

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

Computer Engineering & Consulting Ltd. (9692)
December 11, 2023

1. Operating Results for the Third Quarter of the Fiscal Year Ending January 2024

2. Full-Year Earnings Forecast for the Fiscal Year Ending January 2024

3. Appendix

1. Operating Results for the Third Quarter of the Fiscal Year Ending January 2024





2. Full-Year Earnings Forecast for the Fiscal Year Ending January 2024

3. Appendix

Year-on-year comparison of 3Q 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.
- Operating income and ordinary income marked new **record highs**, but net income was impacted by the reactionary decline from the recording of extraordinary income in the previous fiscal year*.

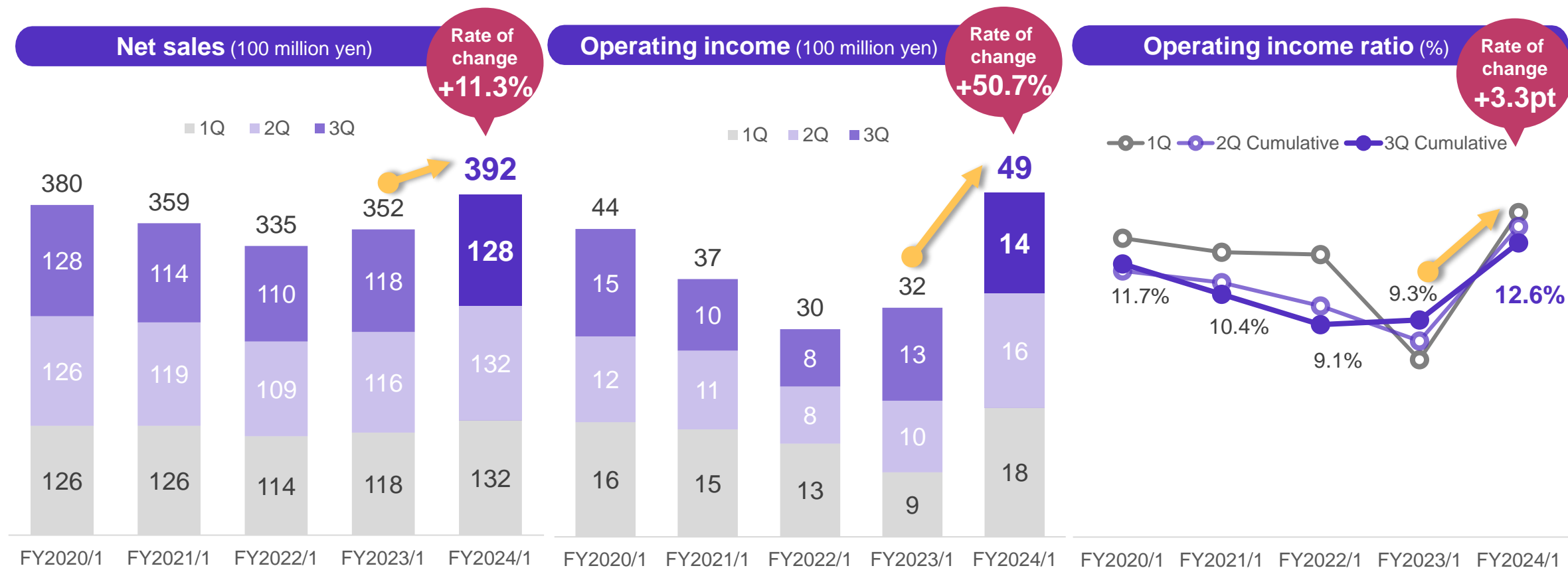
(Unit: Million yen)

	FY2023/3Q	FY2024/3Q	Change from the same period of the previous fiscal year	
			Amount of change	Rate of change
Net sales	35,288	39,275	3,987	11.3%
Operating income	3,277	 4,940	1,662	50.7%
Operating income ratio	9.3%	 12.6%	3.3pt	—
Ordinary income	3,296	 4,969	1,672	50.7%
Ordinary income ratio	9.3%	 12.7%	3.4pt	—
Net income	4,381	3,410	(971)	(22.2%)
Net income ratio	12.4%	8.7%	(3.7pt)	—

* Gain on sale of investment securities was recorded to extraordinary income in the second quarter of the fiscal year ended January 2023.

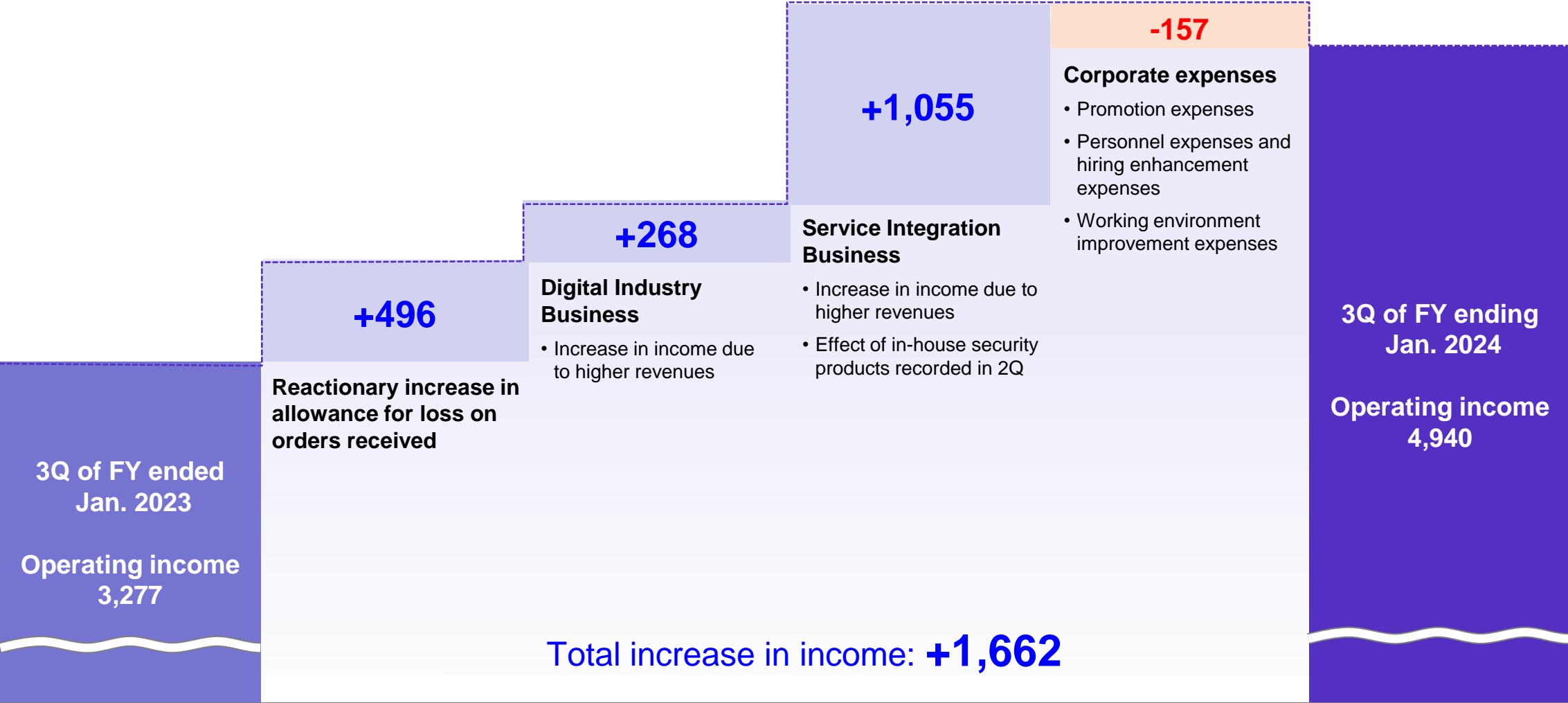
Quarterly results

- Net sales increased due to growth in the core business and the focused business.
- Operating income increased due to the effects of higher revenue, expanded sales of in-house solutions, and a reactionary increase (1Q) in allowance for loss on orders received.
- The operating income ratio remained high due to increased sales of in-house security products.



Major factors for increase/decrease in consolidated operating income

(Unit: Million yen)



Year-on-year comparison by business segment

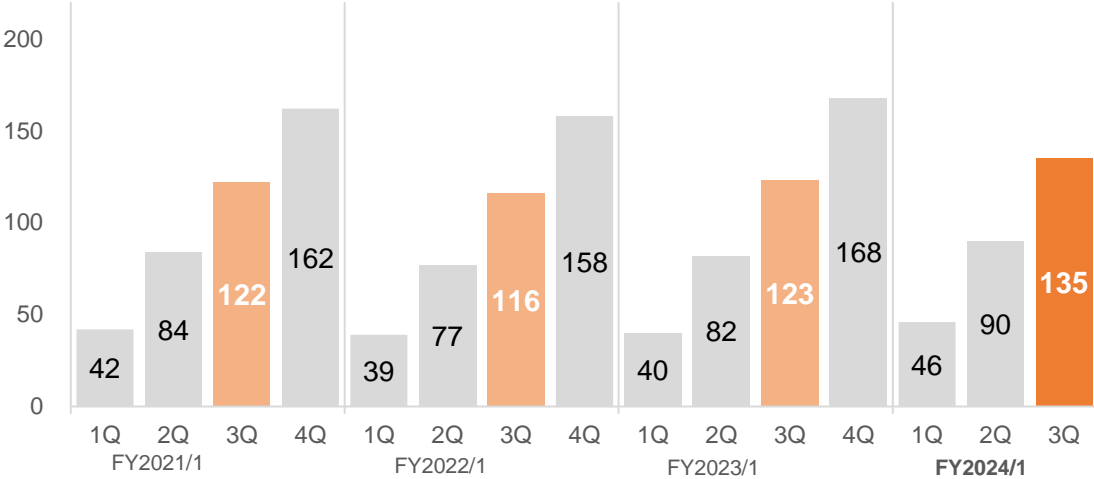
- In Digital Industry Business, both net sales and operating income increased as ICT investment made by customers in the manufacturing industry continued to be steady.
- In Service Integration Business, sales increased due to the growth in ICT infrastructure construction business and system development business. Operating income increased due to the effect of higher sales, expanded sales of in-house products, and a reactionary increase in allowance for loss on orders received (1Q).

(Unit: Million yen)

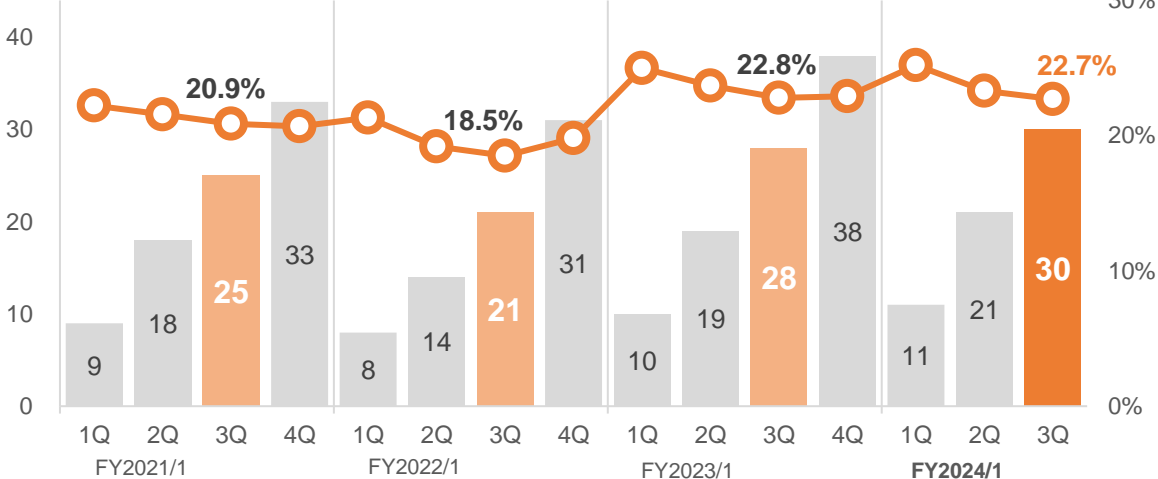
	FY2023/3Q		FY2024/3Q		Amount of change	
	Net sales	Operating income Rate of return	Net sales	Operating income Rate of return	Net sales Rate of change	Operating income Rate of change
Digital Industry Business	12,309	2,805 22.8%	13,518	3,073 22.7%	1,208 9.8%	268 9.6%
Service Integration Business	22,978	3,440 15.0%	25,757	4,992 19.4%	2,778 12.1%	1,551 45.1%
Corporate expenses	—	(2,967)	—	(3,125)	—	(157)
Total	35,288	3,277 9.3%	39,275	4,940 12.6%	3,987 11.3%	1,662 50.7%

Digital Industry Business

■ Net sales (100 million yen)



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

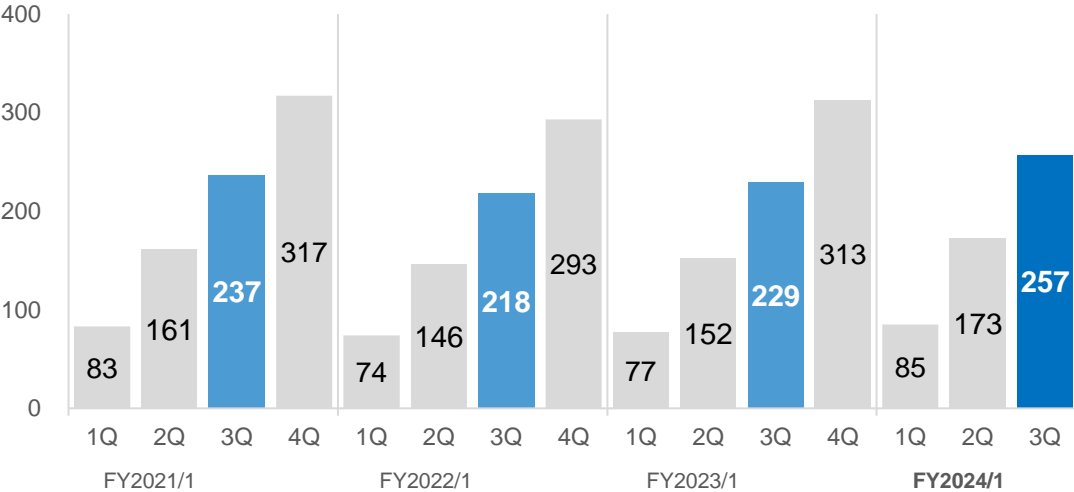


Business category	Net sales Rate of change	Operating income Rate of change	Point
Smart factory			● Both net sales and operating income were flat due to sluggish sales of in-house products, although demand for DX in the manufacturing industry continued to be steady.
Connected services			● Connected-related cloud development and big data platform construction for automobiles remained favorable. ● Verification services for which the shift to automated testing is progressing significantly captured customer demand and remained strong.
Chubu services			● Development projects in major clients' design area and core systems (bill of materials) grew. ● The previous year saw an increase in customer demand at the end of the fiscal year, but this fiscal year will see income returning to normal levels.
Nishinihon services			● In addition to growth in in-house logistics solutions, system development projects (medical-related manufacturing and EOS services) increased.

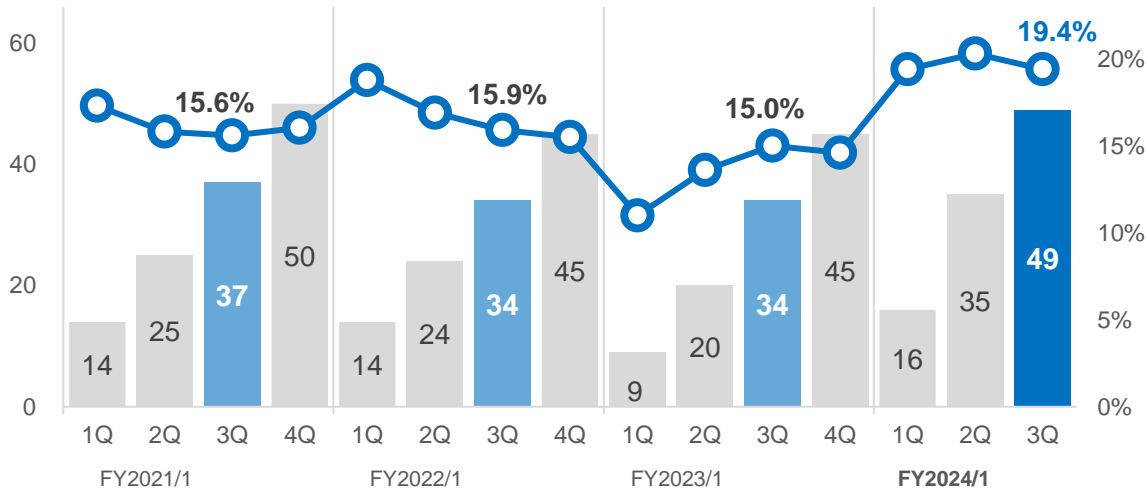
10% or more YoY increase 5 to less than 10% increase 5 to less than 5% decrease 5 to less than 10% decrease 10% or more YoY decrease

Service Integration Business

■ Net sales (100 million yen)



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

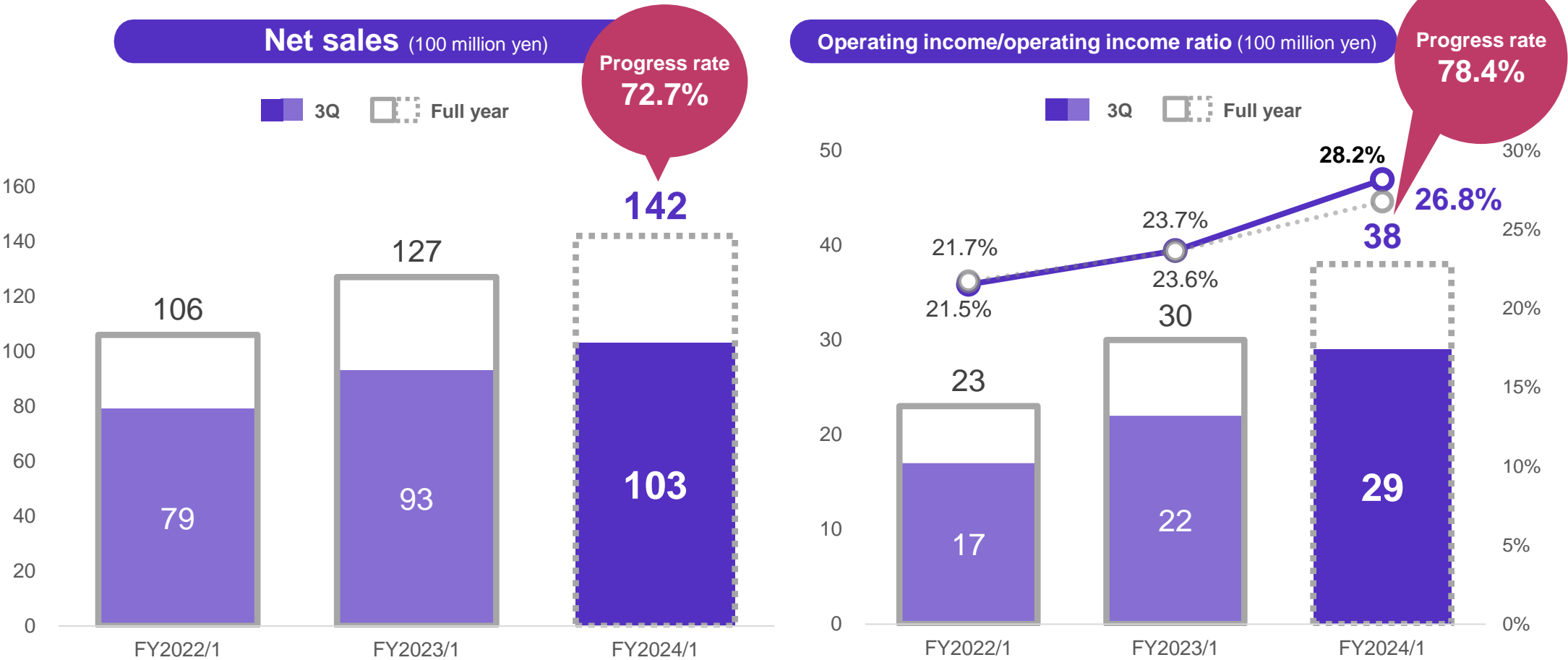


Business category	Net sales Rate of change	Operating income Rate of change	Point
Service integration			<ul style="list-style-type: none">● System development and maintenance projects for major customers continued to be favorable due to their needs mainly to improve productivity.● Services in cooperation with Microsoft and migration services remained strong against the backdrop of demand for DX.
Platform architect			<ul style="list-style-type: none">● Both sales and income grew as demand of operations in the ICT infrastructure construction business increased and the level of semiconductor supply normalized.● Security services contributed to income due to the recording of large-scale projects of in-house products in 2Q, but sales were flat due to a decrease in stocking and sales.
Group companies			<ul style="list-style-type: none">● Both sales and income remained strong due to an increase in business negotiations for nearshore development and operation projects for major customers.

10% or more YoY increase 5 to less than 10% increase 5 to less than 5% decrease 5 to less than 10% decrease 10% or more YoY decrease

Summary of progress of focused business

- Sales progressed as planned thanks to successful proposals for ICT utilization in line with the customer demand for DX.
- The full-year forecast for operating income (ratio) was revised upward from 3.3 billion yen to 3.8 billion yen, in light of the steady progress of each business.



Details of progress of focused business

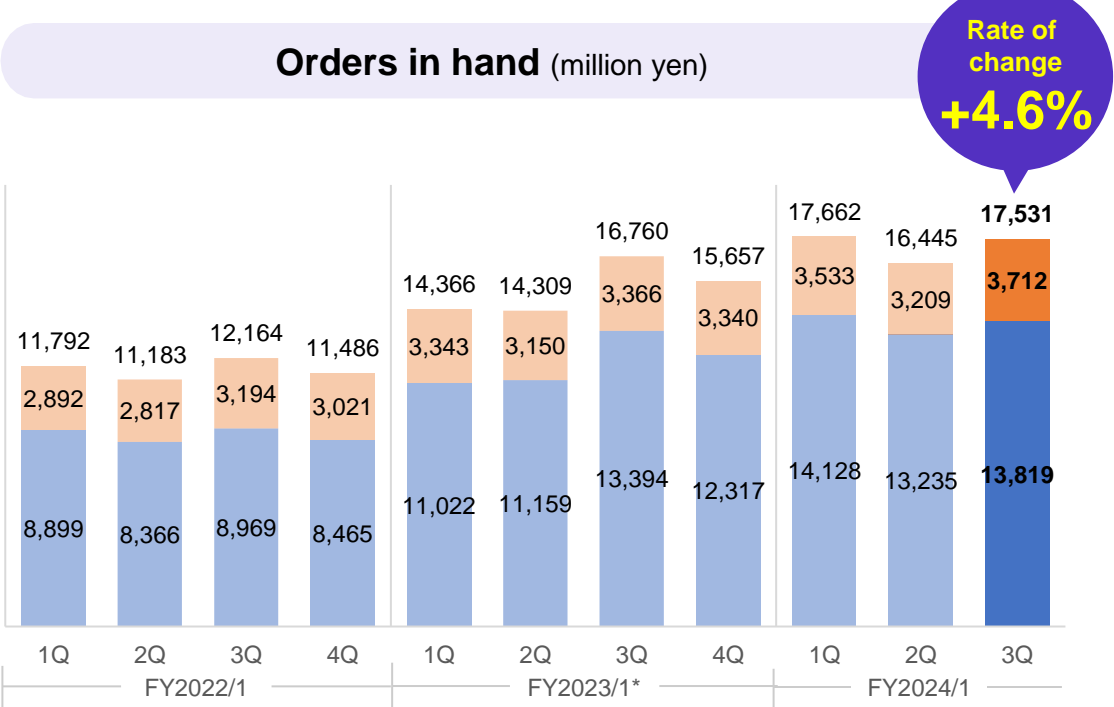
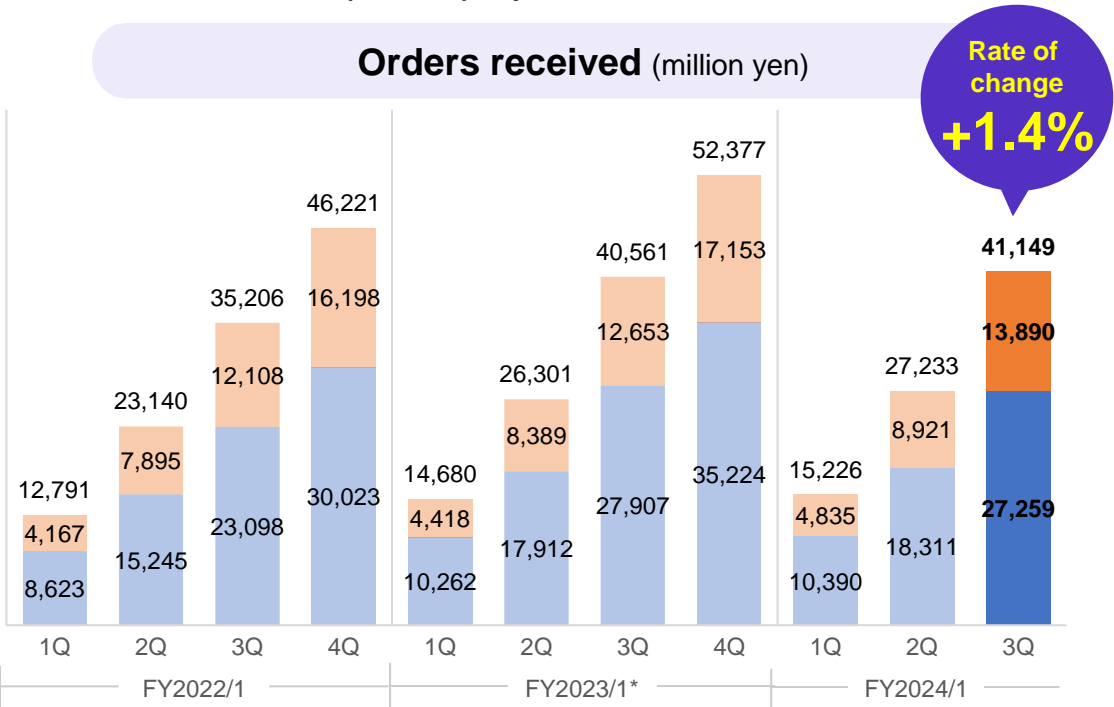
- Progress varies from area to area, with mobility services and security services leading the business overall.

Digital Industry Business	Production and logistics solutions	Progress rate against full-year sales target 71.2%	<ul style="list-style-type: none"> ● Production: Progress rate has been slow due to sluggish product sales, while DX business negotiations in the manufacturing industry increased. ● Logistics: Business negotiations increased against the backdrop of logistics issues, and in-house logistics solutions are booming.
	Mobility services		<ul style="list-style-type: none"> ● Cloud development and big data platform construction for automobiles remained favorable. ● Support for smartphone application development in the MaaS area remained favorable.
Service Integration Business	Services in cooperation with Microsoft Japan	Progress rate against full-year sales target 73.9%	<ul style="list-style-type: none"> ● With robust demand for DX, Dynamics 365 and Power Platform were strong. ● The CRM field of Dynamics 365 particularly grew, due to growing demand to centralize customer information.
	Migration services		<ul style="list-style-type: none"> ● Projects for migration from on-premise to cloud were strong thanks to an increase in companies that focus on costs and expandability. ● Programming language migration projects aimed at strengthening security were favorable.
	Security services		<ul style="list-style-type: none"> ● Large-scale business deals on in-house security products for government and public offices acquired in 2Q contributed to raising income. ● Demand for in-house services expanded, although upgrading demand to increase resilience among local governments calmed, and stocking and sales declined.
	DX cloud platform		<ul style="list-style-type: none"> ● We reconsidered our policies, including the configuration of services based on customer needs and differentiation, and the expansion of the scope of coverage.

Orders received/orders in hand

Digital Industry Business Service Integration Business

- Orders received**
- Logistics solutions were strong in addition to the favorable performance of mobility services for the automobile industry.
 - Orders received were comparable to the previous year due to the slow period in the renewal of large-scale projects for ICT infrastructure construction, despite growth primarily in the focused business.
- Orders in hand**
- Mobility services and system development projects for automobile and other manufacturing industries expanded.
 - Services in cooperation with Microsoft, migration services and other focused business areas as well as ICT infrastructure development projects increased.



* In the FY2023/1, the timing of recording orders received for some long-term projects was changed due to the application of the "Accounting Standard for Revenue Recognition," etc.
Orders received for 3Q of FY2024/1 under the conventional accounting method were up 6.2% year on year.

* Orders in hand for 3Q of FY2024/1 under the conventional accounting method were up 17.3% year on year.

Details of orders received/orders in hand

■ ICT infrastructure construction projects in addition to mobility services and migration services increased.

Digital Industry Business	Smart factory	<ul style="list-style-type: none">● Orders received were on a downward trend due to the impact of restraints in investment by some major customers.
	Connected services	<ul style="list-style-type: none">● Big data platform construction for the automobile industry continued to be favorable.● In verification services for which the shift to automated testing is progressing, product verification services in addition to in-vehicle verification services were strong.
	Chubu services	<ul style="list-style-type: none">● Operation projects increased on top of major clients' core system development projects.
	Nishinohon services	<ul style="list-style-type: none">● System development projects for the medical-related manufacturing industry expanded.● Business negotiations related to logistics solutions grew.
Service Integration Business	Service integration	<ul style="list-style-type: none">● Services were favorable due to increased demand for Dynamics 365 as well as Power Platform for low-code development.● Migration projects associated with programming language migration were strong.
	Platform architect	<ul style="list-style-type: none">● ICT infrastructure construction projects, including long-term operations, were strong.● In-house security products were strong.
	Group companies	<ul style="list-style-type: none">● Business negotiations for nearshore development and operation projects for major customers increased.

Year-on-year comparisons of sales by industry

(Unit: Million yen)

	FY2023/3Q	FY2024/3Q	Year-on-year comparisons		Points by industry
			Amount of change	Rate of change	
Manufacturing industry Component ratio	15,557 44.1%	16,889 43.0%	1,332	8.6%	[Manufacturing industry] System development projects expanded. ICT infrastructure construction projects expanded.
Communication and information service industry Component ratio	9,475 26.8%	10,211 26.0%	736	7.8%	
Financial industry Component ratio	3,416 9.7%	3,627 9.2%	211	6.2%	[Communication and information service industry] ICT infrastructure construction projects of leading carriers expanded.
Distribution industry Component ratio	2,278 6.5%	2,322 5.9%	44	1.9%	
Government and public offices Component ratio	1,281 3.6%	2,831 7.2%	1,549	120.9%	[Financial industry] System development projects expanded. Size of business negotiations shrank.
Other Component ratio	3,279 9.3%	3,393 8.7%	113	3.5%	
Total	35,288 100%	39,275 100%	3,987	11.3%	[Distribution industry] System development projects expanded. Stocking and sales decreased.
					[Government and public offices] Security services expanded. System maintenance projects expanded.

Balance sheet compared with the beginning of the fiscal year

(Unit: Million yen)

	End of January 2023	End of October 2023	Amount of change	Rate of change	Point
Current assets	35,208	38,326	3,117	8.9%	[Assets] Increased Increase in cash and deposits
Cash and deposits	23,302	26,099	2,797	12.0%	
Non-current assets	11,124	11,068	(56)	(0.5%)	[Liabilities] Increased Increase in allowance for bonuses and contract liabilities
Total assets	46,333	49,394	3,061	6.6%	
Current liabilities	8,311	9,430	1,118	13.5%	[Shareholders' equity] Increased Increase in retained earnings
Non-current liabilities	642	637	(5)	(0.8%)	
Shareholders' equity	37,309	39,300	1,991	5.3%	
Equity ratio	80.5%	79.6%	—	(0.9pt)	

1.

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

2.

Full-Year Earnings Forecast for the Fiscal Year Ending January 2024

3.

Appendix

Adjustments to full-year earnings forecast for the fiscal year ending January 2024

- Customer demand for ICT investment continues to be steady, although uncertainty over overseas business conditions, including in China, remains.
- Full-year earnings forecast has been revised upward in light of the steady progress in both business segments.

(Unit: Million yen)

	FY2024/1 Revised forecast (2Q)	FY2024/1 Revised forecast (3Q)	Comparison with previous forecast		Year-on-year comparison		
			Amount of change	Rate of change	FY2023/1	Amount of change	Rate of change
Net sales	52,000	53,000	1,000	1.9%	48,206	4,793	9.9%
Operating income	6,070	6,220	150	2.5%	4,374	1,845	42.2%
Operating income ratio	11.7%	11.7%	—	—	9.1%	2.6pt	—
Ordinary income	6,100	6,250	150	2.5%	4,413	1,836	41.6%
Ordinary income ratio	11.7%	11.8%	0.1pt	—	9.2%	2.6pt	—
Net income	4,200	4,300	100	2.4%	5,179	(879)	(17.0%)
Net income ratio	8.1%	8.1%	—	—	10.7%	(2.6pt)	—

Full-year earnings forecast by business segment

- Digital Industry Business: Mobility services, a focused business, is expected to remain strong.
- Service Integration Business: Strong performance is expected in both the core business and the focused business.

(Unit: Million yen)

	FY2023/1 Results		FY2024/1 Forecast		Amount of change	
	Net sales	Operating income Rate of return	Net sales	Operating income Rate of return	Net sales Rate of change	Operating income Rate of change
Digital Industry Business	16,834	3,857 22.9%	18,350	4,170 22.7%	1,515 9.0%	312 8.1%
Service Integration Business	31,372	4,573 14.6%	34,650	6,300 18.2%	3,277 10.4%	1,726 37.7%
Corporate expenses	—	(4,057)	—	(4,250)	—	(192)
Total	48,206	4,374 9.1%	53,000	6,220 11.7%	4,793 9.9%	1,845 42.2%

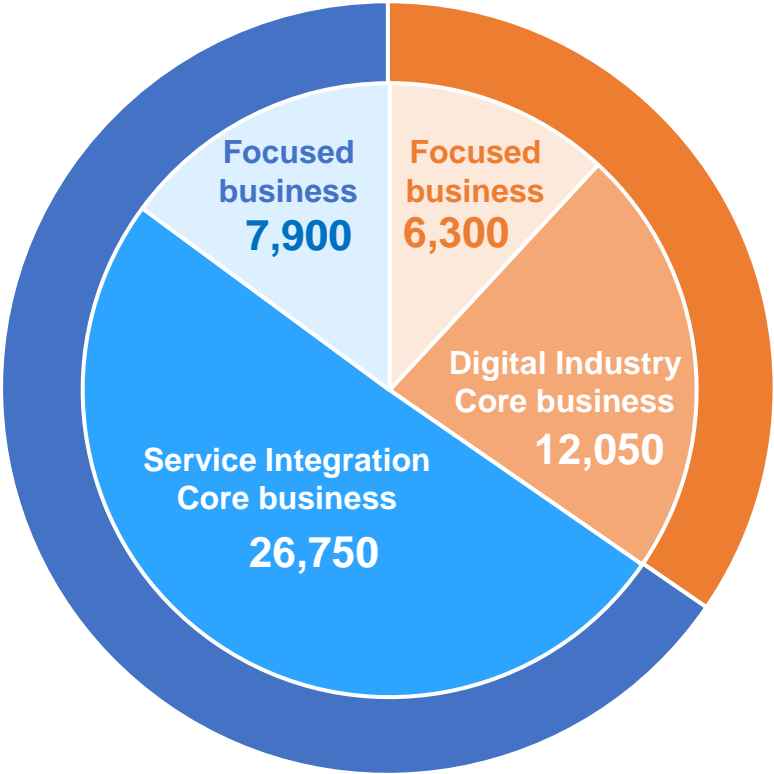
Full-year earnings forecast by business segment

■ Net sales and operating income forecast

(Unit: Million yen)

		FY2024/1 3Q	FY2024/1	
			Full-year forecast	Progress rate
Digital Industry Business	Net sales	13,518	18,350	73. 7%
	Operating income	3,073	4,170	73. 7%
Focused business	Net sales	4,488	6,300	71. 2%

		FY2024/1 3Q	FY2024/1	
			Full-year forecast	Progress rate
Service Integration Business	Net sales	25,757	34,650	74.3%
	Operating income	4,992	6,300	79.2%
Focused business	Net sales	5,837	7,900	73.9%



(FY2024/1 Net sales target by business segment)

1. Operating Results for the Third Quarter of the Fiscal Year Ending January 2024

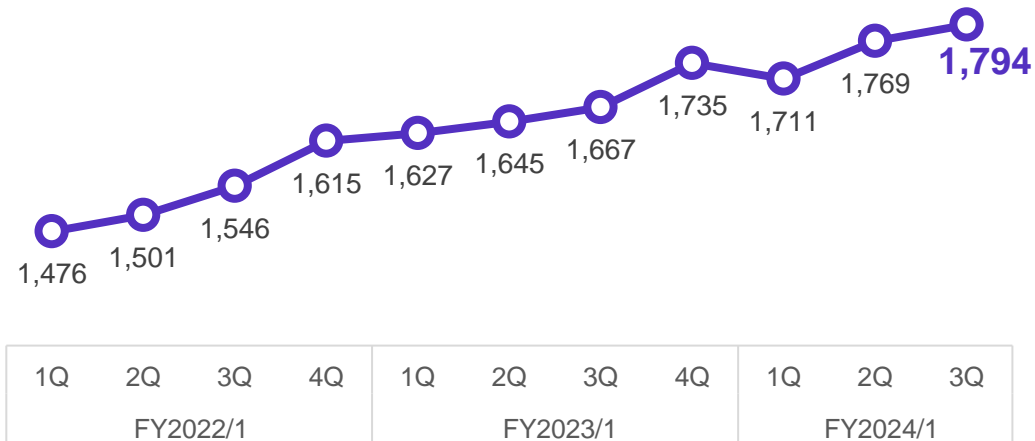
2. Full-Year Earnings Forecast for the Fiscal Year Ending January 2024

3. Appendix

■ Number of employees (Unit: Persons)

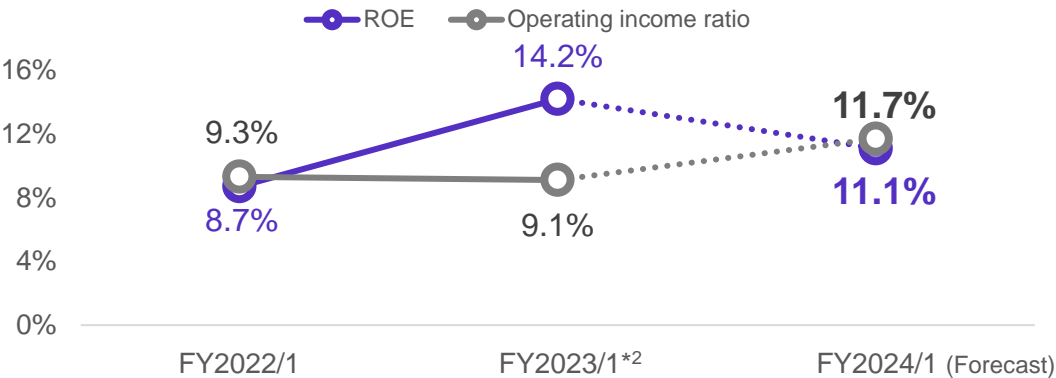


■ Number of partners*1 (Unit: Persons)

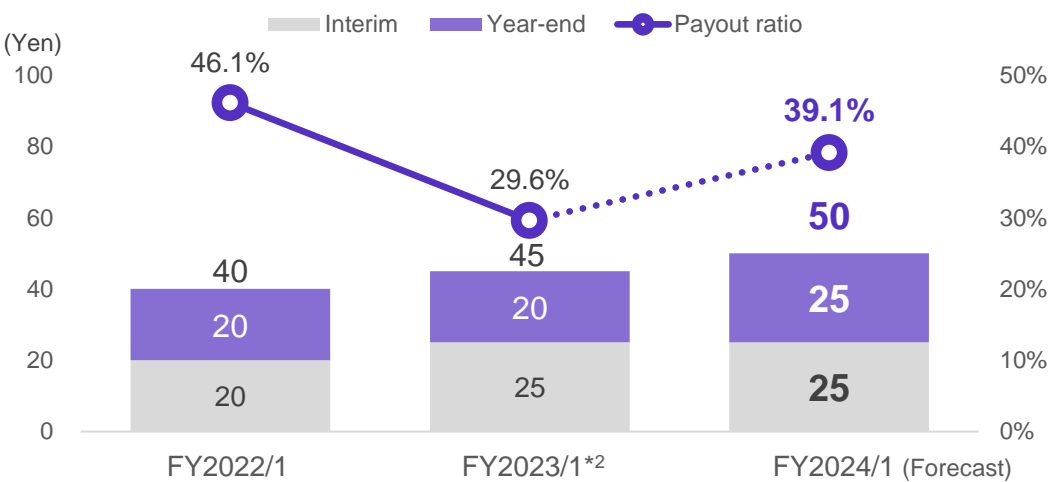


*1 Computer Engineering & Consulting <Non-consolidated> excluding service contracts.

■ ROE/operating income ratio



■ Payout ratio and dividends



*2 The Company recorded gain on sale of investment securities to extraordinary income in the first half of the fiscal year ended January 2023, and increased the dividend by 5 yen.

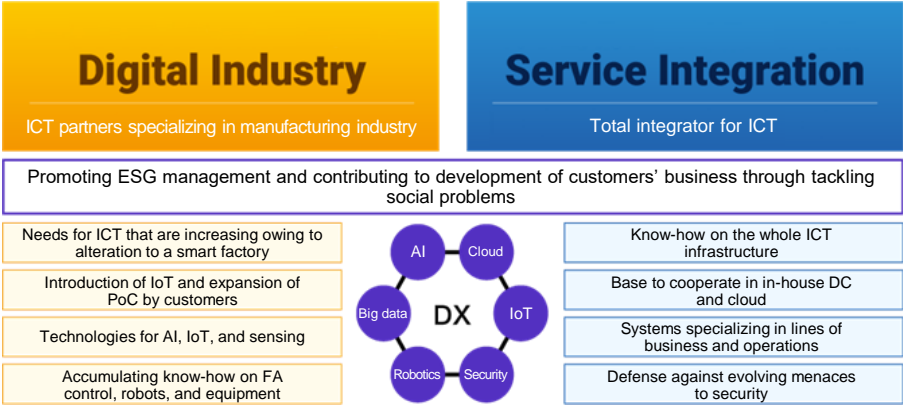
Company profile



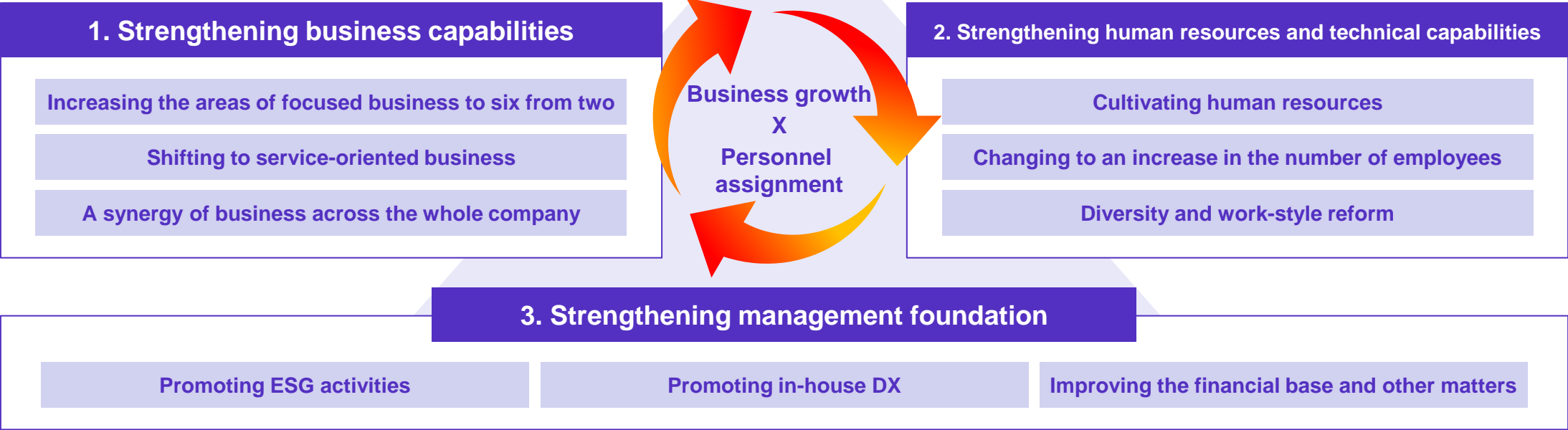
Company name	Computer Engineering & Consulting Ltd.
Date of establishment	February 24, 1968
Date of Listing	April 2022 (Prime Market) July 2001 (First Section of Tokyo Stock Exchange)
Capital	6,586 million yen
Net sales	48,206 million yen (FY ended Jan. 2023)
Licenses and approvals	<ul style="list-style-type: none">■ 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(13)■ JQA Certification<ul style="list-style-type: none">• Quality Management System ISO9001: 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 ISO14001:2015 (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 Employees	2,230 (as of October 31, 2023)
Consolidated subsidiaries	8 companies
Head Office	JR Ebisu Bldg., 5-5 Ebisu Minami 1-chome, Shibuya-ku, Tokyo 150-0022
Representative	Takashi Himeno, Representative Director & President
Business Description	<ul style="list-style-type: none">■ 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 Providing integrated services from full support for the ICT lifecycle which are needed to reform and improve the operations of companies and organizations. Providing ICT services and products, including cloud and security, on a total basis.

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



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



	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

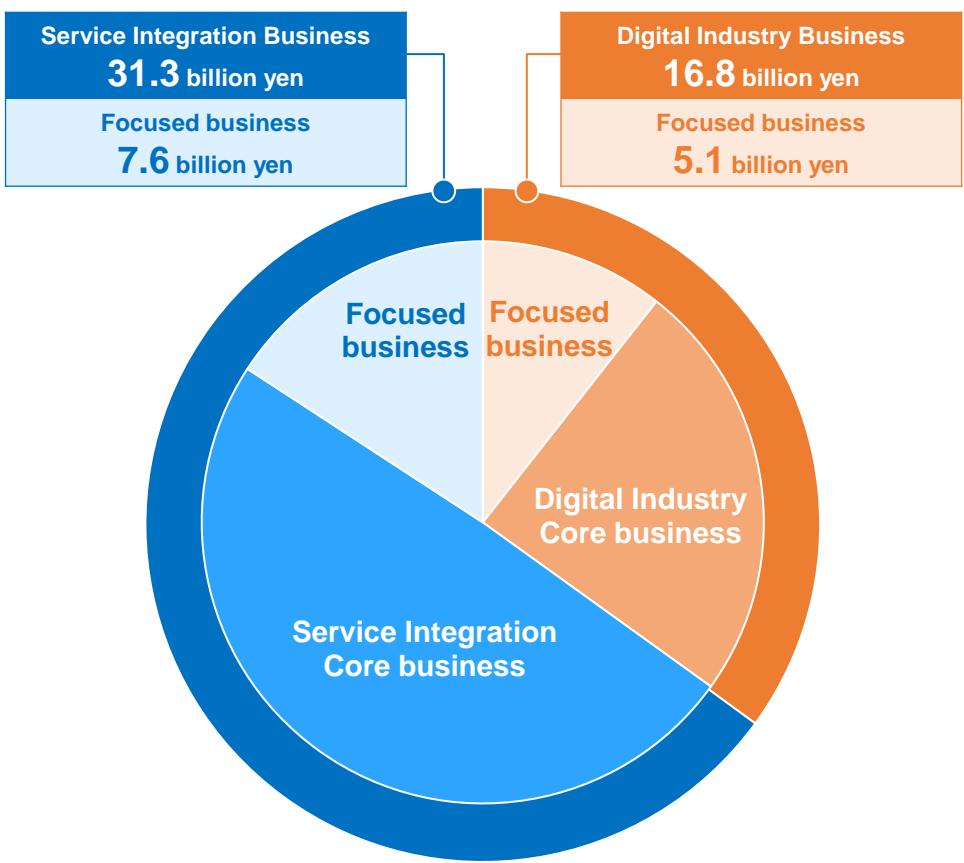
ICT partners specializing in manufacturing industry

	Business outline	Strengths
Smart factory	<ul style="list-style-type: none"> Product planning, product development and system development, maintenance, and solution services for production and logistics areas in the manufacturing industry 	<ul style="list-style-type: none"> Information platform of plant sites AI image recognition and detection Know-how in the OT area In-house product lineups
Connected services	<ul style="list-style-type: none"> 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 in-vehicle devices Operations on quality solutions such as automated testing, CI/CD building 	<ul style="list-style-type: none"> Engineers with expertise in cloud/vehicle control and so on Development knowledge and know-how on mobility services One-stop servicing capability for planning, development and maintenance
Chubu services	<ul style="list-style-type: none"> Overall ICT services for the Technical Information Division (bill of materials/PDM/CAD), Corporate Information Division (sales/finance/accounting), and Corporate Information Division (personnel/production logistics) that target the automotive industry 	<ul style="list-style-type: none"> Connections with leading automobile manufacturers and operational know-how Trustful relationship through direct transactions from the start-up period Knowledge of legacy systems from extensive work experience (bill of materials, production management, procurement, human resources, accounting)
Nishinohon services	<ul style="list-style-type: none"> 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 system development, verification, maintenance, operation and installation services, mainly in the FA/industrial equipment and medical & healthcare fields 	<ul style="list-style-type: none"> Logistics solutions customized for each customer Track record in special projects for airports, manufacturing plants and other sites

Total integrator for ICT

	Business outline	Strengths
Enterprise	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Track record and know-how in the SFA field Track record in cloud development for government agencies and municipalities
AX services	<ul style="list-style-type: none"> Consulting, systems development, maintenance and operation related to ICT modernization using migration services 	<ul style="list-style-type: none"> Ability to handle multiple operations and offer one-stop services Abundant know-how x automation tools x expert engineers
Business systems	<ul style="list-style-type: none"> System development, maintenance and operation for the financial sector, including banking, insurance, credit card, securities and leasing 	<ul style="list-style-type: none"> Engineers with deep knowledge of financial services Ability to offer one-stop proposals from development to operation
Security services	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Products: Can handle items of multiple manufacturers and holds nationwide sales channels Services: Can handle multiple vendors and has a broad scope of monitoring
Platform	<ul style="list-style-type: none"> Operations related to the overall life cycle management from planning and examination of ICT systems and cloud services to design, construction, migration and operation 	<ul style="list-style-type: none"> One-stop servicing capability covering design, construction, migration and operation for ICT infrastructures Multi-vendor, multi-cloud support
Data center	<ul style="list-style-type: none"> Operations related to data center and cloud services Operations related to system operation design, implementation support, and operation management services 	<ul style="list-style-type: none"> Can offer 24/7 support with on-site engineers Adoption of 100% green power
Group companies	<ul style="list-style-type: none"> Nearshore development, construction, maintenance and operation Temporary staffing service 	<ul style="list-style-type: none"> Connections with leading manufacturers and operational know-how

Total company sales: 48.2 billion yen



Focused business: Business areas that leverage their unique features

Digital Industry Business	Production and logistics solutions	Visual Factory® LogiPull®	In addition to product services for the manufacturing industry, LogiPull, a logistics solution, is added to support digitalization and DX strategy in fields from production sites to logistics.
	Mobility services	PlusLocation® SimuField®-SC	Provides services utilizing automotive/transportation big data, mainly in the connected field of the automotive industry.
Service Integration Business	Services in cooperation with Microsoft Japan	<small>マイクロソフトクラウドサービス統合ソリューション</small> Convergent®	Promotes services in cooperation with Microsoft and supports DX, mainly through management analysis and marketing of Dynamics 365/Azure platform.
	Migration services	<small>マイグレーションサービス</small> Re@nove® <small>リノープ</small>	Supports legacy ICT innovation, cloud migration and DX of systems and application environments.
	Security services	<small>トータルセキュリティソリューション</small> CyberNEXT® <small>オフィスセキュリティソリューション</small> SmartSESAME <small>スマートセサミ</small>	Provides 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®	Promotes cloud computing through installation of in-house applications on cloud platforms.

- ✓ 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.
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