

Supplemental Materials for Financial Results of the First Quarter of the Fiscal Year Ending January 2024

Computer Engineering & Consulting Ltd.

June 9, 2023

Contents



Operating Results for the First Quarter of the Fiscal Year Ending January 2024

Earnings Forecasts for the First Half and Full Year of the Fiscal Year Ending January 2024

3. Appendix

Contents



Operating Results for the First Quarter of the Fiscal Year Ending January 2024

Earnings Forecasts for the First Half and Full Year of the Fiscal Year Ending January 2024

3. Appendix

Year-on-year comparison of 1Q results

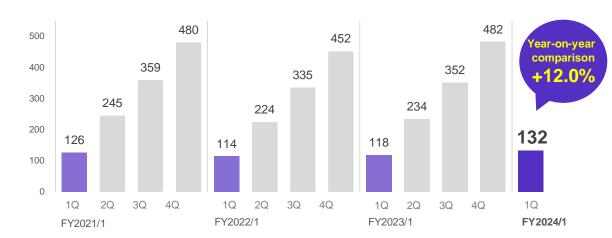
- Net sales and income increased as system development projects continued to be favorable in line with the strong demand for DX from major customers.
- Profits hit record highs in the first quarter.

(Unit: Million yen)

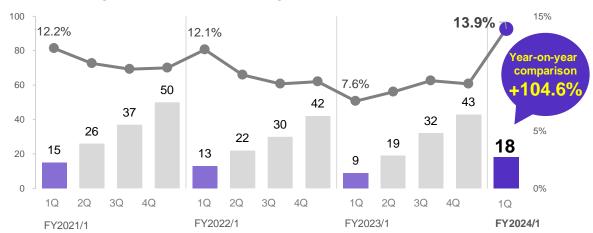
	FY2023/1Q	FY2024/1Q	Change from the the previous	· · · · · · · · · · · · · · · · · · ·
	F12023/1Q	F12024/1Q	Amount of change	Rate of change
Net sales	11,801	13,222	1,421	12.0%
Operating income	900	1,842	942	104.6%
Operating income ratio	7.6%	13.9%	6.3 pt	_
Ordinary income	907	1,853	945	104.2%
Ordinary income ratio	7.7%	14.0%	6.3 pt	_
Net income	837	1,286	449	53.6%
Net income ratio	7.1%	9.7%	2.6 pt	_

Financial results

■ Net sales (100 million yen)



■ Operating income/Operating income ratio (100 million yen, %)



Net sales

- System development projects continued to be favorable due to stronger demand for ICT investment.
- Sales increased due to growth in focused business.
- Sales increased due to growth in the core business.
- Nearshore development of group companies also remained strong.

Operating income

- Income increased due to higher net sales.
- Income increased due to growth in focused business.
- There was a reactionary increase related to allowance for loss on orders received.

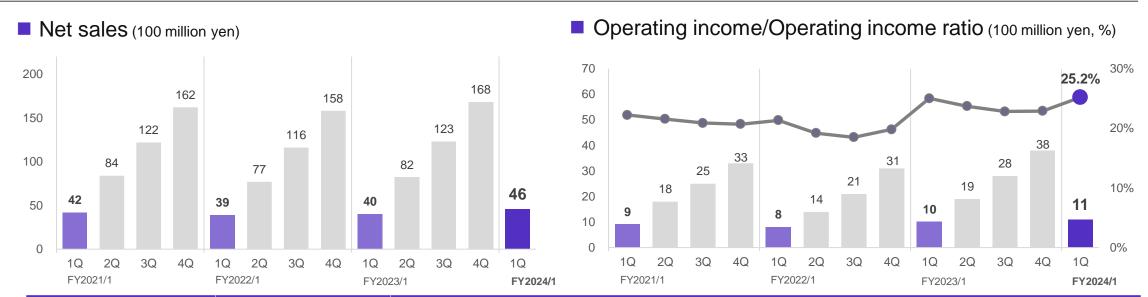
Year-on-year comparison by business segment

- In the digital industry business, both net sales and operating income increased thanks to growth in ICT investment made by customers in the manufacturing industry.
- In the service integration business, sales increased due to favorable migration and infrastructure construction projects. Operating income grew due to a reactionary increase related to the allowance for loss on orders received.

(Unit: Million yen)

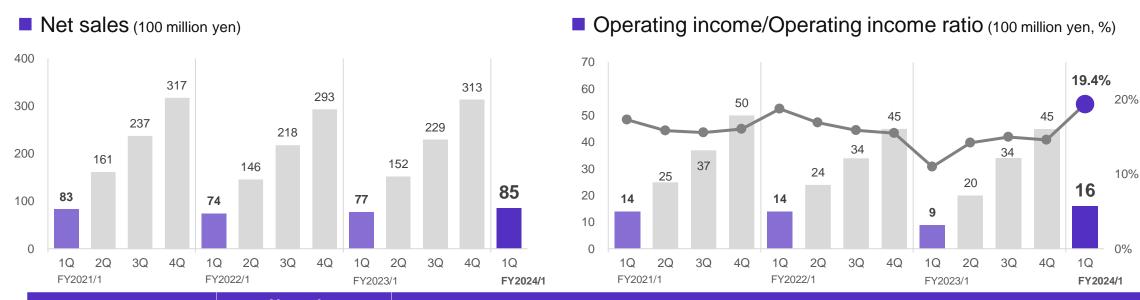
	FY2023/1Q Net sales Operating income Rate of return		FY20	FY2024/1Q		Amount of change	
			Net sales	Operating income Rate of return	Net sales Rate of change	Operating income Rate of change	
Digital Industry Business	4,096	1,035 25.3%	4,642	1,171 25.2%	545 13.3%	136 13.2%	
Service Integration Business	7,704	923 12.0%	8,580	1,668 19.4%	875 11.4%	744 80.6%	
Corporate expenses	_	(1,058)	_	(997)	_	60	
Total	11,801	900 7.6%	13,222	1,842 13.9%	1,421 12.0%	942 104.6%	

Digital Industry Business



Business category	Net sales weather chart	Point
Smart factory	\	 System development projects accompanied by product introductions increased as demand for DX at production sites expanded.
Connected services	- *	Automobile-related big data analytics and smartphone application development remained strong.
Chubu services	*	 Major clients' core system development increased, and development projects (in design and finance areas) grew.
Nishinihon services		 In addition to sales growth in logistics solutions, system development projects remained on a par with the previous year.

Service Integration Business



Business category	Net sales weather chart	Point			
Service integration		 Sales remained comparable to the level of the previous fiscal year due to the loss of opportunity to take orders caused by the impact of unprofitable projects, but profit increased as the impact waned. Both sales and income were favorable, due to strong growth in migration needs. 			
Platform architect	\	 Both sales and income grew as demand in the infrastructure construction business increased and supply recovered. Although sales were at normal levels in conjunction with the weakened demand for security enhancement and updates, orders were on an upward trend. 			
Group companies	-	 Results were up year on year due to an increase in nearshore development projects for major customers. 			

ase

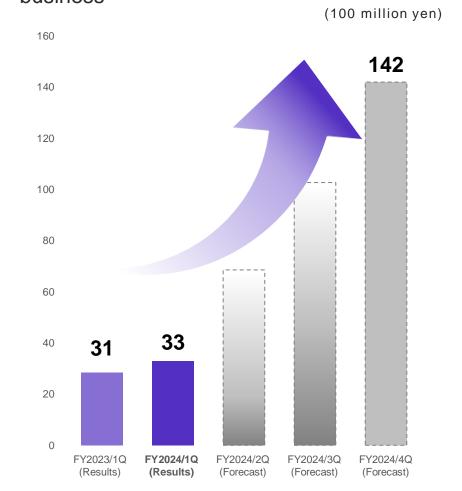
10% or more YoY decrease

Progress of focused business

Focused business: Progress was made generally as planned on the whole.

Digital Industry Business	Production and logistics	 Number of customers considering DX promotion in their factories has been on the rise. Customization occurs for each customer, causing planning to take longer.
	Mobility services	 In mobility projects, inqueries about big data analytics have been on the rise. ICT investment in the automotive industry also remained strong.
	Services in cooperation with Microsoft Japan	 Inqueries about Dynamics 365 CRM and Power Platform increased.
Service Integration Business	Migration services	 Migration needs were strong. Business was favorable with many discussions aimed at cloud computing and security enhancement.
Dusiness	Security services	 Sales declined due to lower stocking and sales, but orders have been on the rise.
	DX cloud platform	 In the phase of constructing operating infrastructure

Full-year forecast and sales results for focused business



Orders received/orders in hand

System development projects increased driven by DX, and both orders received and orders in hand have been on an upward trend.

In the infrastructure construction business, orders in hand increased due to the acquisition of orders for long-term

projects.



Year-on-year comparisons of sales by industry

(Unit: Million yen)

	EV2022/40	EV2024/40	Year-on-year	comparisons
	FY2023/1Q FY2024/10		Amount of change	Rate of change
Manufacturing industry Component ratio	5,118 (43.4%)	5,905 (44.7%)	787	15.4%
Communication and information service industry Component ratio	3,074 (26.0%)	3,380 (25.6%)	305	9.9%
Financial industry Component ratio	1,292 (10.9%)	1,303 (9.8%)	11	0.9%
Distribution industry Component ratio	633 (5.4%)	781 (5.9%)	147	23.3%
Government and public offices Component ratio	528 (4.5%)	736 (5.6%)	207	39.2%
Other industries Component ratio	1,154 (9.8%)	1,115 (8.4%)	(38)	(3.4%)
Total	11,801 (100%)	13,222 (100%)	1,421	12.0%

Points by industry

[Manufacturing industry]

System development projects increased. Infrastructure construction projects increased.

[Communication and information service industry]

Cloud development projects increased.

[Financial industry]

Performance was comparable to that of the previous year due to the downsizing of projects of major customers.

[Distribution industry]

Demand for logistics services increased.

[Government and public offices]

Infrastructure construction projects increased.

Consolidated balance sheet

(Unit: Million yen)

	FY2023/4Q	FY2024/1Q	Comparison w the previ	
			Amount of change	Rate of change
Current assets	35,208	36,542	1,334	3.8%
Cash and deposits	23,302	25,617	2,315	9.9%
Non-current assets	11,124	11,236	111	1.0%
Property, plant and equipment	6,615	6,537	(77)	(1.2%)
Intangible assets	258	240	(17)	(6.8%)
Investments and other assets	4,251	4,458	206	4.9%
Total assets	46,333	47,779	1,445	3.1%
Current liabilities	8,311	9,125	814	9.8%
Non-current liabilities	642	639	(3)	(0.5%)
Total liabilities	8,954	9,765	811	9.1%
Total net assets	37,379	38,013	634	1.7%
Total liabilities and net assets	46,333	47,779	1,445	3.1%

Point
[Assets] Increased Increase in cash and deposits
[Liabilities] Increased Increase in provision for bonuses Increase in contract liabilities
[Net assets] Increased Increase in retained earnings
Equity ratio
80.5%→ 79.5%

Unprofitable projects and future plans

- Status of response to unprofitable projects
 - Currently operating stably.
 - □ Response is being taken while maintaining the framework for the busy system season.Will be fully settled in the first half of the year.
- Background and future plans

FY2023 FY2024 Q 1Q 2Q

- Customer acceptance test
- Briefing for users

- Pre-test General test
- Migration to the production environment, cutover
 ⇒ Problem occurred after cutover
- Bug fixes and further improvements
- Strengthening the environment and framework
- Maintain enhanced environment and framework
- Expecting full convergence during the first half of the year

Service Integration Business: Impact of unprofitable projects (Reference)

				FY2022/1	FY2023/1		
			First half	First nine months	Full year	First three months	Full year
	Impact on statement of income		(82)	(831)	(1,136)	(496)	(881)
	Drookdown	Impact on operating income	(82)	(435)	(722)	(496)	(881)
	Breakdown	Recording of extraordinary loss	_	(396)	(414)	_	_

Contents



Operating Results for the First Quarter of the Fiscal Year Ending January 2024

Earnings Forecasts for the First Half and Full Year of the Fiscal Year Ending January 2024

3. Appendix

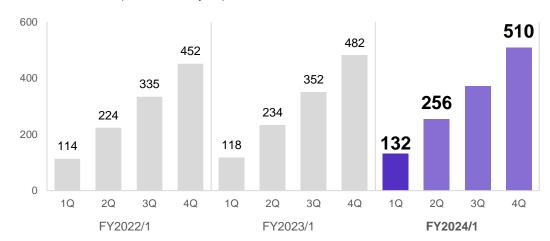
Earnings Forecasts for the First Half and Full Year of the Fiscal Year Ending January 2024

- With demand for ICT investment on the rise against the backdrop of DX promotion, earnings forecast for the second quarter is **revised upward**.
- Full-year earnings forecast remains unchanged due to lingering concerns about rising prices and stagnant economic conditions overseas.
 (Unit: Million yen)

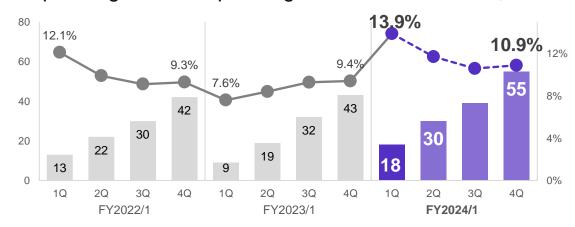
		Revised forecast for FY2024						
	Second quarter (before revision)	Second quarter (after revision)	Amount of change	Rate of change	Full year (no change)			
Net sales	24,800	25,600	800	3.2%	51,000			
Operating income	2,550	3,000	450	17.6%	5,550			
Operating income ratio	10.3%	11.7%	1.4 pt	_	10.9%			
Ordinary income	2,560	3,010	450	17.6%	5,570			
Ordinary income ratio	10.3%	11.7%	1.4 pt	_	10.9%			
Net income	1,770	2,070	300	16.9%	3,840			
Net income ratio	7.1%	8.1%	1.0 pt	_	7.5%			

Full-year earnings forecasts and points

■ Net sales (100 million yen)



Operating income/Operating income ratio (100 million yen, %)



Net sales

- Full-year forecast remains unchanged.
- Cultivate new business opportunities through deep cultivation of major customers by crossselling and up-selling across the Company.
- Promote higher sales of products and services in the focused business.

Operating income

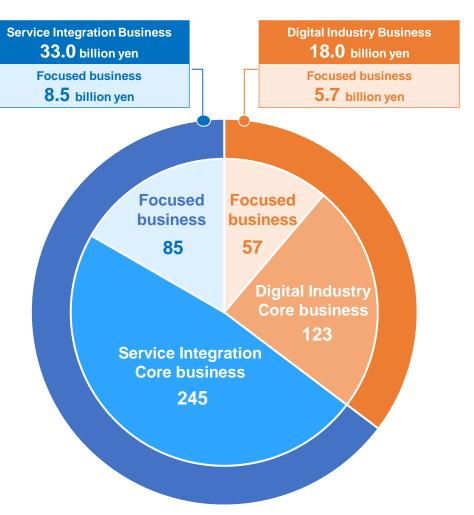
- Full-year forecast remains unchanged.
- Acquire high-profit business opportunities and promote service shifts.
- Revise product and service menus to reflect rising electricity cost and commodity prices.
- Curb the occurrence of unprofitable projects.

Full-year earnings forecast by business segment

Net sales and operating income forecast

		FY2024/1Q	FY2024		
		F12024/1Q	Full-year forecast	Progress rate	
Digital Industry	Net sales	4.6 billion yen	18.0 billion yen	25.8%	
Business	Operating income	1.1 billion yen	4.0 billion yen	29.3%	
Focused business	Net sales	1.5 billion yen	5.7 billion yen	26.7%	

		FY2024/1Q	FY2024		
			Full-year forecast	Progress rate	
Service Integration Business	Net sales	8.5 billion yen	33.0 billion yen	26.0%	
	Operating income	1.6 billion yen	5.6 billion yen	29.8%	
Focused business	Net sales	1.8 billion yen	8.5 billion yen	21.4%	



(FY2024 Sales target by business segment)

Contents



Operating Results for the First Quarter of the Fiscal Year Ending January 2024

Earnings Forecasts for the First Half and Full Year of the Fiscal Year Ending January 2024

3. Appendix

Company profile



Company Name

Date of establishment

February 24, 1968

Date of Listing

Capital **Net sales**

Licenses and approvals

Computer Engineering & Consulting Ltd.

April 2022 (Prime Market)

July 2001 (First Section of Tokyo Stock Exchange)

6,586 million yen

48,206 million yen (FY ended Jan. 2023)

- Stated in the list of companies providing system auditing services, the Ministry of Economy, Trade and Industry
- Stated in the list of companies providing information security auditing services, the Ministry of Economy, Trade and Industry
- PrivacyMark-certified business operator 11820032(12)
- JQA Certification
 - Quality Management System ISO 9001:2015 (Certification No. JQA-1481)
 - Information Security Management System ISO/IEC 27001 (Certification No. JQA-IM0007)
 - Cloud Service Information Security Management System ISO/IEC 27017 (Certification No. JQA-IC0040)
 - Information Technology Service Management System ISO/IEC 20000 (Certification No. JQA-IT0005)
 - Environmental Management System ISO 14001:2015 (Certification No. JQA-EM7701)
- Telecommunication engineering business, Minister of Land, Infrastructure, Transport and Tourism (Ordinary-4) No. 28700 (License date: November 21, 2022)

Number of 2,290 (as of April 1, 2023) **Employees**

Consolidated subsidiaries

8 companies

JR Ebisu Bldg., 5-5 Ebisu Minami 1-chome, Shibuya-ku, Tokyo **Head Office**

150-0022

Representative Takashi Himeno, Representative Director & President

Business Description

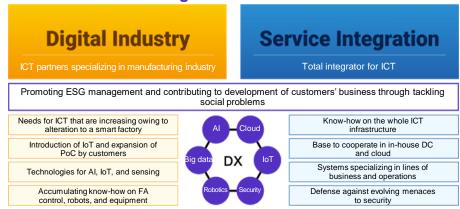
■ Digital Industry Business

Providing original ICT products and services aimed mainly at supporting the manufacturing industry to improve operational efficiency, improve quality, and create attractive products.

■ Service Integration Business

Supporting the entire ICT life cycle, which is necessary to reform and improve the business operations of companies and organizations. Providing total ICT services and products, including cloud computing and security.

<Two businesses contributing to the realization of a sustainable society>





Vision 2025: To a Company That Creates the Future with ICT Technologies

1. Strengthening business capabilities Increasing the areas of focused business to six from two Shifting to service-oriented business A synergy of business across the whole company 2. Strengthening human resources and technical capabilities Cultivating human resources Changing to an increase in the number of employees Diversity and work-style reform 3. Strengthening management foundation

Promoting ESG activities Promoting in-house DX Improving the financial base and other matters

	Net sales	Ordinary income	Ordinary income ratio	ROE/Payout ratio
Target management indices	56.0 billion yen	6.9 billion yen	12% or more	ROE: 12% or more Payout ratio: 40% or more

Segment Information



Digital Industry

ICT partners specializing in manufacturing industry

Smart factory

 Product planning, product development and system development, maintenance, and solution services for production and logistics areas in the manufacturing industry

Connected services

- Consulting, system development, maintenance and operation, and solution services related to the IoT-connected field with a focus on mobility
- Operations related to the development of embedded software, mainly for invehicle devices
- Operations on quality solutions such as automated testing, CI/CD building

Chubu services

Overall ICT services for the Technical Information Division (bill of material/PDM/CAD), Corporate Information Division (sales/finance/accounting), and Corporate Information Division (personnel/production logistics) that target the automotive industry

Nishinihon services

- Provision of SI services using business SI and EOS solutions in the Kansai and Hokuriku areas
- Product planning, development, maintenance, operation and provision of product services, with a focus on the IoT field in the logistics and manufacturing sectors
- Provision of systems development, verification, maintenance, operation and installation services, mainly in the FA/industrial equipment and medical & healthcare fields

Service Integration Total integrator for ICT

Service integration

Enterprise

- Consulting, system development, maintenance and operation using Microsoft's cloud services such as Dynamics 365. Microsoft 365 and Azure
- Development, maintenance and operation of solution systems for government agencies and municipalities

AX services

 Consulting, system development, maintenance and operation related to ICT modernization using migration services

Business systems

 Systems development, maintenance and operation for the financial sector, including banking, insurance, credit card, securities and leasing

Platform architect

Security services

- Monitoring and operation of various security services and security equipment
- Product development and sales, solution services, system development, maintenance and operation related to office security based on authentication technology

Platform

 Operations related to the overall life cycle management from planning and examination of ICT systems and cloud services to design, construction, migration and operation

Data center

- Operations related to data center and cloud services
- Operations related to system operation design, implementation support, and operation management services

Group companies

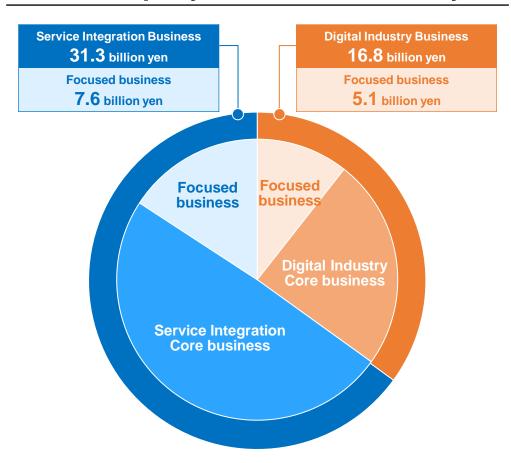
Foresight System, etc.

- Nearshore development, construction, maintenance and operation
- Temporary staffing service

Focused business (Results for FY ended Jan. 2023)



Total company sales: 48.2 billion yen



Focused business: Business areas that leverage their unique features

Digital	Production and logistics	Visual Factory: LogiPull.	In addition to product services for the manufacturing industry, LogiPull, a logistics solution, is added. These are focused areas to support digitalization and DX strategy in fields from production sites to logistics.
Service Integration Business	Mobility services	Plus Location. SimuField°-SC	Focused areas for developing services utilizing automotive/transportation big data, mainly in the connected field of the automotive industry
	Services in cooperation with Microsoft Japan	Convergent®	Focused areas for promoting businesses in cooperation with Microsoft and supporting DX, mainly through management analysis and marketing of Dynamics 365/Azure platform
	Migration services	Re@nove	Focused areas to support legacy ICT innovation, cloud migration and DX of systems and application environments
	Security services	Cyber NEXT° TYTAL # 19 7 (Y 9 1 - Y 9 2 4 Y 7 - Y 9 2 4 Y 9 3 Y 7 - Y 9 2 4 Y 9 3 Y 7 - Y 9 2 4 Y 9 3 Y 9 5 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4 Y 9 3 Y 9 5 6 4	Focused areas for security consulting, design, construction, and operation services, with a portfolio of products that protect ICT elements connected to the network from security threats
	DX cloud platform	BizVision	Focused areas to promote installation of inhouse products on cloud platforms

Disclaimer



- ✓ This document has not been prepared for the purpose of soliciting investments.
- ✓ Forward-looking statements in this document are based on judgments and assumptions made in light of trends in the Japanese economy and the information services industry, as well as information available at the time of preparing this document.
 - Accordingly, there is a possibility that forecasts may fluctuate due to uncertainties inherent in them, changes in domestic and overseas situations relevant to future business operations and other factors.
- ✓ The contents stated in this document may not be reproduced, transcribed, reprinted or distributed without permission of the Company.

Contact:

Computer Engineering & Consulting Ltd.

Corporate Management Group, Business Promotion Unit,

Corporate Planning Division, Investor Relations TEL: 03-5789-2442

Corporate Management Group, Corporate Administration Unit,

Accounting Division, Investor Relations TEL: 046-252-4111

E-mail: IR@cec-ltd.co.jp