

# Financial Results Briefing Session for the Second Quarter of the Fiscal Year Ending January 2023

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Computer Engineering & Consulting Ltd.  
September 14, 2022

**Operating Results for the Second Quarter of  
the Fiscal Year Ending January 2023**

**Full-Year Earnings Forecast for the Fiscal  
Year Ending January 2023**

**Operating Results  
for the Second Quarter of the  
Fiscal Year Ending January 2023**

# Year-on-year comparisons of 2Q results

- ICT investment by companies became active mainly in the DX area and for environmental measures, and business negotiations are increasing in spite of the continuous semiconductor shortage. Operating income decreased due to unprofitable projects.
- Net income reached **a record high** with gains on sales of investment securities recorded to extraordinary income.

(Unit: Million yen)

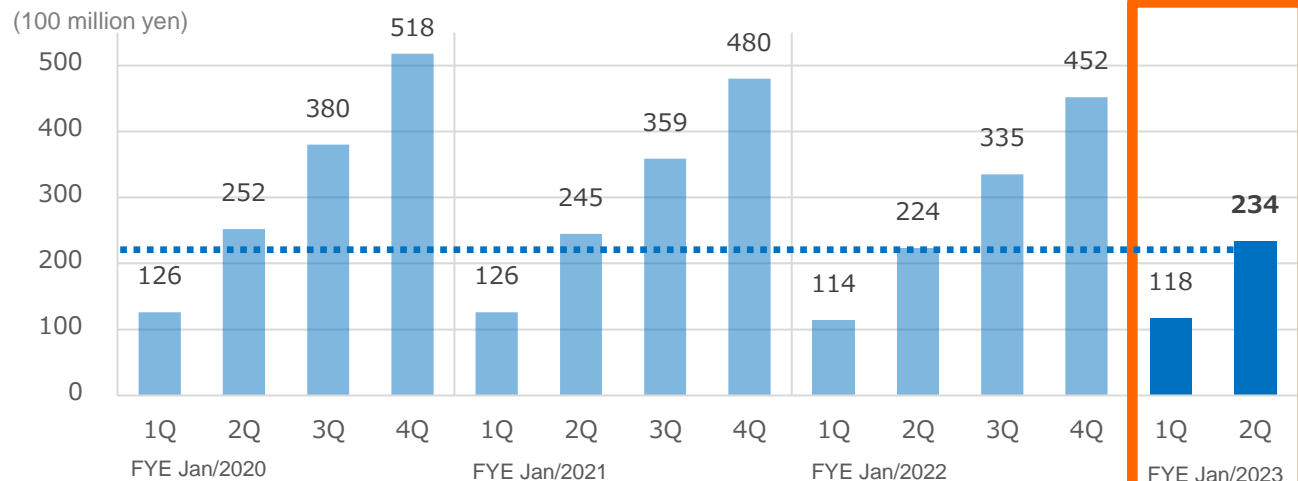
	Results for 2Q of FY ended January 2022	Forecast for 2Q of FY ending January 2023 Before revision	Forecast for 2Q of FY ending January 2023 After revision	Results for 2Q of FY ending January 2023		
					Year-on-year amount of change	Year-on-year rate of change
Net sales	22,442	23,300	23,300	23,478	1,036	4.6%
Operating income	2,220	2,300	1,800	1,969	(250)	(11.3%)
Operating income ratio	9.9%	9.9%	7.7%	8.4%	(1.5)	—
Ordinary income	2,250	2,320	1,810	1,988	(261)	(11.6%)
Ordinary income ratio	10.0%	10.0%	7.8%	8.5%	(1.5)	—
Net income*	1,536	1,550	3,350	3,495	1,958	127.5%
Net income ratio	6.8%	6.7%	14.4%	14.9%	8.1	—

\* "Net income" signifies "Net income attributable to owners of parent" (the same applies hereinafter)

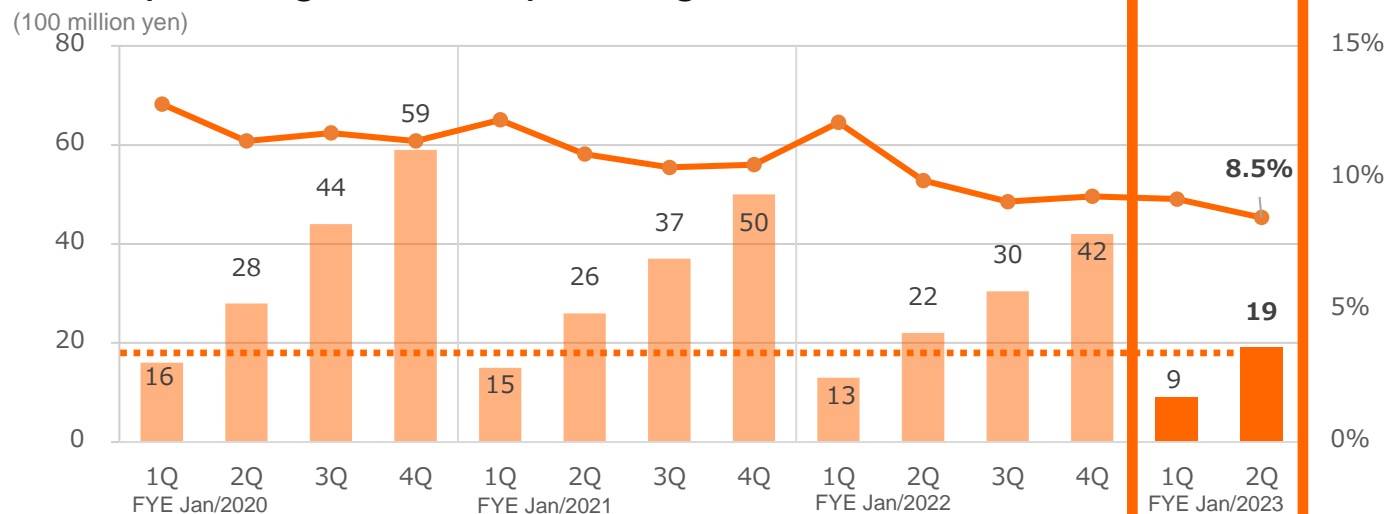
\* From the beginning of the first quarter of the fiscal year under review, the Company has applied the "Accounting Standard for Revenue Recognition," etc. Its impact in the first six months of the fiscal year under review includes the following: Net sales increased 288 million yen, and operating income, ordinary income, and profit before income taxes grew 67 million yen, respectively

# Quarterly results

## Net sales



## Operating income/operating income ratio



### Net sales

- In the manufacturing area, net sales increased year on year as ICT investments recovered.
- The system development business remained steady with continued demand for DX.
- In the infrastructure construction business, the semiconductor shortage continued.
- The security field was favorable thanks to strong demand.
- In Group companies, net sales remained the same year on year.

### Operating income

- Increase in income due to higher net sales.
- Income decreased due to the lengthening of unprofitable projects that occurred in the previous fiscal year and the impact of 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 as business performance improved backed by the recovery in ICT investments by customers in the manufacturing industry.
- In the service integration business, net sales increased as demand related to the promotion of DX and security was favorable. However, operating income fell due to unprofitable projects.

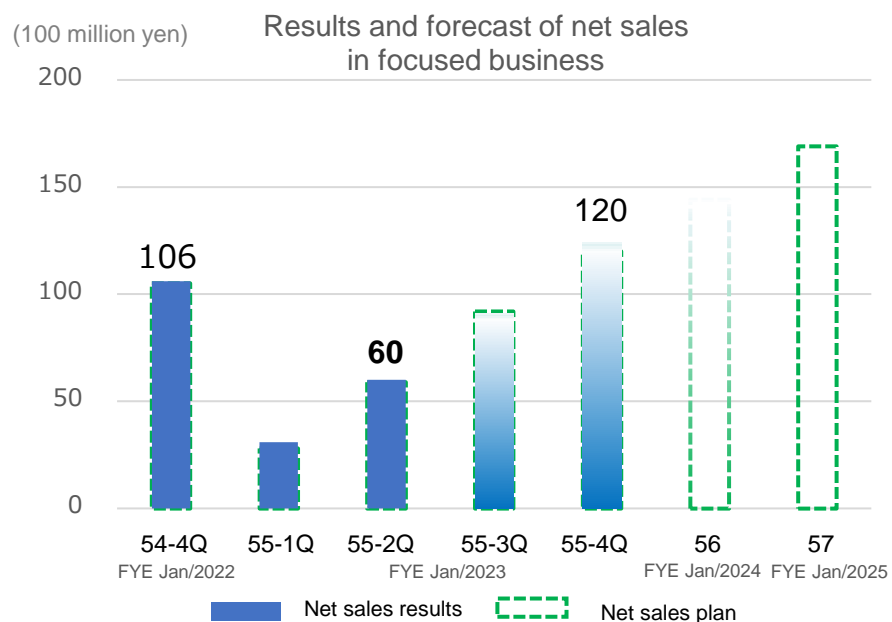
(Unit: Million yen)

	Results for 2Q of FY ended Jan. 2022		Results for 2Q of FY ending Jan. 2023		Amount of change 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	7,799	1,498 19.2%	8,260	1,961 23.7%	460 5.9%	462 30.9%
Service Integration Business	14,642	2,469 16.9%	15,218	2,066 13.6%	575 3.9%	(402) (16.3%)
Corporate expenses	—	(1,747)		(2,058)	—	(310)
Total	22,442	2,220 9.9%	23,478	1,969 8.4%	1,036 4.6%	(250) (11.3%)

\* From the beginning of the first quarter of the fiscal year under review, the Company has applied the "Accounting Standard for Revenue Recognition," etc. Its impact for the first six months of the fiscal year under review includes the following: In the digital industry business, net sales increased 191 million yen, and segment profit grew 51 million yen. In the service integration business, net sales increased 97 million yen, and segment profit was up 16 million yen.

# Progress of focused business

■ Focused business generally progressed as planned toward full-year targets

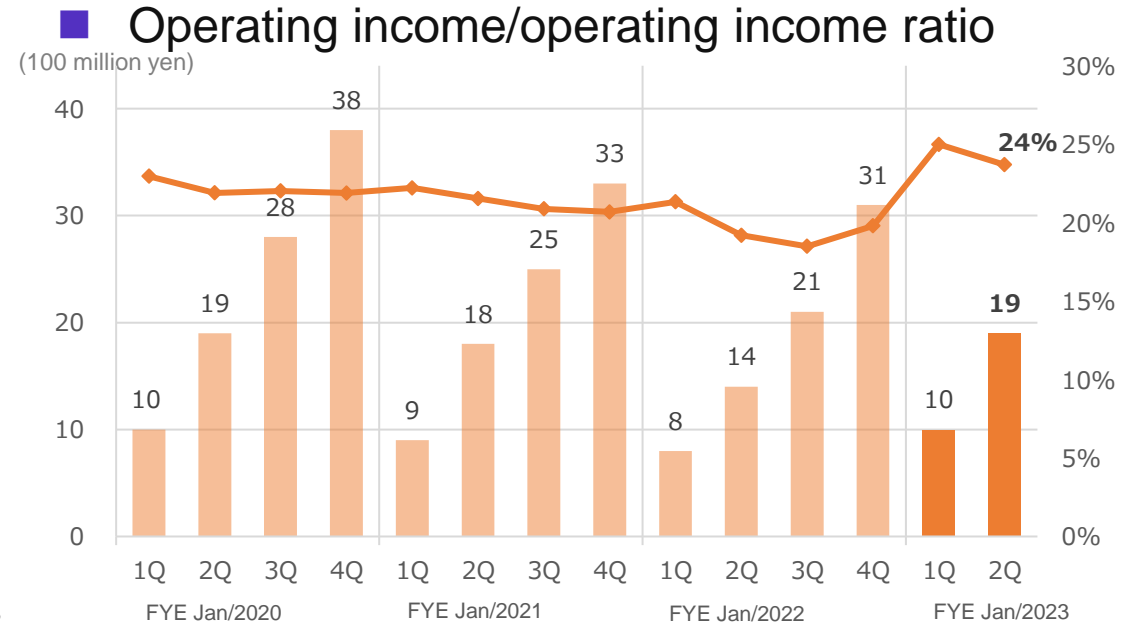
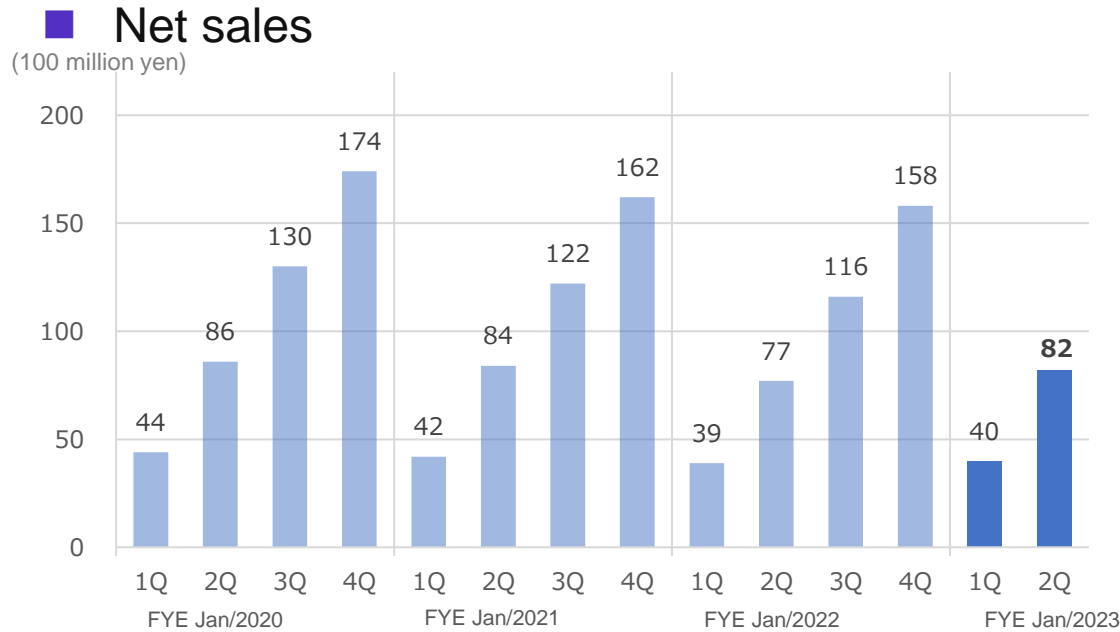


<b>Full-year target</b>	<b>Net sales</b>	<b>12 billion yen</b>
<b>Results for the first six months</b>	<b>Net sales</b>	<b>6 billion yen</b>
	<b>Progress rate</b>	<b>50.0%</b>

	Focused business	Point
DI *	Production and logistics solutions	Progress slightly fell behind the plan due to the semiconductor shortage.
	Mobility services	Business negotiations related to cloud development grew.
SI *	Services in cooperation with Microsoft Japan	There were many business negotiations due to the promotion of DX, and progress exceeded the plan.
	Migration services	The migration market was active backed by the growing demand for DX.
	Security services	Business negotiations on security services (consulting, deployment & monitoring) were active.
	DX cloud platform	Cloud service functions for our services undergoing design, implementation, and verification with actual equipment.

\*DI: Digital Industry Business, SI: Service Integration Business

# Digital Industry Business



Business category	Net sales weather chart	Points of the first half
Smart factory		<ul style="list-style-type: none"> <li>While business negotiations for our core products were increasing from the previous year, business negotiations were extended due to the semiconductor shortage.</li> </ul>
Connected services		<ul style="list-style-type: none"> <li>The mobility field remained the same year on year, and the verification and development field saw a gradual increase in business negotiations.</li> </ul>
Chubu district		<ul style="list-style-type: none"> <li>The business environment continued to recover from the second half of the previous fiscal year, leading to a growth in income.</li> </ul>
Nishinohon district		<ul style="list-style-type: none"> <li>Business negotiations in the existing system development field were favorable in addition to product services.</li> </ul>



## ■ Challenges

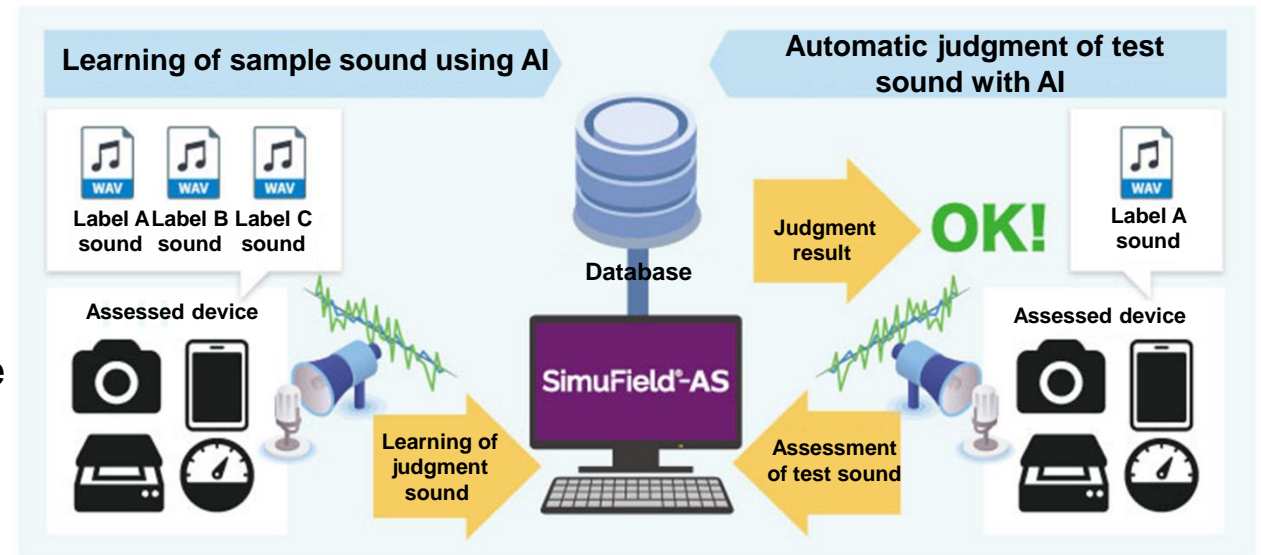
- It is difficult to automatically judge sound with a device because of complicated noises and differences in the timing of sounds

## ■ Overview

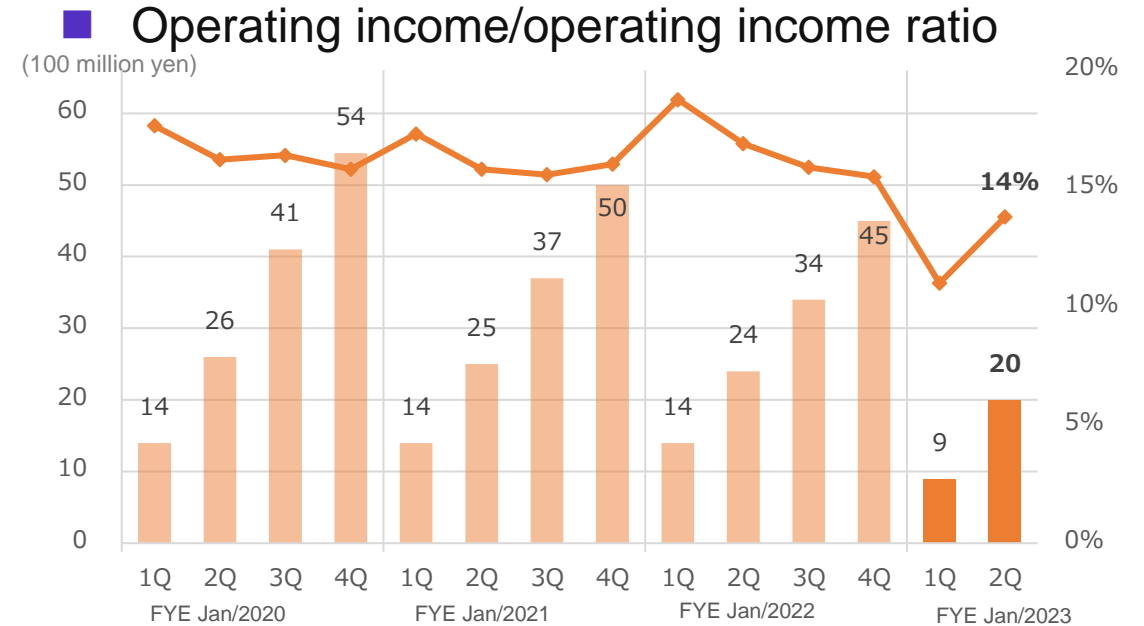
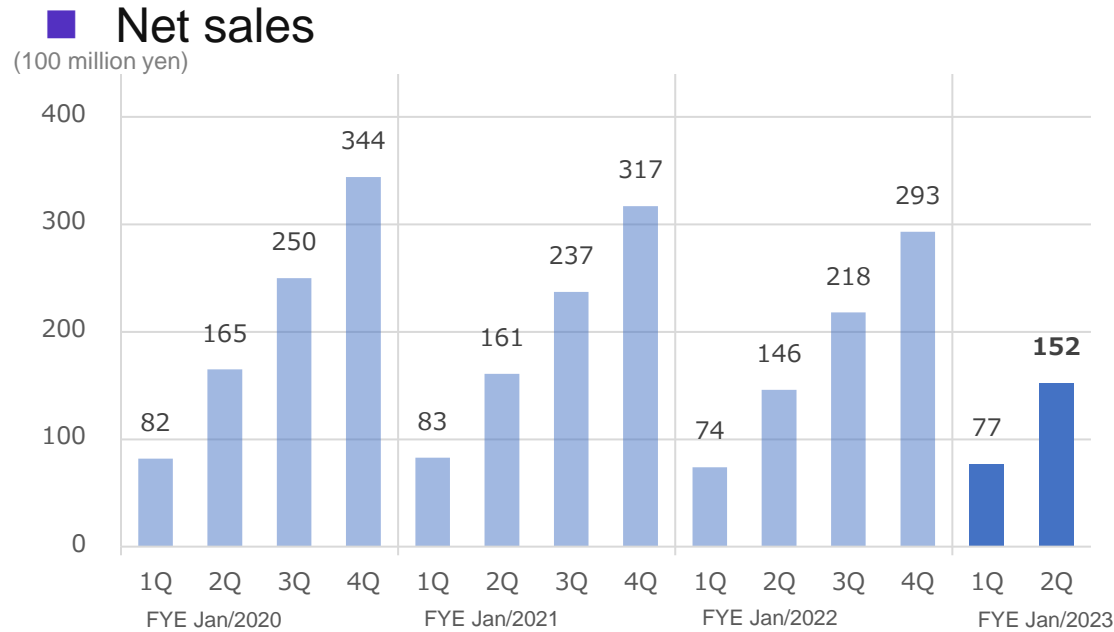
- This tool made it possible to judge sounds with a device, something that is difficult to automate with conventional test methods using waveforms or frequencies, and succeeded in making an automatic judgment with less sample sound thanks to AI learning technology

## ■ Features

- Accurate judgment of sound with noise using AI technology
- Ability to judge various levels of sound specific to device sound
- Ability to coordinate with already implemented automated assessment systems



# Service Integration Business



Business category	Net sales weather chart	Points of the first half
Service integration		<ul style="list-style-type: none"> <li>While the whole system development business performed well thanks to a fair wind of demand for DX promotion in the government and the private sector, net sales increased and operating income fell due to unprofitable projects.</li> </ul>
Platform architect		<ul style="list-style-type: none"> <li>While demand for more resilient security of government and public offices and local governments became active, the infrastructure construction business was sluggish, affected by the semiconductor shortage, resulting in higher net sales and lower operating income.</li> </ul>
Group companies		<ul style="list-style-type: none"> <li>The business environment including nearshore development recovered and remained unchanged from the previous year.</li> </ul>

## ■ What is Zero Trust?

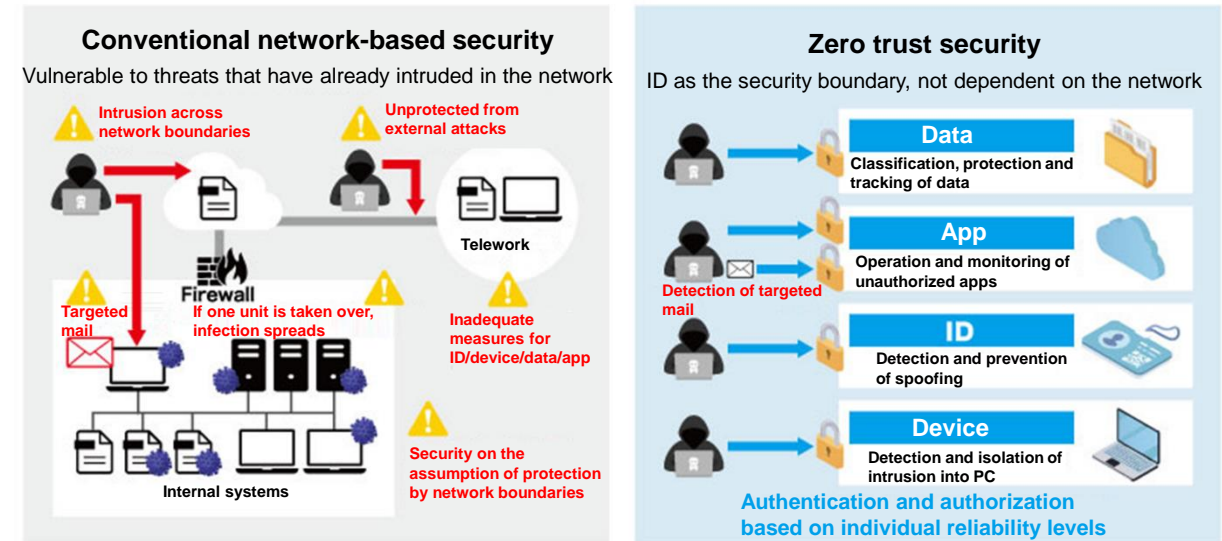
- "Trust nothing," or the concept of security measures on the assumption that no communications are trusted

## ■ Overview

- The total security service that achieves a gradual zero-trust security environment and safe and secure operation while maintaining security measures already in place by adding proprietary new functions

## ■ Features

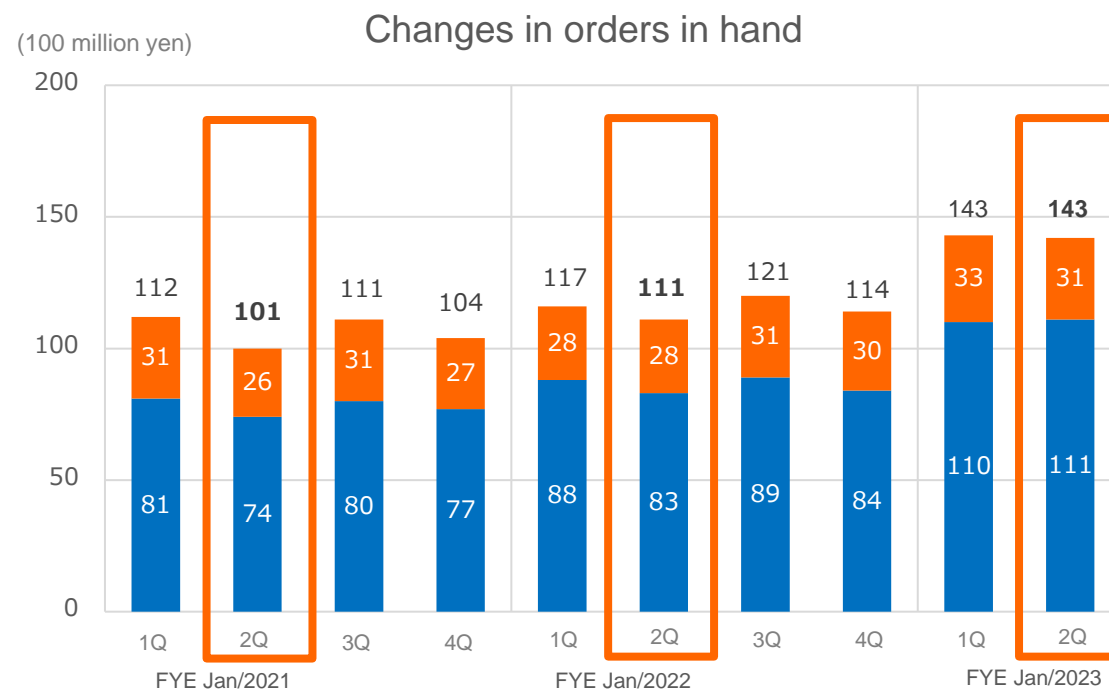
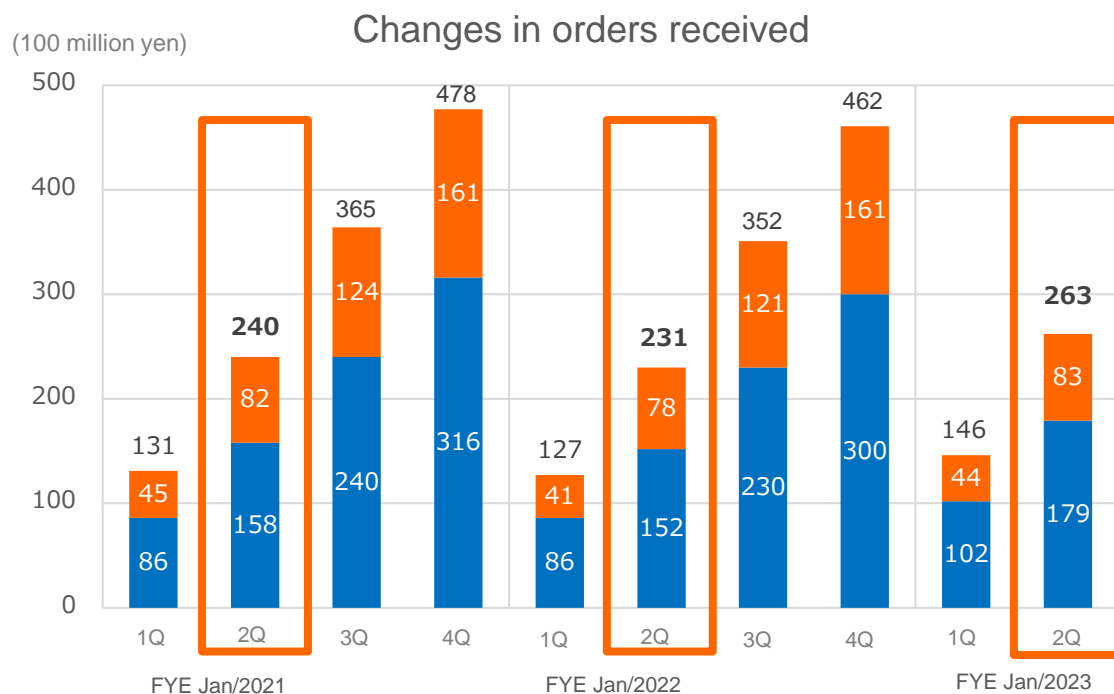
- Support for security measures and operations that are becoming increasingly complicated due to DX promotion and teleworking
- Deployment of measures compliant with seven basic principles of NIST (National Institute of Standards and Technology), tailored to customers' current situation
- More robust measures available in coordination with our products and services including SmartSESAME PC Logon and CEC SOC
- Advice of our security experts ranging from sorting out issues to operation and monitoring



# Orders received/orders in hand

- The business environment was favorable, and orders received and orders in hand have been steadily increasing

■ Digital Industry Business
 ■ Service Integration Business



Total	Results for 2Q of FYE Jan/2021	Results for 2Q of FYE Jan/2022	Results for 2Q of FYE Jan/2023	Year-on-year rate of change
Orders received	<b>24 billion yen</b>	<b>23.1 billion yen</b>	<b>26.3 billion yen</b>	<b>13.7%</b>
Orders in hand	<b>10.1 billion yen</b>	<b>11.1 billion yen</b>	<b>14.3 billion yen</b>	<b>27.9%</b>

DI System development grew due to recovery in ICT investment by major customers

SI System development and business negotiations on security grew

# Year-on-year comparisons of sales by industry

(Unit: Million yen)

	Results for 2Q of FY ended Jan. 2022	Results for 2Q of FY ending Jan. 2023	Year-on-year comparisons		Points by industry
			Amount of change	Rate of change	
Manufacturing industry Component ratio	9,792 43.6%	<b>10,331</b> <b>44.0%</b>	538	5.5%	[Manufacturing industry] ICT investment by existing customers became active
Communication and information service industry Component ratio	5,688 25.4%	<b>6,495</b> <b>27.6%</b>	806	14.2%	[Communication and information service industry] Growth through DX promotion support and collaborative business
Financial industry Component ratio	2,751 12.3%	<b>2,321</b> <b>9.9%</b>	(429)	(15.6%)	[Financial industry] Down from the previous year due to a decrease in business negotiations in the infrastructure construction business
Distribution industry Component ratio	1,171 5.2%	<b>1,314</b> <b>5.6%</b>	142	12.2%	[Distribution industry] Demand for security and logistics services increased
Government and public offices Component ratio	1,082 4.8%	<b>933</b> <b>4.0%</b>	(148)	(13.7%)	[Government and public offices] The security business performed well, but the infrastructure construction business stagnated due to the semiconductor shortage
Other industries Component ratio	1,956 8.7%	<b>2,082</b> <b>8.9%</b>	126	6.5%	
Total	22,442 100%	<b>23,478</b> <b>100%</b>	1,036	4.6%	

# Balance sheet compared with the end of the previous fiscal year

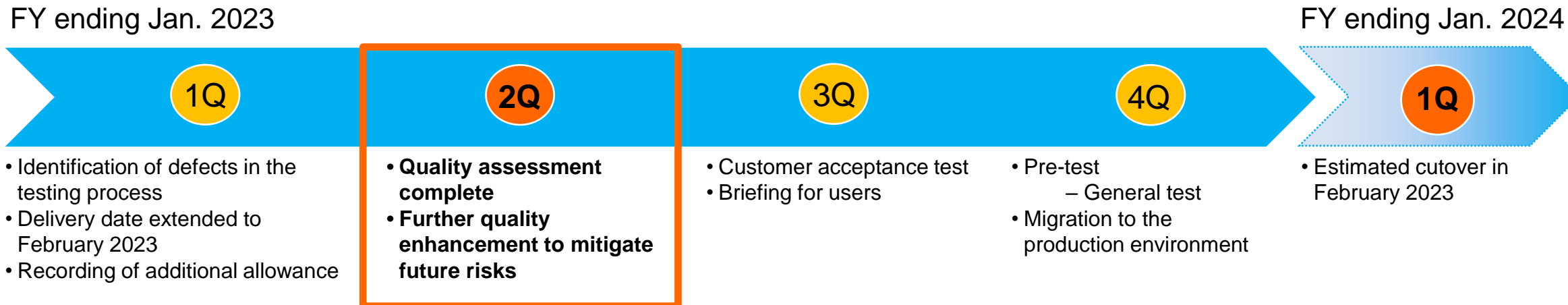
(Unit: Million yen)

	End of January 2022	End of July 2022	Comparison with the end of the previous year		Point
			Amount of change	Rate of change	
Current assets	34,060	<b>35,090</b>	1,030	3.0%	<b>[Assets] Increased</b> Grew due to increase in cash and deposits
Cash and deposits	22,430	<b>24,015</b>	1,584	7.1%	
Non-current assets	11,087	<b>11,036</b>	(50)	(0.5%)	<b>[Liabilities] Decreased</b> Fell due to decrease in long-term accounts payable–other
Property, plant and equipment	6,567	<b>6,733</b>	165	2.5%	
Intangible assets	244	<b>213</b>	(30)	(12.6%)	
Investments and other assets	4,275	<b>4,089</b>	(186)	(4.4%)	<b>[Net assets] Increased</b> Up due to increase in retained earnings in spite of a decrease due to the acquisition of treasury stock
Total liabilities	9,411	<b>9,171</b>	(239)	(2.5%)	
Current liabilities	8,310	<b>8,539</b>	228	2.7%	Equity ratio
Non-current liabilities	1,100	<b>631</b>	(468)	(42.6%)	
Total net assets	35,736	<b>36,956</b>	1,219	3.4%	78.7%→ <b>80.0%</b>
Total liabilities and net assets	45,147	<b>46,127</b>	979	2.2%	

# Unprofitable projects and future plans

- Response to unprofitable projects progressed as planned
  - Quality assessment completed and the next process has started.
  - Acceptance test is underway after the quality enhancement test. Cutover is expected in February 2023 as planned.

- Background and future plans



\* For the background in the previous fiscal year, please refer to the Supplemental Materials for the First Quarter of the Fiscal Year Ending January 31, 2023, which were published on June 10, 2022.

\* The schedule in and after the third quarter of the fiscal year ending January 2023 may change depending on the progress of the project.

# Other measures

## ■ ESG activities and work-style reform measures also progressed as planned

### Promoting ESG activities



- Feb.: Partnership agreement with the Amputee Football Association (support for sports for people with disabilities)
- Feb.: Donation of *Asahi Elementary School Newspaper* to elementary schools
- Apr.: Support for UNESCO Association and Ukraine
- Apr.: Donation of relief money for the Fukushima Earthquake
- **Apr.: Announced support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**
- June: Additional acquisition of ISO 14001 (Environmental Management System) certification for sites in the Tokyo metropolitan area

### Diversity Work-style reform



- Female ratio: 22.9% (as of the end of July)
- Employment rate of persons with disabilities: 2.39% (as of the end of July)
- Promotion of men's taking child-care leave

### Other Priority strategies



- **"Priority Project Definition" established to eradicate deficit projects**



**Full-Year Earnings Forecast  
for the Fiscal Year Ending  
January 2023**

# Year-on-year comparison of full-year earnings forecasts

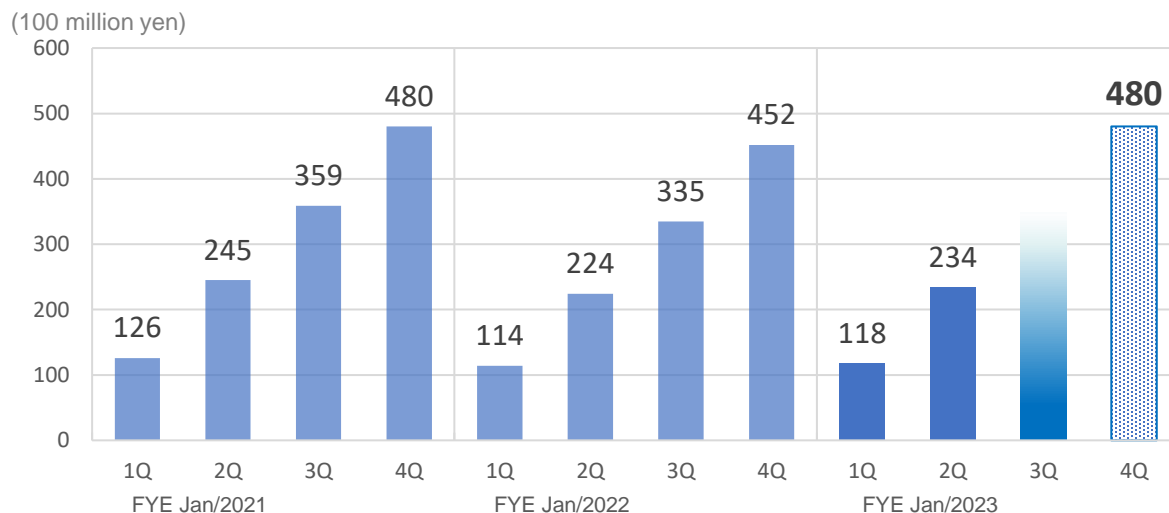
- Full-year earnings forecast remains unchanged, and we will aim at meeting our target by closing deals that tend to increase

(Unit: Million yen)

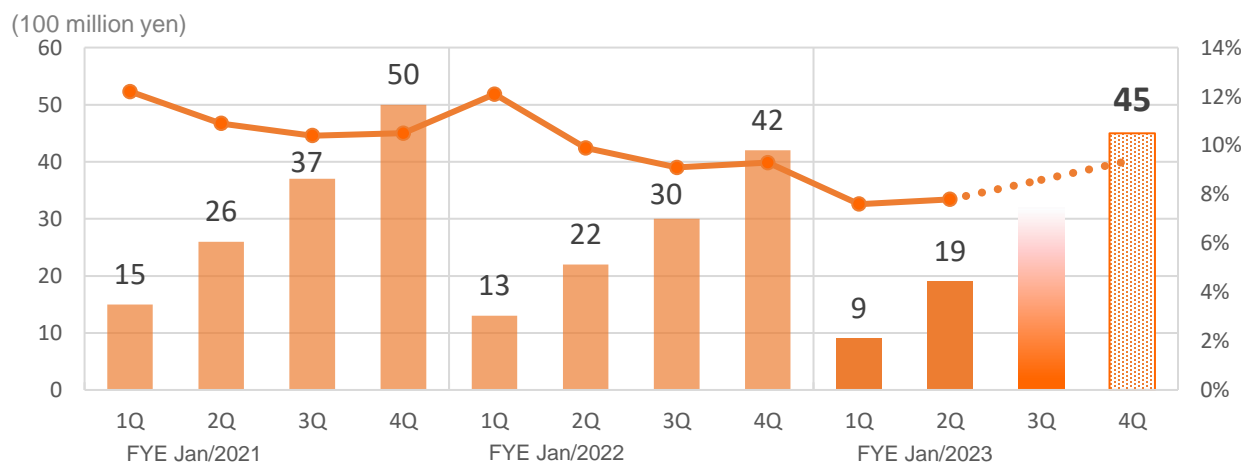
	Results for FY ended Jan. 2022	Forecast for FY ending Jan. 2023			Results for 2Q of FY ending Jan. 2023	Progress rate
			Amount of change Rate of change	Rate of change		
Net sales	45,220	<b>48,000</b>	2,779 6.1%	23,478	48.9%	
Operating income	4,206	<b>4,500</b>	293 7.0%	1,969	43.8%	
Operating income ratio	9.3%	<b>9.4%</b>	0.1% —	8.4%	—	
Ordinary income	4,282	<b>4,540</b>	257 6.0%	1,988	43.8%	
Ordinary income ratio	9.5%	<b>9.5%</b>	— —	8.5%	—	
Net income	3,039	<b>5,200</b>	2,160 71.1%	3,495	67.2%	
Net income ratio	6.7%	<b>10.8%</b>	4.1% —	14.9%	—	

# Full-year earnings forecast and points

## Net sales



## Operating income/operating income ratio



### Net sales

- No change to the earnings forecast.
- Business negotiations are increasing due to recovery in ICT investment made by major customers.
- No change also in sales strategy. Promote expansion of sales of products and services in the fields focused on.
- Develop new business negotiations by fully utilizing the synergies generated by the integration of business areas and regions.

### Operating income

- No change to the second-half plan.
- Quickly bring unprofitable projects under control as the highest-priority issue, and invest management resources intensively.
- Aim to improve the rate of return and promote acquisition of highly profitable business negotiations.

# Full-year earnings forecast by business segment

(Unit: Million yen)

	Results for FY ended Jan. 2022		Forecast for FY ending Jan. 2023		Amount of change Rate of change		FY ending Jan. 2023 2Q progress rate	
	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	15,897	3,153 19.8%	<b>17,100</b>	<b>3,900</b> <b>22.8%</b>	1,203 7.6%	747 23.7%	48.3%	50.3%
Service Integration Business	29,322	4,546 15.5%	<b>30,900</b>	<b>4,600</b> <b>14.9%</b>	1,578 5.4%	54 1.2%	49.2%	44.9%
Corporate expenses	—	(3,493)	—	<b>(4,000)</b>	—	(507)	—	—
Total	45,220	4,206 9.3%	<b>48,000</b>	<b>4,500</b> <b>9.4%</b>	2,780 6.1%	294 7.0%	48.9%	43.8%

# Full-year earnings forecast for digital industry business

## ■ Net sales/operating income

		FY ending Jan. 2023		
		Results for 2Q	Full-year forecast	Progress rate
Digital Industry Business	Net sales	8.2 billion yen	17.1 billion yen	48.3%
	Operating income	1.9 billion yen	3.9 billion yen	50.3%
Focused business	Net sales	2.3 billion yen	5.1 billion yen	45.1%

Business category	Points of the second half
Smart factory	<ul style="list-style-type: none"> <li>● Strengthen SI by combining our products for production DX.</li> <li>● Focus on development of automated systems utilizing digital data.</li> </ul>
Connected services	<ul style="list-style-type: none"> <li>● Expand business negotiations for mobility services and IoT using cloud technologies.</li> <li>● Enhance environment construction services for DevOps including test automation.</li> </ul>
Chubu district	<ul style="list-style-type: none"> <li>● Further expand areas of business negotiations for system development, which have been favorable due to enhanced DX promotion.</li> </ul>
Nishinohon district	<ul style="list-style-type: none"> <li>● Find new demand from existing customers and new business negotiations for IoT-related products and services as a whole.</li> <li>● Focus on acquiring new customers and business negotiations by expanding the area of logistics-related businesses.</li> </ul>

# Full-year earnings forecast for service integration business

## ■ Net sales/operating income

		FY ending Jan. 2023		
		Results for 2Q	Full-year forecast	Progress rate
Service Integration Business	Net sales	15.2 billion yen	30.9 billion yen	49.2%
	Operating income	2 billion yen	4.6 billion yen	44.9%
Focused business	Net sales	3.7 billion yen	6.9 billion yen	53.6%

Business category	Points of the second half
Service integration	<ul style="list-style-type: none"> <li>● Bring unprofitable projects under control, promote active DX business negotiations and improve productivity.</li> <li>● For services in cooperation with Microsoft Japan, continue focusing on expanding Dynamics 365 and Azure business.</li> <li>● For migration services, strengthen support for shifting to the cloud.</li> </ul>
Platform architect	<ul style="list-style-type: none"> <li>● Meet demand for DX of government and public offices and local governments, and provide integrated services from infrastructure construction to DC.</li> <li>● Promote support for companies in constructing a DX platform and support for cybersecurity accompanying it.</li> </ul>
Group companies	<ul style="list-style-type: none"> <li>● Strengthen cooperation with customers (share nearshore development know-how).</li> </ul>

# *Shape your future*

## **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.

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E-mail: [IR@cec-ltd.co.jp](mailto:IR@cec-ltd.co.jp)

# Company profile

<b>Company Name</b>	Computer Engineering & Consulting Ltd.
<b>Date of establishment</b>	February 24, 1968
<b>Date of Listing</b>	April 2022 (Prime Market) July 2001 (First Section of Tokyo Stock Exchange)
<b>Capital</b>	6,586 million yen
<b>Net sales</b>	45,220 million yen (FY ended Jan. 2022)

<b>Number of Employees</b>	2,239 (as of July 31, 2022)
<b>Consolidated subsidiaries</b>	8 companies
<b>Head Office</b>	JR Ebisu Bldg., 5-5 Ebisu Minami 1-chome, Shibuya-ku, Tokyo 150-0022
<b>Representative</b>	Hitoshi Ooishi, Representative Director & President

- Licenses and approvals**
- Listed on the list of companies providing system auditing services, the Ministry of Economy, Trade and Industry
  - Listed on 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 Tokyo Governor (Ordinary-3) No. 153499 (License date: April 19, 2021)

## 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 cloud and security which are needed to reform and improve the operations of companies and organizations

### Two businesses contributing to the realization of a sustainable society

