



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending January 31, 2023

December 9, 2022

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 Scheduled Date of Filing of Quarterly Report: December 12, 2022 Scheduled Date of Dividend Payments: -
 Supplemental Materials Prepared for Quarterly Financial Results: - Yes
 Briefing Held for Quarterly Financial Results: - No

(Figures are rounded down to nearest million yen.)

1. Consolidated Earnings for the Third Quarter of the Fiscal Year Ending January 31, 2023 (February 1, 2022 to October 31, 2022)

(1) Consolidated Operating Results for the First Nine Months (Percentages indicate increase/decrease from the same quarter of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q ended Oct. 2022	35,288	5.3	3,277	7.7	3,296	7.0	4,381	143.7
3Q ended Oct. 2021	33,527	(6.8)	3,043	(18.5)	3,081	(18.9)	1,798	(41.2)
(Notes) Comprehensive income	3Q ended Oct. 2022		4,156 million yen	88.7%	3Q ended Oct. 2021		2,202 million yen	(23.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q ended Oct. 2022	127.92	127.42
3Q ended Oct. 2021	51.39	50.99

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023, and the figures relating to the third quarter represent the amounts based on the aforementioned accounting standard and other relevant regulations.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q ended Oct. 2022	45,691	36,404	79.5
FY ended Jan. 2022	45,147	35,736	78.7

(Reference) Total shareholders' equity 3Q ended Oct. 2022 36,336 million yen FY ended Jan. 2022 35,534 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023, and the figures relating to the third quarter represent the amounts based on the aforementioned accounting standard and other relevant regulations.

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended Jan. 2022	—	20.00	—	20.00	40.00
FY ending Jan. 2023	—	25.00	—		
FY ending Jan. 2023 (forecast)				20.00	45.00

(Notes) 1. Adjustments from the dividend forecasts announced most recently: No

2. Breakdown of dividends at the end of the second quarter of the fiscal year ending January 31, 2023: Ordinary dividend 20.00 yen, special dividend 5.00 yen

3. Consolidated Earnings Forecasts for Fiscal Year Ending January 31, 2023 (February 1, 2022 to January 31, 2023)

(Percentages indicate increase/decrease from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	48,000	6.1	4,500	7.0	4,540	6.0	5,200	71.1	152.66

(Notes) 1. Adjustments from the earnings forecasts announced most recently: No

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023, and the consolidated earnings forecasts above represent the amounts based on the aforementioned accounting standard and other relevant regulations.

*Notes

(1) Significant changes in subsidiaries during the first nine months of the fiscal year ending January 31, 2023 (Transfer of particular subsidiaries following a change in the scope of consolidation): None

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting rules, procedures, or method of presentation relating to the preparation of the consolidated financial statements:

- 1) Changes based on revision of accounting standards: Yes
- 2) Changes other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(Note) For details, please refer to “(3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Major Notes” on page 10 of the accompanying material of the quarterly report.

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)	3Q ended Oct. 2022	37,600,000 shares	FY ended Jan. 2022	37,600,000 shares
2) Number of treasury stock	3Q ended Oct. 2022	4,032,960 shares	FY ended Jan. 2022	2,606,760 shares
3) Average number of shares for each period	3Q ended Oct. 2022	34,254,047 shares	3Q ended Oct. 2021	34,993,261 shares

*The quarterly financial results are not subject to audit by certified public accountants or auditing firms.

*Proper use of forward-looking statements and cautionary statement:

(Matters to be noted regarding statements about the future)

Forward-looking statements including earnings forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may vary from forecasts due to a variety of factors. For the conditions serving as assumptions underlying the earnings forecasts and notes on using the earnings forecasts, please see “Explanation on Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 5 of the accompanying material of the quarterly report.

(Method of obtaining supplementary briefing material on quarterly financial results)

Supplementary briefing materials for the quarterly financial results will be available on our company website (<https://www.ccc-ltd.co.jp>) on Friday, December 9, 2022.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the first nine months of the current fiscal year (from February 1, 2022 to October 31, 2022), the Japanese economy showed signs of moderate recovery thanks to various measures of the government. However, the future remains uncertain mainly due to concerns over new waves of COVID-19, soaring raw material prices with the acceleration of global inflation, and rapid depreciation of the yen, in addition to geopolitical risks.

The information service industry kept continuously strong DX-related demand aimed at improving productivity and enhancing competitiveness. In addition, against the backdrop of cyber-attacks that take advantage of supply chain vulnerabilities becoming a major threat, the importance of security services as corporate risk measures is increasing.

Under these circumstances, we at the CEC Group have worked to solve social and industrial issues through our business activities. We have done so by, for example, enhancing products and services for customers' focus investment areas and developing new business negotiations while taking advantage of synergies generated by the integration of business areas or geographical areas, with the aim of realizing "a sustainable society" and "sustained growth of the CEC Group."

As a result of these efforts, in the first nine months ended October 31, 2022, the operating status saw a recovery of customers' ICT investment in our core business, and generally progressed as planned also in the focused business. Consequently, net sales increased 1,760 million yen (5.3%) from the same period of the previous fiscal year to 35,288 million yen. In terms of profits, operating income was 3,277 million yen, up 234 million yen (7.7%) from the same period of the previous fiscal year, and ordinary income was 3,296 million yen, an increase of 215 million yen (7.0%) year-on-year. This was due to the favorable business environment although affected by an allowance for loss on orders received recorded in the first quarter. In addition, net income attributable to owners of parent was 4,381 million yen, an increase of 2,583 million yen (143.7%) from the same period of the previous fiscal year. This was due to a gain on sale of investment securities recorded in extraordinary income for the second quarter.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023. As a result, net sales for the first nine months ended October 31, 2022 rose 180 million yen, and operating income, ordinary income, and profit before income taxes increased 21 million yen, respectively. For details, please refer to "(3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)" in "2. Quarterly Consolidated Financial Statements and Major Notes."

Operating results by segment are as follows.

(Digital Industry Business)

Sales of production and logistics solutions and mobility services, which are the focused business, progressed steadily due to the improvement of the business environment. In addition, in our core business, system development in the chubu and nishinihon districts went well, against the backdrop of active ICT investment in the manufacturing area, our major customer. As a result, net sales increased 674 million yen (5.8%) from the same period of the previous fiscal year to 12,309 million yen. In terms of profits, operating income came to 2,805 million yen, up 647 million yen (30.0%) from the same period of the previous fiscal year. This was because of the profit increase due to stronger net sales and further closing of highly profitable business negotiations.

(Service Integration Business)

As for the focused business in migration services and security services, migration to the cloud environment and security measure services grew, and maintained a favorable performance. In addition, services in cooperation with Microsoft continued to be solid with an increasing number of inquiries about DX promotion business negotiations. Furthermore, in the infrastructure construction business, which is one of our core businesses, the semiconductor supply shortage continued to see a recovery. As a result, net sales grew 1,086 million yen (5.0%) from the same period of the previous fiscal year to 22,978 million yen. In terms of profits, operating income came to 3,440 million yen, down 41 million yen (1.2%) from the same period of the previous fiscal year. This was because the impact of unprofitable projects that occurred in the previous fiscal year continued.

(2) Explanation on Financial Position

(Total assets)

Total assets as of the end of the third quarter were 45,691 million yen, an increase of 544 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,547 million yen in cash and deposits, and a decrease of 1,129 million yen in notes and accounts receivable–trade, and contract assets (“notes and accounts receivable–trade” for the previous fiscal year).

(Liabilities)

Total liabilities as of the end of the third quarter amounted to 9,287 million yen, down 123 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 464 million yen in long-term accounts payable–other.

(Net assets)

Net assets as of the end of the third quarter were 36,404 million yen, an increase of 667 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,869 million yen in retained earnings, an increase of 1,841 million yen in treasury stock, and a decrease of 270 million yen in remeasurements of defined benefit plans.

(3) Explanation on Consolidated Earnings Forecasts and Other Forward-looking Information

There are no changes to the consolidated earnings forecasts for the fiscal year ending January 31, 2023 announced on July 29, 2022. When any adjustments to the earnings forecasts are deemed to be required based on future conditions and business trends, we will disclose them promptly.

*The forecast figures signify projections made based on currently available information and are not intended to guarantee the achievement of those projections by the Company. Actual results, etc. may differ from the forecast figures due to changes in business conditions and other factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous Fiscal Year (January 31, 2022)	First Nine Months of the Current Fiscal Year (October 31, 2022)
Assets		
Current assets		
Cash and deposits	22,430,915	23,977,972
Notes and accounts receivable - trade	9,943,170	—
Notes and accounts receivable - trade, and contract assets	—	8,813,734
Product	175,365	155,184
Work in progress	567,946	623,947
Other accounts receivable	55,208	7,864
Others	893,784	1,134,543
Allowance for doubtful accounts	(6,025)	(2,613)
Total current assets	34,060,367	34,710,631
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,112,508	3,812,504
Land	2,004,644	2,004,644
Construction in progress	606,540	—
Other, net	843,795	797,790
Total property, plant and equipment	6,567,488	6,614,940
Intangible assets		
Others	244,274	272,689
Total intangible assets	244,274	272,689
Investments and other assets		
Others	4,290,406	4,108,480
Allowance for doubtful accounts	(14,784)	(14,784)
Total investments and other assets	4,275,621	4,093,695
Total non-current assets	11,087,384	10,981,325
Total assets	45,147,751	45,691,957

(Unit: Thousands of yen)

	Previous Fiscal Year (January 31, 2022)	First Nine Months of the Current Fiscal Year (October 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	2,538,726	2,304,309
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,600	13,600
Income taxes payable	992,300	686,642
Allowance for bonuses	523,301	1,199,687
Allowance for loss on order received	391,877	332,439
Allowance for loss compensation	411,484	—
Others	3,089,511	3,745,495
Total current liabilities	8,310,802	8,632,174
Non-current liabilities		
Long-term loans payable	27,400	13,800
Long-term accounts payable - other	487,095	22,120
Provision for directors' retirement benefits	16,256	18,366
Net defined benefit liability	98,282	123,145
Asset retirement obligations	471,003	477,857
Others	172	147
Total non-current liabilities	1,100,210	655,437
Total liabilities	9,411,012	9,287,612
Net assets		
Shareholders' equity		
Capital stock	6,586,000	6,586,000
Capital surplus	6,733,706	6,733,706
Retained earnings	23,439,194	26,308,402
Treasury shares	(1,663,539)	(3,505,438)
Total shareholders' equity	35,095,361	36,122,670
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237,918	267,802
Foreign currency translation adjustment	524	15,141
Remeasurements of defined benefit plans	201,174	(68,842)
Total accumulated other comprehensive income	439,616	214,102
Subscription rights to shares	201,761	67,571
Total net assets	35,736,739	36,404,345
Total liabilities and net assets	45,147,751	45,691,957

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First Nine Months Ended October 31, 2022)

(Unit: Thousands of yen)

	First Nine Months of the Previous Fiscal Year (From February 1, 2021 to October 31, 2021)	First Nine Months of the Current Fiscal Year (From February 1, 2022 to October 31, 2022)
Net sales	33,527,162	35,288,005
Cost of sales	25,522,304	26,938,438
Gross profit	8,004,858	8,349,567
Selling, general and administrative expenses	4,961,616	5,071,726
Operating income	3,043,241	3,277,840
Non-operating income		
Interest income	3,245	1,258
Dividend received	15,579	12,508
Reversal of allowance for doubtful accounts	4,402	—
Dividends from insurance	—	12,849
Others	20,707	15,928
Total non-operating income	43,935	42,545
Non-operating expenses		
Interest expenses	2,441	2,289
Foreign exchange loss	2,941	16,675
Others	476	4,703
Total non-operating expenses	5,859	23,669
Ordinary income	3,081,317	3,296,716
Extraordinary income		
Gain on sale of non-current assets	6	—
Gain on sale of investment securities	1,395	2,265,000
Total extraordinary income	1,402	2,265,000
Extraordinary loss		
Loss on retirement of non-current assets	2,786	282
Impairment loss	18,640	704
Loss on sales of investment securities	1,269	—
Provision for compensation allowance for loss	396,000	—
Total extraordinary loss	418,696	986
Profit before income taxes	2,664,023	5,560,729
Income taxes - current	1,224,478	1,503,280
Income taxes - deferred	(358,789)	(324,376)
Total income taxes	865,689	1,178,903
Net income	1,798,334	4,381,826
Net income attributable to owners of parent	1,798,334	4,381,826

(Quarterly Consolidated Statement of Comprehensive Income)
(First Nine Months Ended October 31, 2022)

(Unit: Thousands of yen)

	First Nine Months of the Previous Fiscal Year (From February 1, 2021 to October 31, 2021)	First Nine Months of the Current Fiscal Year (From February 1, 2022 to October 31, 2022)
Net income	1,798,334	4,381,826
Other comprehensive income		
Valuation difference on available-for-sale securities	178,975	29,884
Foreign currency translation adjustment	7,060	14,617
Remeasurements of defined benefit plans	218,487	(270,016)
Total other comprehensive income	404,523	(225,514)
Comprehensive income	2,202,858	4,156,312
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,202,858	4,156,312

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern assumption)

Not applicable

(Notes on substantial changes in the amount of shareholders' equity)

The Company resolved at the meeting of the Board of Directors held on March 11, 2022 to repurchase up to 2,000,000 shares of treasury stock, with a maximum total acquisition amount of 2,000,000 thousand yen. The Company acquired 1,645,100 shares for 1,999,944 thousand yen in the first nine months ended October 31, 2022.

In addition, as a result of the disposal of treasury stock through the exercise of stock options, treasury stock decreased by 158,045 thousand yen in the first nine months ended October 31, 2022.

As a result, treasury stock amounted to 3,505,438 thousand yen at the end of the third quarter of the fiscal year ending January 31, 2023.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition") and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023. Accordingly, revenue is recognized in the amount expected to be received in exchange for the promised goods or services when control of such goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The amount of cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending January 31, 2023, was added to or deducted from the balance of retained earnings at the beginning of the first quarter of the fiscal year ending January 31, 2023, and thus the accounting policy was applied from such opening balance.

As a result, for the first nine months of the fiscal year ending January 31, 2023, net sales increased 180,142 thousand yen, cost of sales grew 158,349 thousand yen, and operating income, ordinary income, and profit before income taxes were up 21,792 thousand yen, respectively. In addition, the balance of retained earnings at the beginning of the fiscal year increased by 44,304 thousand yen.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable-trade," which was presented under "current assets" in the consolidated balance sheet for the previous fiscal year, is included in "notes and accounts receivable, and contract assets" from the first quarter of the fiscal year under review. In addition, "advances received" included in "others" under "current liabilities" has been included in "others" as "contract liabilities" and "advances received" from the first quarter of the fiscal year under review. Similarly, "allowance for loss compensation" presented under "current liabilities" has been included in "provision for loss on orders received" from the first quarter of the fiscal year under review, as a result of the reduction from the transaction price in the related contracts with customers.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company decided to adopt the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Fair Value Accounting Standard") and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023 and apply the new accounting policy provided for in the Fair Value Accounting Standard, etc. in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) going forward. This has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

First nine months of the previous fiscal year (from February 1, 2021, to October 31, 2021)

1. Information relating to net sales and income or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	11,634,481	21,892,680	33,527,162	—	33,527,162
Inter-segment sales or transfers	199	377,998	378,197	(378,197)	—
Total	11,634,681	22,270,679	33,905,360	(378,197)	33,527,162
Segment profit	2,158,078	3,481,985	5,640,064	(2,596,822)	3,043,241

(Notes) 1. The adjustment of negative 2,596,822 thousand yen made to the segment profit includes primarily corporate expenses that are not allocated to individual reportable segments. Corporate expenses are primarily composed of administrative expenses that are not allocated to individual reportable segments.

2. Segment profit adjustments are based on operating income reported on the quarterly consolidated statement of income.

First nine months of the current fiscal year (from February 1, 2022 to October 31, 2022)

1. Information relating to net sales and income or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	12,309,303	22,978,702	35,288,005	—	35,288,005
Inter-segment sales or transfers	703	377,272	377,975	(377,975)	—
Total	12,310,006	23,355,974	35,665,981	(377,975)	35,288,005
Segment profit	2,805,134	3,440,625	6,245,759	(2,967,919)	3,277,840

(Notes) 1. The adjustment of negative 2,967,919 thousand yen made to the segment profit includes primarily corporate expenses that are not allocated to individual reportable segments. Corporate expenses are primarily composed of administrative expenses that are not allocated to individual reportable segments.

2. Segment profit adjustments are based on operating income reported on the quarterly consolidated statement of income.

2. Matters concerning changes in reportable segments, etc.

As described in “Changes in accounting policies,” since the Company applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year under review and changed the accounting method for revenue recognition, the method of measuring income or loss of reportable segments has been changed accordingly.

As a result of this change, compared with the results under the previous method, in the Digital Industry Business, sales to external customers increased 33,216 thousand yen and segment profit grew 4,158 thousand yen, while in the Service Integration Business, sales to external customers rose 146,925 thousand yen, and segment profit increased 17,634 thousand yen, for the first nine months of the fiscal year under review.