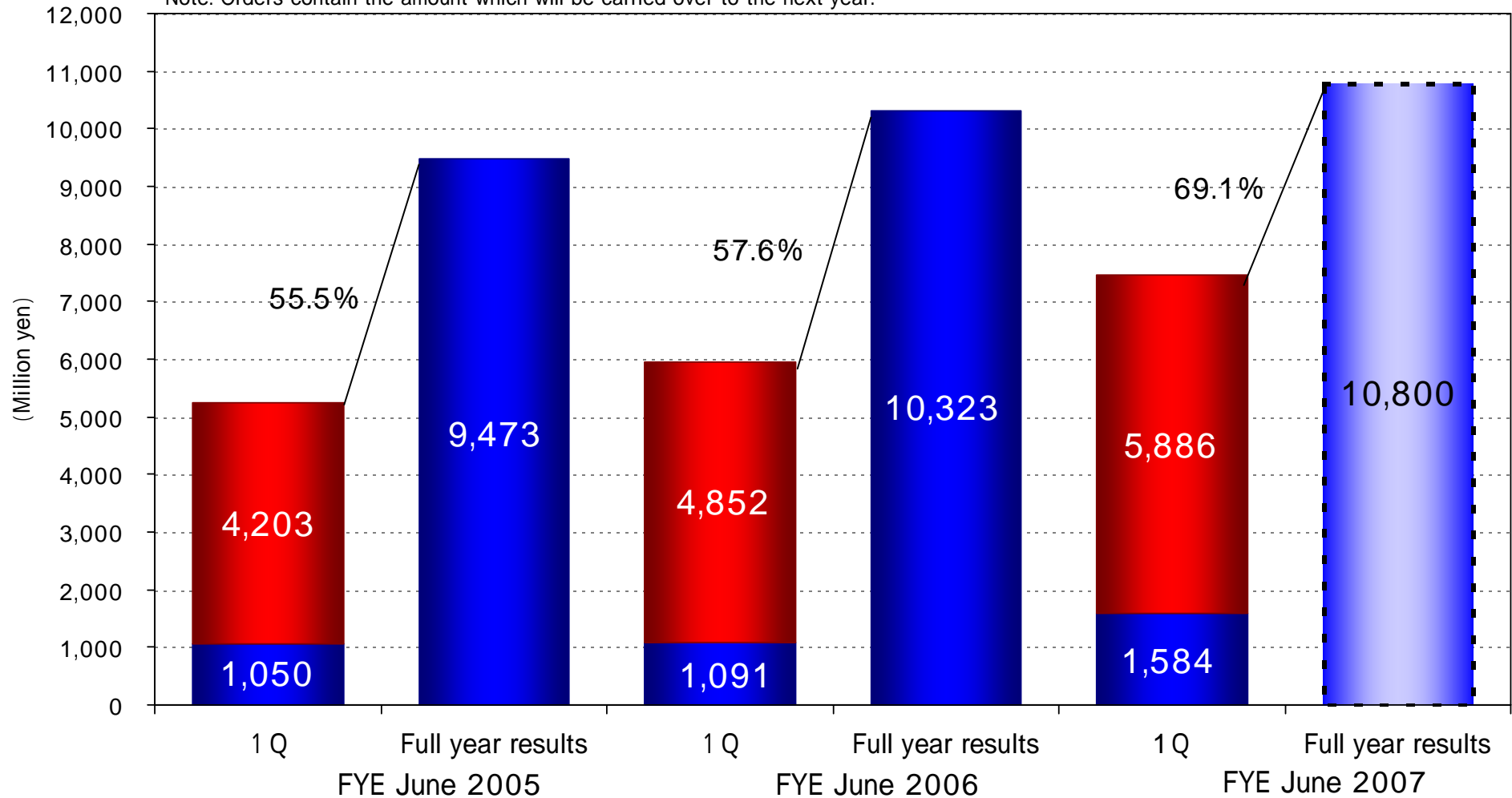
	FYE June 2005		FYE June 2006		FYE June 2007	
	1 Q	Result of full year	1 Q	Result of full year	1 Q	Plan of full year
Net sales	1,050 (11.1%)	9,473	1,091 (10.6%)	10,323	1,584 (14.7%)	10,800
Ordinary income	525 (-)	550	618 (-)	676	215 (-)	950
Net income	321 (-)	7	380 (-)	360	106 (-)	550

NOTE: (%) stands for achievement ratio in Q1 of full year.

Q1 order ratio to net sales over the full year

■ Net sales ■ Order outstanding

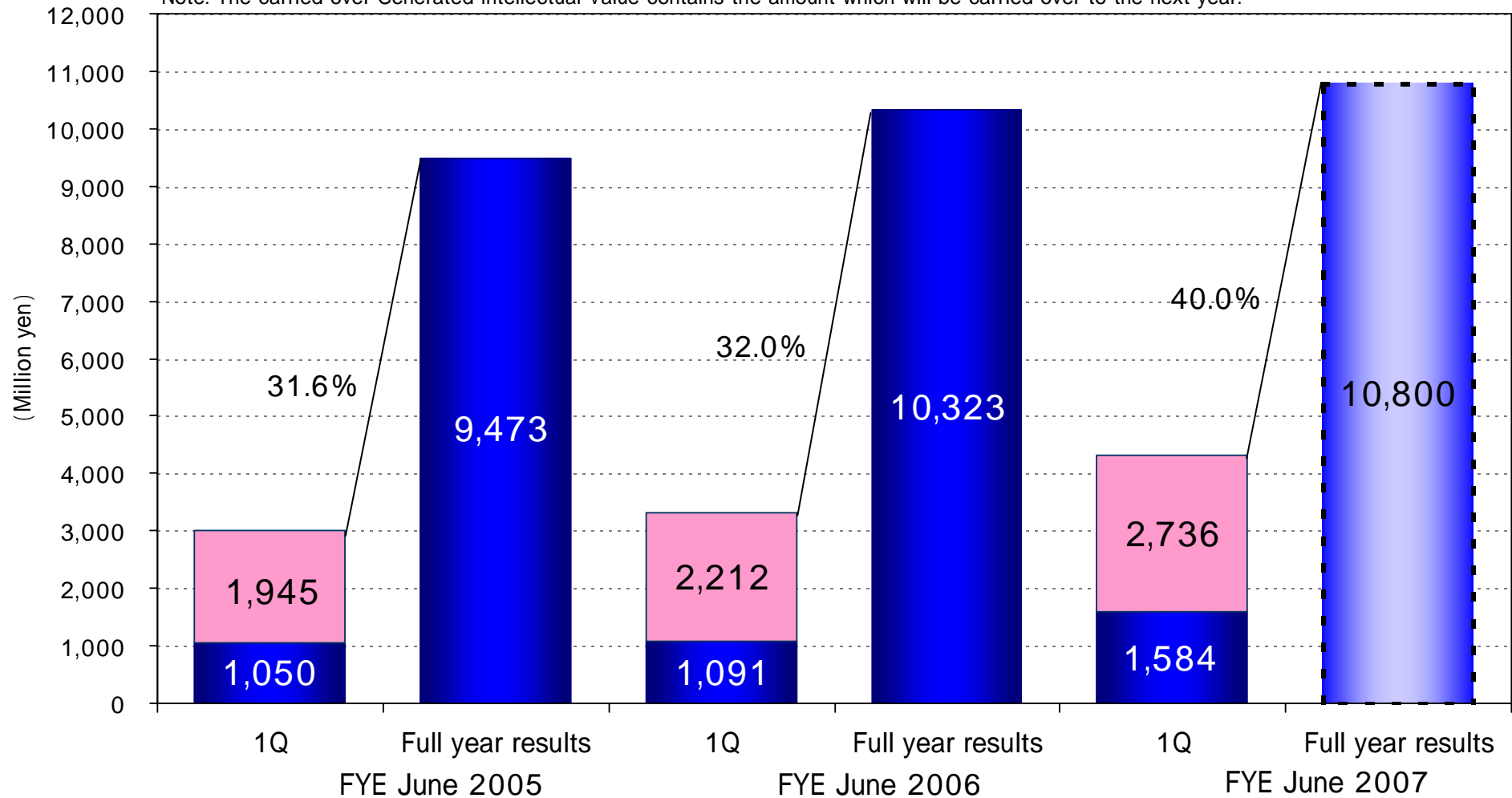
Note: Orders contain the amount which will be carried over to the next year.



Progress up to Q1 to net sales over the full year

■ Net sales ■ Carried over Generated Intellectual Value

Note: The carried over Generated Intellectual Value contains the amount which will be carried over to the next year.



KKE's own original Project Management Index

The greater part of our business, such as system development, consulting services and other endeavors, consists of projects that tend to take a several months from the time an order is booked to the time a product is delivered and the sale is accounted. Our type of business tends to vary in its performance depending on the season.

KKE quantifies the progress of projects, effectuates monthly performance management and conducts plan and result tracing using two internal management indexes, namely the “Generated Intellectual Value”, which converts the progress of projects into a monetary amount, and the “Generated Intellectual Value Earnings”, which indicates the earnings of the former.

“Generated Intellectual Value (GIV)” :

The amount of orders X The progress of the project

”Generated Intellectual Value Earnings (GIVE)” :

Generated Intellectual Value – Project costs (except sales and administrative cost)

Note: Presently, the Generated Intellectual Value Earnings forecast is prepared based on the planned personnel cost. Please acknowledge that, due to our implementation of a salary system that operates in conjunction with our performance earnings may fluctuate at the end of the fiscal year due to a change in personnel cost.

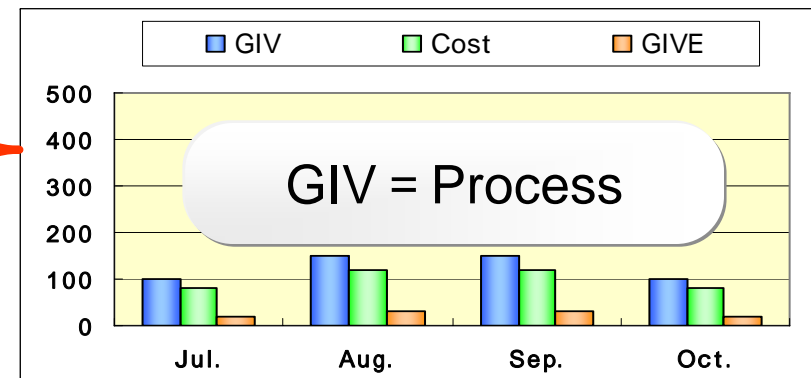
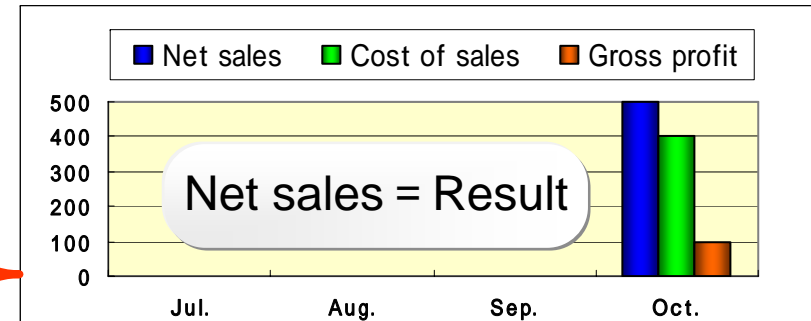
Example for project performance management

Example showing a ¥5 million order made in July with a product delivery and sales accounting in October.

	Jul.	Aug.	Sep.	Oct.	Total
Order booking	500				
Net sales				500	500
Cost of sales				400	400
Gross profit				100	100
GIV	100	150	150	100	500
Cost	80	120	120	80	400
GIVE	20	30	30	20	100

1 Q carried over GIV

1 Q carried over GIVE



KKE controls its monthly Generated Intellectual Value and earnings as shown above. The GIV and its earnings not recorded as sales in Q1 will be carried over to next quarters.

Comparison of net sales and Generated Intellectual Value in Q1

