Supplemental Materials for Financial Results of the First Quarter of the Fiscal Year Ending January 2023

Computer Engineering & Consulting Ltd.

June 10, 2022

Contents

Operating Results for the First Quarter of the Fiscal Year Ending January 2023

Year-on-year comparison of first quarter results

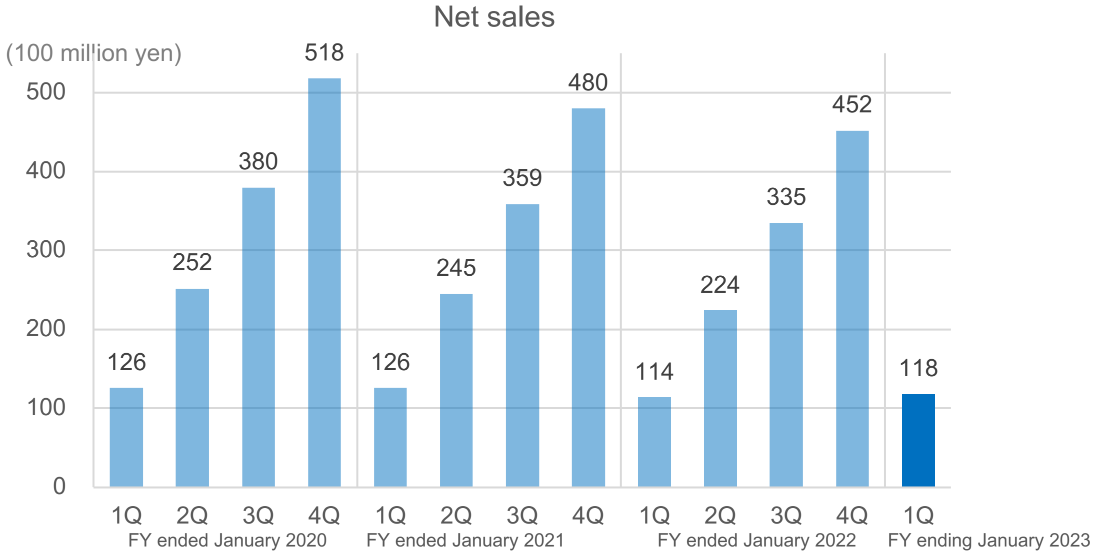
■ Although the business environment has improved due to an economic recovery, profit declined due to the expanding impact of unprofitable projects.

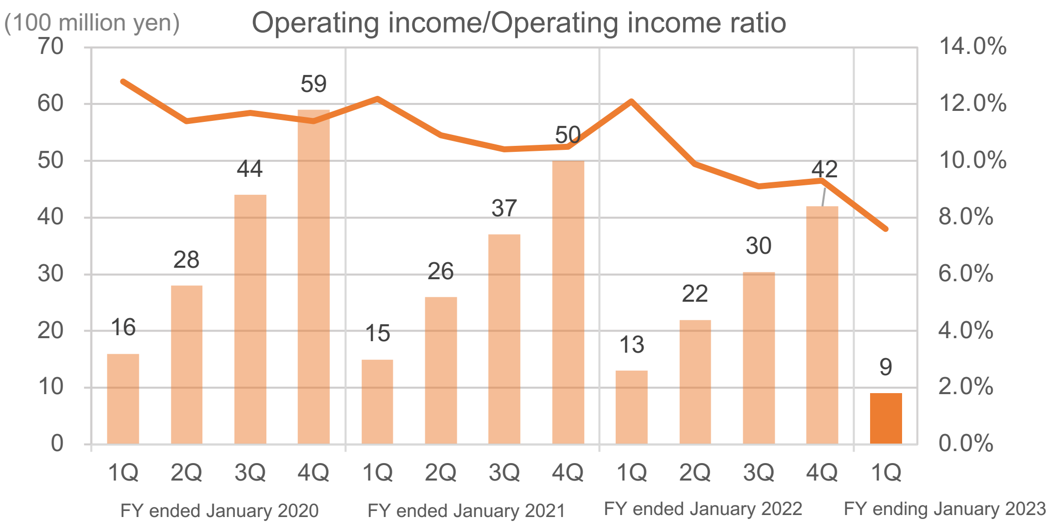
(Unit: Millions of yen)

	1Q of FY ended Jan. 2021	1Q of FY ended Jan. 2022	1Q of FY ending Jan. 2023		
				Amount of change from the same period of the previous fiscal year	Rate of change from the same period of the previous fiscal year
Net sales	12,621	11,484	**11,801**	316	2.8%
Operating income	1,538	1,385	**900**	(485)	(35.0%)
Operating income ratio	12.2%	12.1%	**7.6%**	(4.5)	-
Ordinary income	1,550	1,393	**907**	(486)	(34.9%)
Ordinary income ratio	12.3%	12.1%	**7.7%**	(4.4)	-
Net income*	1,068	954	**837**	(116)	(12.3%)
Net income ratio*	8.5%	8.3%	**7.1%**	(1.2)	-

*"Net income" signifies "Net income attributable to owners of parent." The same applies hereinafter.

Summary of financial results for the first three months ended April 2022





Net sales

- In the manufacturing area, net sales increased year on year as ICT investments recovered.
- The system development business performed well due to strong demand for DX, although there were unprofitable projects.
- The infrastructure construction business continued to be affected by a semiconductor shortage.
- The security field was favorable thanks to strong demand.
- In Group companies, net sales slightly increased year on year.
- The impact of application of the new revenue recognition standard is limited.

Operating income

- The magnitude of decline in profit expanded due to the lengthening of unprofitable projects and higher maintenance costs for customers' existing systems.
- The impact of application of the new revenue recognition standard is limited.

Net income

- Lower net income due to a decline in operating income.

Results by business segment

- In the digital industry business, both net sales and operating income increased as business performance improved backed by the recovery in ICT investments.
- In the service integration business, although the effects of the semiconductor supply shortage linger, net sales increased as demand related to promotion of DX and work style reforms continued to be favorable. However, operating income significantly decreased due to a greater impact from unprofitable projects.

(Unit: Millions of yen)

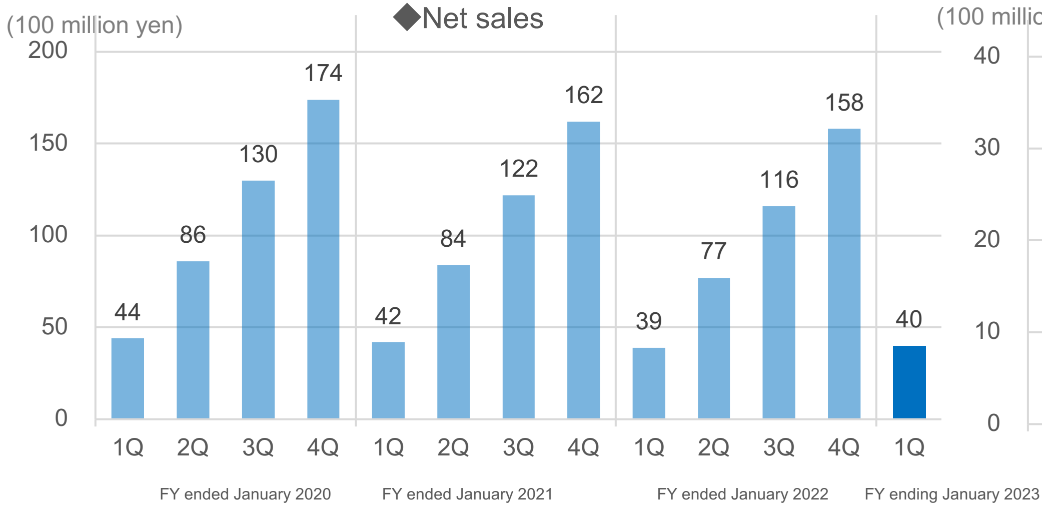
	Results for 1Q of FY ended Jan. 2022		Results for 1Q of FY ending Jan. 2023		Amount (rate) of change	
	Net sales	Operating income Rate of return	Net sales	Operating income Rate of return	Net sales (Rate of change)	Operating income (Rate of change)
Digital Industry Business	3,995	852 21.3%	**4,096**	**1,035** **25.3%**	100 2.5%	183 21.5%
Service Integration Business	7,488	1,405 18.8%	**7,704**	**923** **12.0%**	215 2.9%	(481) (34.3)
Corporate expenses	-	(872)	-	**(1,058)**	-	(186)
Total	11,484	1,385 12.1%	**11,801**	**900** **7.6%**	316 2.8%	(485) (35.0%)

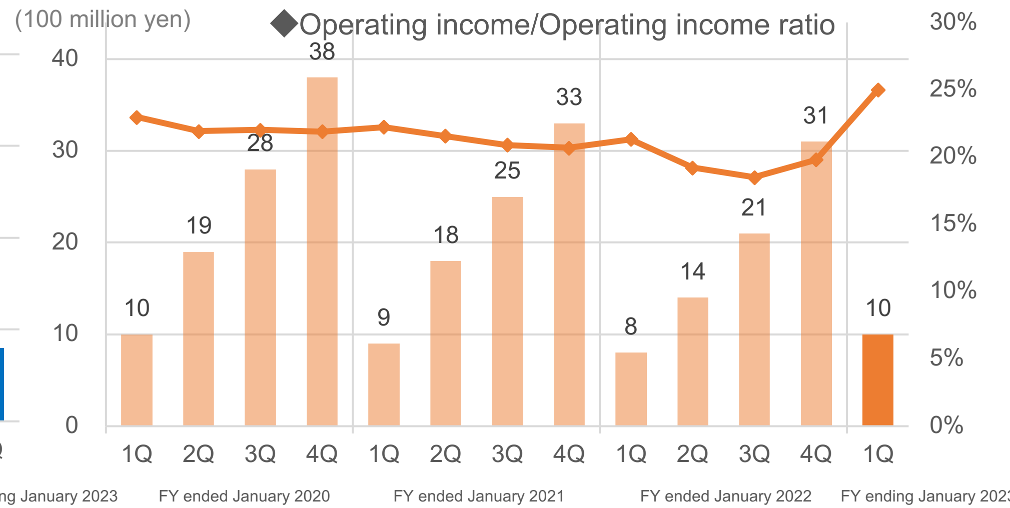
*From the beginning of the first quarter of the fiscal year under review, the Company has applied the “Accounting Standard for Revenue Recognition,” etc.

- In the digital industry business, sales to external customers increased 24 million yen and segment profit was up 3 million yen.
- In the service integration business, sales to external customers decreased 30 million yen and segment profit fell 14 million yen.

Summary of 1Q results of digital industry business

Net sales and operating income





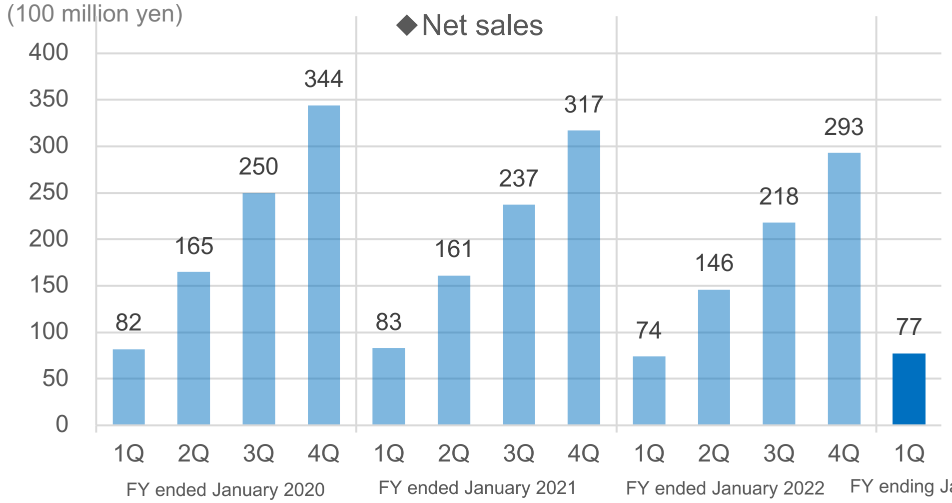
	Point
Focused business	● Progress in the areas of production and logistics tends to fall behind due to the impact of the semiconductor shortage, although business negotiations have increased. ● Progress in the area of mobility tends to fall behind due to the extension of large-scale business negotiations and the search for the next theme of development projects.
Core business	● ICT Investments by major customers have been gradually recovering and inquiries are also on a rise. ● The business environment in nishinihon and chubu district recovered, contributing to stronger sales and profits. ● Synergies resulting from organizational restructuring are gradually being reflected in business results.

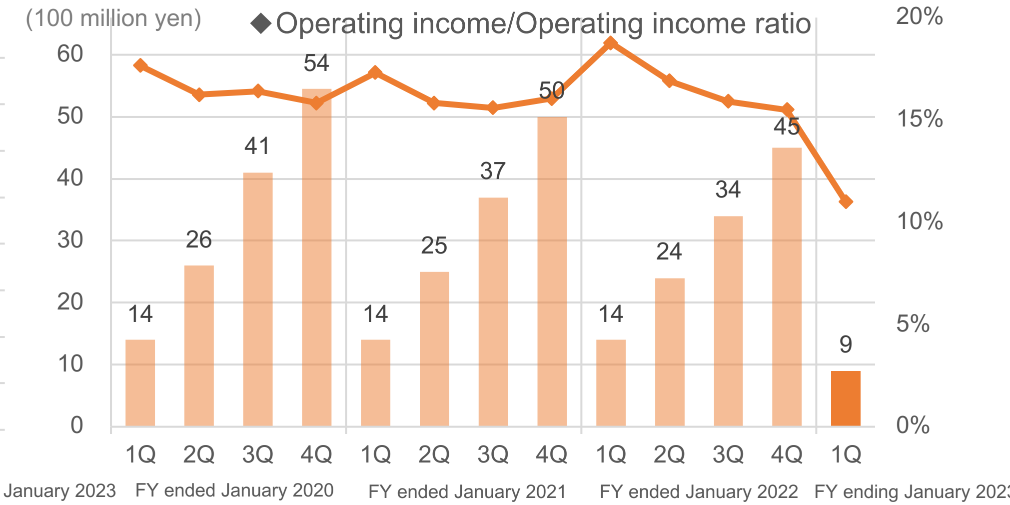
* Businesses focused on: <Production & logistics/mobility> DX-related business to develop into an earnings base in the medium to long term. Providing CEC's original DX services and solutions.

Core businesses: Entrusted businesses that form the Company's earnings base, excluding those in areas focused on. Consultation, planning and design, development, construction, verification, operation, BPO, etc.

Summary of 1Q results of service integration business

Net sales and operating income





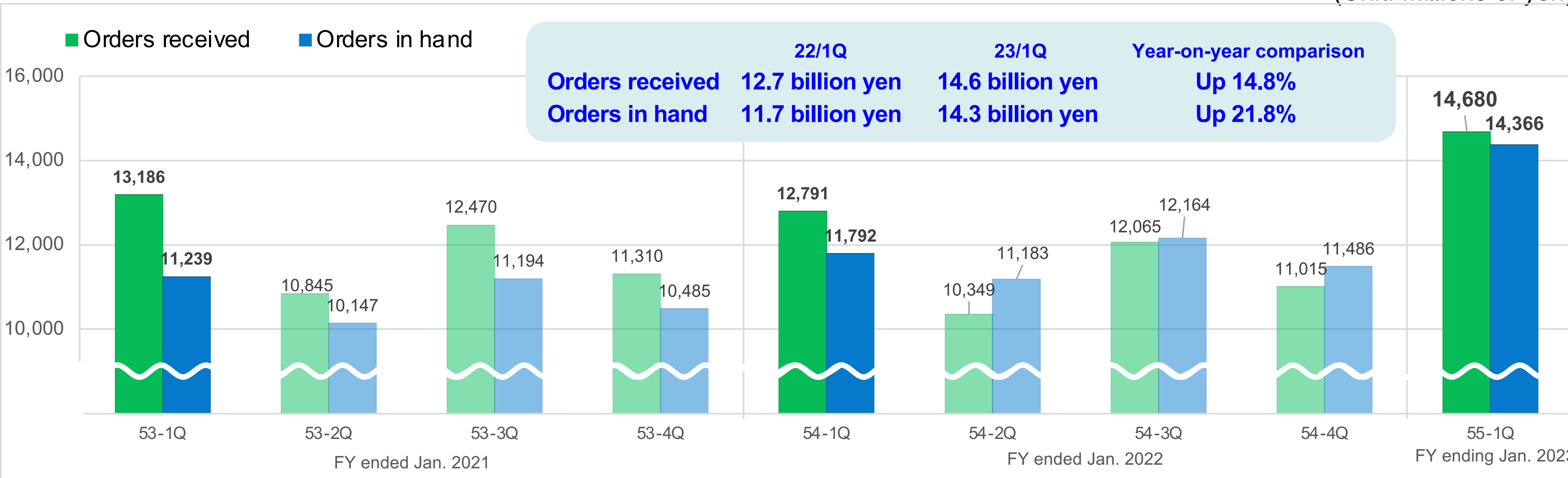
	Point
Focused business	● In the area of collaboration with Microsoft, business was favorable due to an increase in inquiries for Dynamics (ERP). ● Migration services continued to be strong as in the previous fiscal year. ● The area of security was favorable as business negotiations became active mainly due to growing demand from government agencies and local governments.
Core business	● Demand in the system development business was robust despite the impact of unprofitable projects. ● The infrastructure construction business was sluggish, affected by the semiconductor shortage. ● Group companies are on a recovery trend given the improvement in the business environment.

* Businesses focused on: <Collaboration with Microsoft/migration services/security/DX cloud platform> DX-related business to develop into an earnings base in the medium to long term.
Core businesses: Entrusted and infrastructure-related businesses that form the Company’s earnings base, excluding those in areas focused on. Consultation, planning and design, development, construction, verification, operation, BPO, etc.

Orders received/orders in hand by quarter

- Both orders received and orders in hand were steady.

(Unit: Millions of yen)



Segment	Item	Results for 1Q of FY ended Jan. 2021	Results for 1Q of FY ended Jan. 2022	Results for 1Q of FY ending Jan. 2023	Year-on-year comparison (Rate of change)
Digital Industry Business	Orders received	4,538	4,167	**4,418**	6.0%
	Orders in hand	3,129	2,892	**3,343**	15.6%
Service Integration Business	Orders received	8,648	8,623	**10,262**	19.0%
	Orders in hand	8,110	8,899	**11,022**	23.9%

Balance sheet comparison

(Unit: Millions of yen)

	End of January 2022	End of April 2022	Comparison with previous fiscal year	
			Amount of change	Rate of change
Current assets	34,060	**34,607**	547	1.6%
Cash and deposits	22,430	**23,178**	747	3.3%
Non-current assets	11,087	**11,209**	121	1.1%
Property, plant and equipment	6,567	**6,822**	255	3.9%
Intangible assets	244	**224**	(19)	(8.1%)
Investments and other assets	4,275	**4,162**	(113)	(2.7%)
Current liabilities	8,310	**9,799**	1,488	17.9%
Allowance for loss on order received	391	**981**	589	150.4%
Allowance for loss compensation	411	**-**	(411)	(100.0%)
Non-current liabilities	1,100	**636**	(463)	(42.1%)
Total liabilities	9,411	**10,436**	1,025	10.9%
Treasury shares	(1,663)	**(2,032)**	(369)	22.2%
Total net assets	35,736	**35,380**	(356)	(1.0%)
Total liabilities and net assets	45,147	**45,816**	669	1.5%

Point

[Current assets] Increased
Increase in cash and deposits

[Non-current assets] Increased
Increase due to capital investment

[Liabilities] Increased
"Allowance for loss compensation" is included in "allowance for loss on order received" since it is reduced from the transaction price in the related contracts with customers.
Additionally recorded "allowance for loss on order received" in conjunction with the delay in delivery.

[Net assets] Decreased
Net assets decreased due to the acquisition of treasury stock
[Equity ratio]
78.7% → 77.1%

Overview and impact of unprofitable projects in the previous fiscal year

Background

- Unprofitable projects occurred in the second quarter of the previous fiscal year.
- In the third quarter, we asked for an extension of the delivery date and agreed with the customer.
- Implemented initiatives to further strengthen the project structure in the fourth quarter.

Status of 1Q of FY ending January 2023

- Checked for defects in the testing process and determined that further measures for quality enhancement were necessary. Extended the delivery period from the end of September 2022 to end of February 2023.

Future prospects

- In the second quarter, we identified the cause of the problem and solution for it, and are now in the second half of the testing process. A quality assessment will be implemented at the end of July 2022.

Overview and impact of unprofitable projects in the previous fiscal year

CEC
Computer Engineering & Consulting

Measures against the risk of becoming unprofitable

- Strengthen the company-wide project management system by stipulating risk countermeasures for pre-order business negotiations, including management of contracts, systems, and proficiency in technology and operational knowledge in new fields.
- To improve project quality, strengthen collaboration among development, sales, and management divisions to further enhance the business negotiation management system that covers areas from pre-receipt of orders and post-receipt of orders to delivery.

[Reference: Background and impact of unprofitable projects]

FY ended Jan. 2022

- 1Q: Determination of specs
- Start of development

- 2Q: Identification of discrepancies in the recognition of specs
- 2Q: Disclosure of unprofitable state
- Recording of allowance

- Re-estimation of person-hours
- 3Q: Decision on extension of delivery date
- Recording of additional allowance
- Recording of allowance for loss compensation
- Revision of full-year earnings forecast

- Start of system testing
- 4Q: Occurrence of additional person-hours
- Recording of additional allowance

FY ending Jan. 2023

- **1Q: Identification of defects in the testing process**
- **Another deadline extension**
- **Recording of additional allowance**
- **Revision of second quarter and full-year earnings forecasts**

September 2022

- Estimated cutover as of FY ended Jan. 2022

=> Decision to extend in 1Q

February 2023

- **Estimated cutover in 1Q of FY ending Jan. 2024**

(Unit: Millions of yen)

		FY ended Jan. 2022			FY ending Jan. 2023
		First half	First nine months	Full year	First three months
Impact on statement of income		(82)	(831)	(1,136)	(496)
Breakdown	Impact on operating income	(82)	(435)	(722)	(496)
	Recording of extraordinary loss	-	(396)	(414)	-

Earnings Forecasts for the Second Quarter and Full Year of the Fiscal Year Ending January 2023

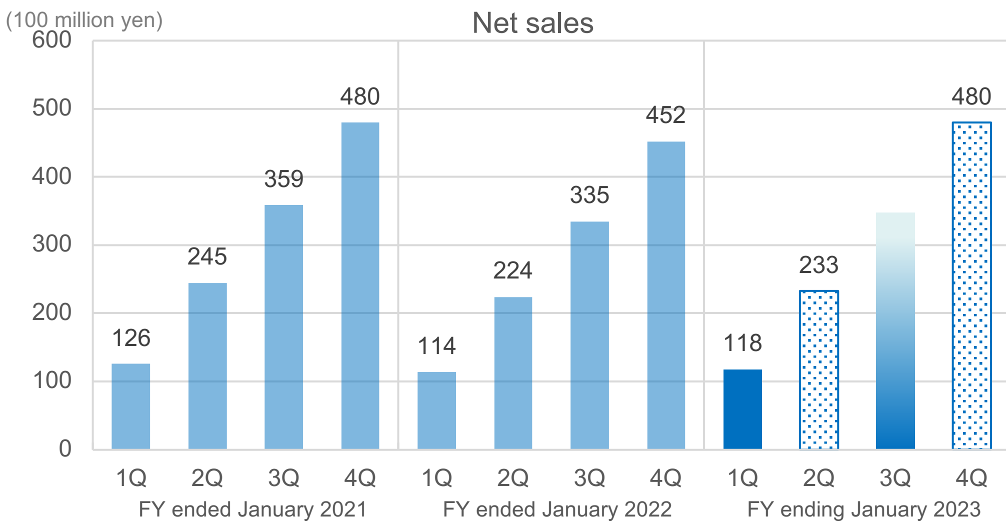
Revision of second quarter and full-year earnings forecasts

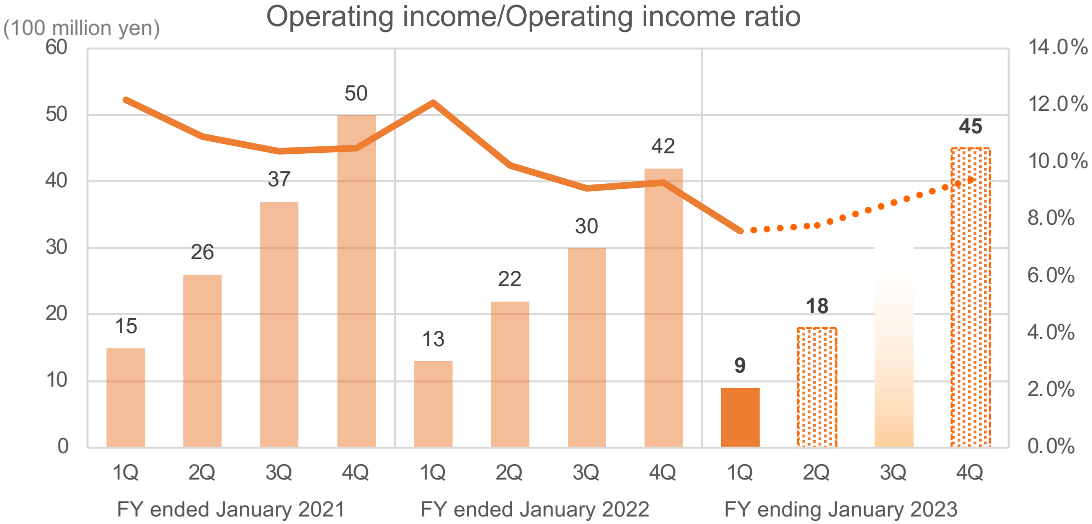
- Net sales forecast remains unchanged while profit is revised downward to reflect the portion for the first half.

(Unit: Millions of yen)

	Initial forecast for FY ending Jan. 2023		Revised forecast for FY ending Jan. 2023			Revised forecast for FY ending Jan. 2023		
	Second quarter	Full year	Second quarter	Amount of change	Rate of change	Full year	Amount of change	Rate of change
Net sales	23,300	48,000	**23,300**	-	-	**48,000**	-	-
Operating income	2,300	5,000	**1,800**	(500)	(21.7%)	**4,500**	(500)	(10.0%)
Operating income ratio	9.9%	10.4%	**7.7%**	(2.2)	-	**9.4%**	(1.0)	-
Ordinary income	2,320	5,050	**1,810**	(510)	(22.0%)	**4,540**	(510)	(10.1)
Ordinary income ratio	10.0%	10.5%	**7.8%**	(2.2)	-	**9.5%**	(1.0)	-
Net income	1,550	3,400	**1,450**	(100)	(6.5%)	**3,300**	(100)	(2.9%)
Net income ratio	6.7%	7.1%	**6.2%**	(0.5)	-	**6.9%**	(0.2)	-

Full-year earnings forecasts and points





Net sales

- No change to the earnings forecast.
- ICT investments by major customers are improving, and although business will not rapidly recover, business negotiations and inquiries are increasing.
- No change in sales strategy. Expand product and service menu for customers' priority investment areas and shift our sales activities.
- Develop new business opportunities by fully utilizing the synergies generated by the integration of business areas and regions.

Operating income

- Revised the first-half forecast downward, no change to the second-half plan.
- Improve the status of unprofitable projects and quickly bring them under control as the highest priority issue, and invest management resources intensively to prevent the impact from getting worse.
- Maintain the steady performance of high-value-added services in collaboration with Microsoft and migration services, and promote further development of new business opportunities.

Full-year earnings forecast by business segment

(Unit: Millions of yen)

	Initial full-year forecast for FY ending Jan. 2023		Revised full-year forecast for FY ending Jan. 2023		Amount (rate) of change		Progress rate for 1Q of FY ending Jan. 2023	
	Net sales	Operating income Rate of return	Net sales	Operating income Rate of return	Net sales (Rate of change)	Operating income (Rate of change)	Net sales Progress rate	Operating income Progress rate
Digital Industry Business	17,100	3,600 21.1%	**17,100**	**3,600** **21.1%**	- (-%)	- (-%)	4,096 24.0%	1,035 28.8%
Service Integration Business	30,900	5,100 16.5%	**30,900**	**4,600** **14.9%**	- (-%)	(500) (9.8%)	7,704 24.9%	923 20.1%
Corporate expenses	-	(3,700)	**-**	**(3,700)**	-	-	-	(1,058) 28.6%
Total	48,000	5,000 10.4%	**48,000**	**4,500** **9.4%**	-	(500) (10.0%)	11,801 24.6%	900 20.0%

Shape your future

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- 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 currently available. 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.

Company profile

Company Name	Computer Engineering & Consulting Ltd.	**Number of Employees**	2,273 (as of April 1, 2022)
Date of establishment	February 24, 1968	**Consolidated subsidiaries**	8 companies
Date of Listing	April 2022 (Prime Market) July 2001 (First Section of Tokyo Stock Exchange)	**Head Office**	JR Ebisu Bldg., 5-5 Ebisu Minami 1-chome, Shibuya-ku, Tokyo 150-0022
Capital	6,586 million yen	**Representative**	Hitoshi Ooishi, Representative Director & President
Net sales	45,220 million yen (FY ended Jan. 2022)		

JQA Certification	Quality Management System	ISO9001:2015	Certification No. JQA-1481
	Information Security Management System	ISO/IEC27001	Certification No. JQA-IM007
	Cloud Service Information Security Management System	ISO/IEC27017	Certification No. JQA-IC0040
	Information Technology Service Management System	ISO/IEC20000	Certification No. JQA-IT0005
	Environmental Management System	ISO14001:2015	Certification No. JQA-EM7701
Others	PrivacyMark-certified business operator	11820032(12)	

Business Description

■ **Digital Industry Business**
Provides customers in the manufacturing industry with ICT services to support efficient business operations, quality improvement, and production of attractive products.

■ **Service Integration Business**
Provides integrated services from full support for the ICT lifecycle to the cloud and security that are needed to reform and improve the operations of companies and organizations.

Two businesses contributing to the realization of a sustainable society