



## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending January 31, 2024

December 11, 2023

Company Name: Computer Engineering & Consulting Ltd.

Stock Listing: Tokyo Stock Exchange

Stock Code: 9692 URL <https://www.cec-ltd.co.jp/en/>

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Scheduled Date of Filing of Quarterly Report: December 12, 2023 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, 2024 (February 1, 2023 to October 31, 2023)

(1) Consolidated Operating Results for the First Nine Months (Percentages indicate increase/decrease from the same period 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. 2023	39,275	11.3	4,940	50.7	4,969	50.7	3,410	(22.2)
3Q ended Oct. 2022	35,288	5.3	3,277	7.7	3,296	7.0	4,381	143.7

(Note) Comprehensive income 3Q ended Oct. 2023 3,456 million yen (16.8%) 3Q ended Oct. 2022 4,156 million yen 88.7%

	Net income per share	Diluted net income per share
	Yen	Yen
3Q ended Oct. 2023	101.49	101.36
3Q ended Oct. 2022	127.92	127.42

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
3Q ended Oct. 2023	49,394	39,327	79.6
FY ended Jan. 2023	46,333	37,379	80.5

(Reference) Total shareholders' equity 3Q ended Oct. 2023 39,300 million yen FY ended Jan. 2023 37,309 million yen

### 2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended Jan. 2023	—	25.00	—	20.00	45.00
FY ending Jan. 2024	—	25.00	—		
FY ending Jan. 2024 (Forecast)				25.00	50.00

(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 ended January 31, 2023: Ordinary dividend 20.00 yen, special dividend 5.00 yen

### 3. Consolidated Earnings Forecasts for Fiscal Year Ending January 31, 2024 (February 1, 2023 to January 31, 2024)

(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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	53,000	9.9	6,220	42.2	6,250	41.6	4,300	(17.0)	127.96

(Note) Adjustments from the earnings forecasts announced most recently: Yes

#### \*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. 2023	37,600,000 shares	FY ended Jan. 2023	37,600,000 shares
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2) Number of treasury stock

3Q ended Oct. 2023	3,983,860 shares	FY ended Jan. 2023	4,032,960 shares
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3) Average number of shares for each period

3Q ended Oct. 2023	33,601,032 shares	3Q ended Oct. 2022	34,254,047 shares
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\*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 materials for the quarterly financial results will be available on our company website (<https://www.cec-ltd.co.jp>) on Monday, December 11, 2023.

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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, 2023 to October 31, 2023), the Japanese economy showed a moderate recovery as employment and income conditions improved thanks to the effects of various measures. In terms of the future, however, there is a risk of the Japanese economy declining due to downturns in overseas economies, including concerns about the stagnation of the Chinese economy. In addition, due attention should be paid to the effects of rising prices, developments in the Middle East, and fluctuations in financial and capital markets, among other factors.

In the information service industry, firms are being cautious in making judgments regarding business conditions mainly due to the impact of rising raw material prices caused by prolonged geopolitical risks. On the other hand, DX-related investments to enhance productivity and competitiveness remained strong as the need for business structural transformation increased. In addition, efforts to improve operational efficiency and work style reforms using generative AI are receiving increasing attention. Furthermore, demand for cyber security measures remains high in response to the cyber attacks that are becoming more sophisticated every day.

Under these circumstances, the CEC Group pursued its business under the basic policy of “strengthening business capabilities,” “strengthening human resources and technical capabilities,” and “strengthening management foundation.” This is based on its three-year medium-term management plan from the fiscal year ended January 2023 to the fiscal year ending January 2025, and has the aim of realizing “a sustainable society” and “the sustained growth of the CEC Group.” During the first nine months ended October 31, 2023, we worked to make proposals that were in line with the priority investment fields of customers and strengthen sales of in-house products and services. In addition, we strengthened the education system by introducing a new personnel system, raising the basic salary, and encouraging qualifications.

As a result of these efforts, in the first nine months ended October 31, 2023, net sales increased 3,987 million yen (11.3%) from the same period of the previous fiscal year to 39,275 million yen, thanks to the successful approach of making proposals on the use of ICT in line with the priority investment fields of main customers in both our core business\*<sup>1</sup> and our focused business areas\*<sup>2</sup>. In terms of profits, operating income was 4,940 million yen, up 1,662 million yen (50.7%) from the same period of the previous fiscal year, and ordinary income was 4,969 million yen, up 1,672 million yen (50.7%) year on year. This was attributable to our continuous efforts to expand sales of in-house products and services and improve productivity, in addition to achieving higher profits on higher revenues. Net income attributable to owners of parent was 3,410 million yen, down 971 million yen (22.2%) from a year earlier due to the impact of the dissipation of gain on sale of investment securities recorded in the same period of the previous fiscal year.

\*1 Core business: The Company defines its core business as the stable and foundation business that supports the Company, including commissioned development, which is our revenue base, provision of ICT infrastructure using data centers, construction and operations business, development of car-mounted and built-in devices, and verification business.

\*2 The Company defines its six focused business areas as:

(1) Production and logistics solutions, (2) Mobility services, (3) Services in cooperation with Microsoft Japan, (4) Migration services, (5) Security services, and (6) DX cloud platform.

Operating results by segment are as follows.

(Digital Industry Business)

In our nishinihon and chubu services of our core business, system development remained steady, against the backdrop of active ICT investment by customers in the manufacturing industry. In mobility services, which is one of our focused business areas, big data and smartphone application development in the MaaS field performed well. In production and logistics solutions, ICT solutions for enhancing logistics efficiency performed well, although smart factory-related areas remained at the same level as in the previous fiscal year. As a result, net sales increased 1,208 million yen (9.8%) from the same period of the previous fiscal year to 13,518 million yen. In terms of profits, operating income came to 3,073 million yen, up 268 million yen (9.6%) from the same period of the previous fiscal year, due to higher profits in line with stronger sales.

(Service Integration Business)

In the core business, ICT infrastructure construction, including operations, and system development performed well. Migration services, which is our focused business areas, remained strong due to increased demand for migration from on-premise to cloud. Services in cooperation with Microsoft Japan continued to be favorable as business negotiations on Dynamics 365 and Power Platform were brisk. In security services, sales remained at the same level as that of the previous year due to lower stocking and sales, but profits continued to be strong due to the impact of large-scale projects for in-house products recorded in the second quarter of the fiscal year. As a result, net sales grew 2,778 million yen (12.1%) from the same period of the previous fiscal year to 25,757 million yen. In terms of profits, operating income came to 4,992 million yen, up 1,551 million yen (45.1%) from the same period of the previous fiscal year, due to higher profits on higher sales as well as expanded sales of our products and services.

(2) Explanation on Financial Position

(Total assets)

Total assets as of the end of the third quarter were 49,394 million yen, an increase of 3,061 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,797 million yen in cash and deposits and an increase of 361 million yen in products.

(Liabilities)

Total liabilities as of the end of the third quarter were 10,067 million yen, an increase of 1,113 million yen from the end of the previous fiscal year. This was mainly due to an increase of 791 million yen in allowance for bonuses and an increase of 683 million yen in contract liabilities included in others under current liabilities.

(Net assets)

Net assets as of the end of the third quarter were 39,327 million yen, an increase of 1,947 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,898 million yen in retained earnings.

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

The CEC Group is promoting a medium-term management plan covering the three-year period from the fiscal year ended January 31, 2023 to the fiscal year ending January 31, 2025, with the fiscal year ending January 31, 2024 being the second year of the plan. Based on the three pillars of our basic policies of (1) strengthening business capabilities, (2) strengthening human resources and technical capabilities, and (3) strengthening the management foundation, we are striving to solve social and industrial issues through our business activities and continuously improve our corporate value. For the consolidated earnings forecasts for the full year of the fiscal year ending January 31, 2024, please refer to “Notice Concerning Adjustments to the Full-Year Earnings Forecast” announced today.

\* 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, 2023)	First Nine Months of the Current Fiscal Year (October 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	23,302,042	26,099,993
Notes and accounts receivable—trade, and contract assets	10,103,576	9,769,863
Product	254,597	616,511
Work in progress	504,914	640,476
Other accounts receivable	32,350	12,785
Others	1,013,313	1,188,333
Allowance for doubtful accounts	(2,067)	(1,532)
Total current assets	35,208,727	38,326,430
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,773,022	3,604,261
Land	2,004,644	2,004,644
Other, net	837,667	799,588
Total property, plant and equipment	6,615,333	6,408,494
Intangible assets		
Others	258,067	226,690
Total intangible assets	258,067	226,690
Investments and other assets		
Others	4,263,463	4,445,051
Allowance for doubtful accounts	(11,909)	(11,909)
Total investments and other assets	4,251,553	4,433,141
Total non-current assets	11,124,954	11,068,326
Total assets	46,333,682	49,394,757

(Unit: Thousands of yen)

	Previous Fiscal Year (January 31, 2023)	First Nine Months of the Current Fiscal Year (October 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	2,251,585	2,461,630
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,600	13,800
Income taxes payable	965,599	665,543
Allowance for bonuses	585,623	1,376,813
Provision for performance-linked compensation	—	22,832
Provision for stock-based compensation	—	6,706
Allowance for loss on orders received	488,092	28,075
Others	3,656,595	4,504,640
Total current liabilities	8,311,096	9,430,040
Non-current liabilities		
Long-term loans payable	13,800	—
Long-term accounts payable–other	22,120	22,120
Provision for directors' retirement benefits	19,064	13,902
Net defined benefit liability	106,227	112,383
Asset retirement obligations	481,579	489,166
Others	123	98
Total non-current liabilities	642,914	637,671
Total liabilities	8,954,010	10,067,712
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,586,000	6,586,000
Capital surplus	6,733,706	6,737,978
Retained earnings	27,105,988	29,004,276
Treasury shares	(3,505,438)	(3,462,771)
Total shareholders' equity	36,920,256	38,865,483
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	371,132	375,262
Foreign currency translation adjustment	7,138	15,183
Remeasurements of defined benefit plans	10,713	44,714
Total accumulated other comprehensive income	388,983	435,160
Subscription rights to shares	70,431	26,401
Total net assets	37,379,671	39,327,045
Total liabilities and net assets	46,333,682	49,394,757

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
(Quarterly Consolidated Statement of Income)  
(First Nine Months Ended October 31, 2023)

(Unit: Thousands of yen)

	First Nine Months of the Previous Fiscal Year (From February 1, 2022 to October 31, 2022)	First Nine Months of the Current Fiscal Year (From February 1, 2023 to October 31, 2023)
Net sales	35,288,005	39,275,555
Cost of sales	26,938,438	28,867,529
Gross profit	8,349,567	10,408,025
Selling, general and administrative expenses	5,071,726	5,467,585
Operating income	3,277,840	4,940,439
Non-operating income		
Interest income	1,258	515
Dividend received	12,508	12,525
Dividends from insurance	12,849	7,953
Others	15,928	15,063
Total non-operating income	42,545	36,058
Non-operating expenses		
Interest expenses	2,289	1,926
Foreign exchange loss	16,675	5,096
Others	4,703	327
Total non-operating expenses	23,669	7,349
Ordinary income	3,296,716	4,969,148
Extraordinary income		
Gain on sale of investment securities	2,265,000	—
Total extraordinary income	2,265,000	—
Extraordinary loss		
Loss on retirement of non-current assets	282	797
Impairment loss	704	—
Total extraordinary loss	986	797
Profit before income taxes	5,560,729	4,968,350
Income taxes—current	1,503,280	1,283,257
Income taxes—deferred	(324,376)	275,060
Total income taxes	1,178,903	1,558,318
Net income	4,381,826	3,410,032
Net income attributable to owners of parent	4,381,826	3,410,032

(Quarterly Consolidated Statement of Comprehensive Income)  
(First Nine Months Ended October 31, 2023)

(Unit: Thousands of yen)

	First Nine Months of the Previous Fiscal Year (From February 1, 2022 to October 31, 2022)	First Nine Months of the Current Fiscal Year (From February 1, 2023 to October 31, 2023)
Net income	4,381,826	3,410,032
Other comprehensive income		
Valuation difference on available-for-sale securities	29,884	4,129
Foreign currency translation adjustment	14,617	8,045
Remeasurements of defined benefit plans	(270,016)	34,001
Total other comprehensive income	(225,514)	46,176
Comprehensive income	4,156,312	3,456,209
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,156,312	3,456,209

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern assumption)

Not applicable

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

Not applicable

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company decided to adopt the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter, "Fair Value Accounting Standard Implementation Guidance") from the beginning of the first quarter and apply the new accounting policy provided for in the Fair Value Accounting Standard Implementation Guidance in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Accounting Standard Implementation Guidance 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, 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.

First nine months of the current fiscal year (from February 1, 2023 to October 31, 2023)

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	13,518,202	25,757,353	39,275,555	—	39,275,555
Inter-segment sales or transfers	256	518,212	518,469	(518,469)	—
Total	13,518,458	26,275,565	39,794,024	(518,469)	39,275,555
Segment profit	3,073,958	4,992,178	8,066,137	(3,125,697)	4,940,439

(Notes) 1. The adjustment of negative 3,125,697 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.

### 3. Others

#### Orders received and orders in hand

Orders received and orders in hand in the digital industry business during the first nine months ended October 31, 2023 remained strong as a result of steadily grasping the strong demand for ICT investment by customers in the manufacturing industry. In addition, orders received and orders in hand in the service integration business remained strong against the backdrop of needs to promote DX and an increase in projects to manage ICT infrastructure construction, including security.

\*In the previous fiscal year (the fiscal year ended January 2023), the timing for recording orders for some long-term projects was changed due to the adoption of the Accounting Standard for Revenue Recognition, etc.

Orders received by segment during the first nine months ended October 31, 2023, are as follows.

(Unit: Thousands of yen)

Segment name	Orders received	Change from the same period of previous fiscal year (%)	Orders in hand	Change from the same period of previous fiscal year (%)
Digital Industry Business	13,890,150	109.8	3,712,659	110.3
Service Integration Business	27,259,161	97.7	13,819,079	103.2
Total	41,149,311	101.4	17,531,739	104.6