

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

Computer Engineering & Consulting Ltd.
December 9, 2022

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

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

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

Year-on-year comparison of 3Q results

- ICT investment by customers became active mainly in the DX area and for security measures, and business negotiations are increasing in spite of the remaining impact of the semiconductor shortage.
- Net income reached a **record high in 3Q** with gains on sales of investment securities recorded in 2Q to extraordinary income.

(Unit: Million yen)

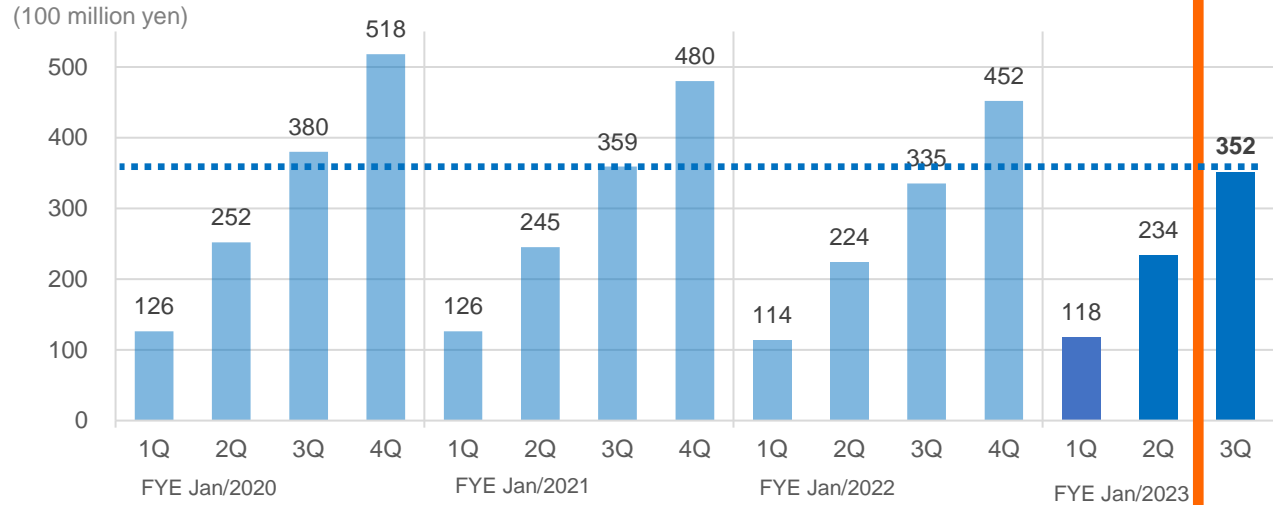
	FY ended Jan. 2022 Results for 3Q	Results for 2Q	FY ending Jan. 2023		
			Results for 3Q	Year-on-year amount of change	Year-on-year rate of change
Net sales	33,527	23,478	35,288	1,760	5.3%
Operating income	3,043	1,969	3,277	234	7.7%
Operating income ratio	9.1%	8.4%	9.3%	0.2	—
Ordinary income	3,081	1,988	3,296	215	7.0%
Ordinary income ratio	9.2%	8.5%	9.3%	0.2	—
Net income*	1,798	3,495	4,381	2,583	143.7%
Net income ratio	5.4%	14.9%	12.4%	7.1	—

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

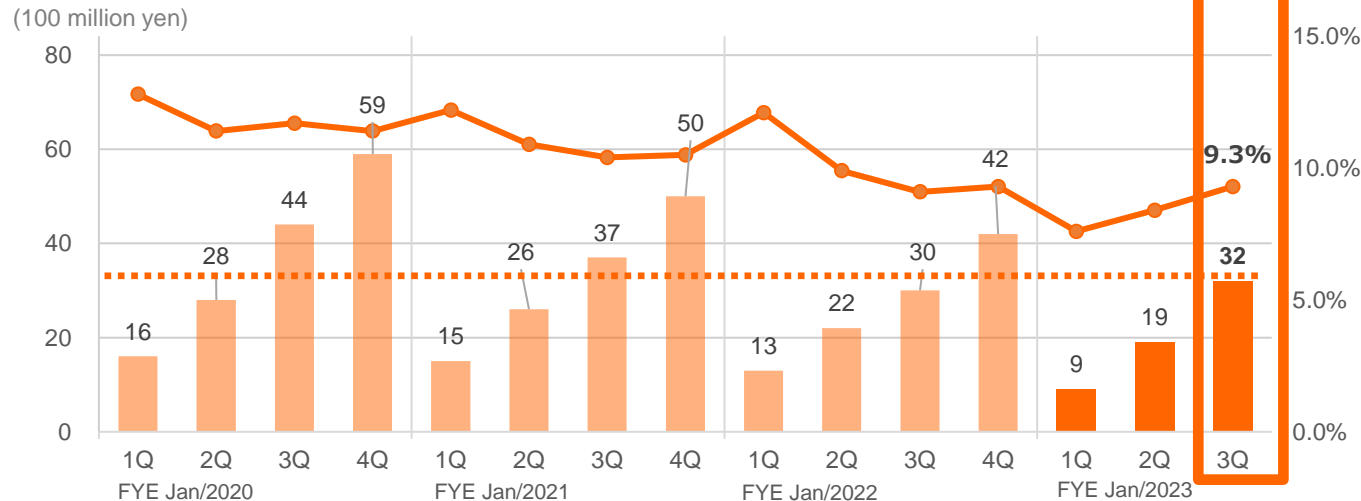
* From the beginning of the first quarter of the fiscal year under review, the Company has applied the "Accounting Standard for Revenue Recognition," etc. Its impact in the first nine months of the fiscal year under review includes the following: net sales increased 180 million yen, and operating income, ordinary income, and profit before income taxes grew 21 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.
- Inquiries from customers in the distribution industry continued to be steady.
- The system development business remained steady with continued demand for DX.
- The infrastructure construction business is gradually improving despite the continuous semiconductor shortage.
- 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 improved through productivity improvement activities.
- Although the impact of unprofitable projects in the previous fiscal year is continuing, great effort was made to prevent opportunity loss.

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 despite the continuous impact of unprofitable projects and semiconductor shortage.

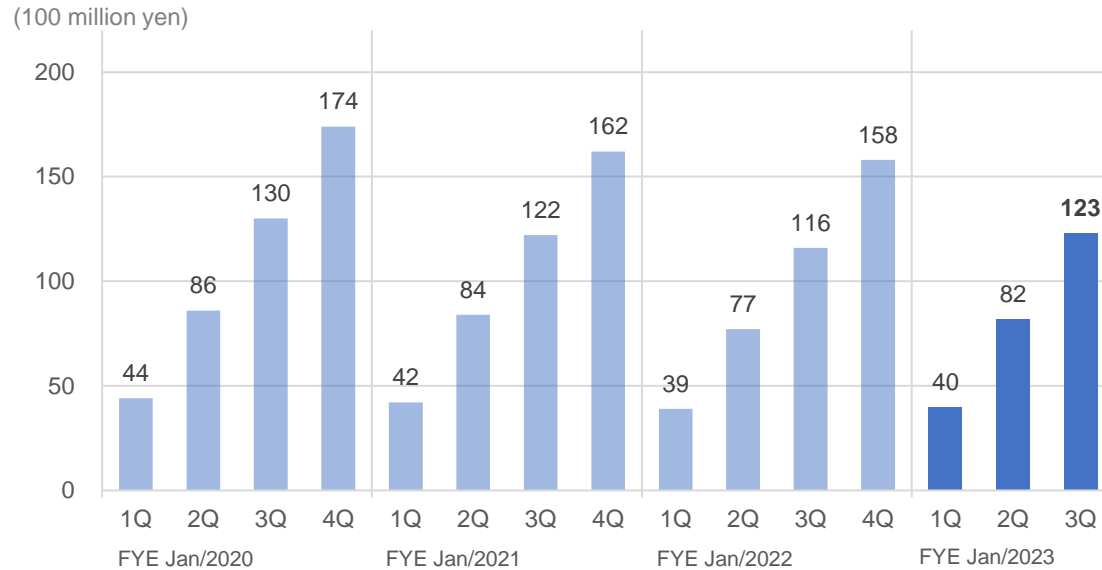
(Unit: Million yen)

	Results for 3Q of FY ended Jan. 2022		Results for 3Q of FY ended 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	11,634	2,158 18.5%	12,309	2,805 22.8%	674 5.8%	647 30.0%
Service Integration Business	21,892	3,481 15.9%	22,978	3,440 15.0%	1,086 5.0%	(41) (1.2%)
Corporate expenses	—	(2,596)	—	(2,967)	—	(371)
Total	33,527	3,043 9.1%	35,288	3,277 9.3%	1,760 5.3%	234 7.7%

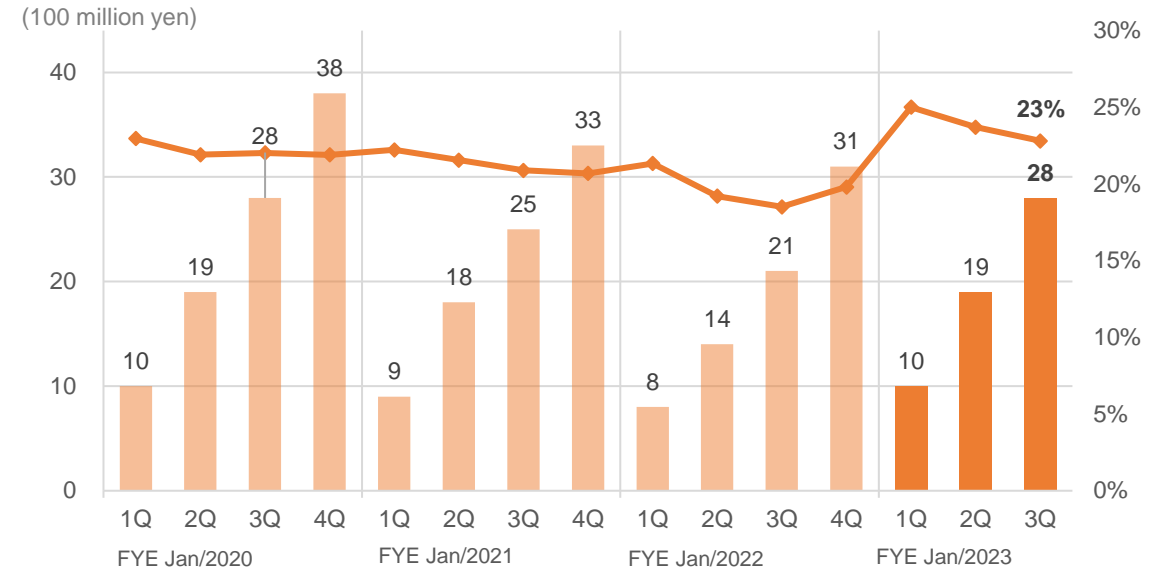
* The impact for the first nine months of the fiscal year under review due to the application of the "Accounting Standard for Revenue Recognition," etc. includes the following: in the digital industry business, net sales increased 33 million yen, and segment profit grew 4 million yen. In the service integration business, net sales increased 146 million yen, and segment profit was up 17 million yen.

Digital Industry Business

Net sales



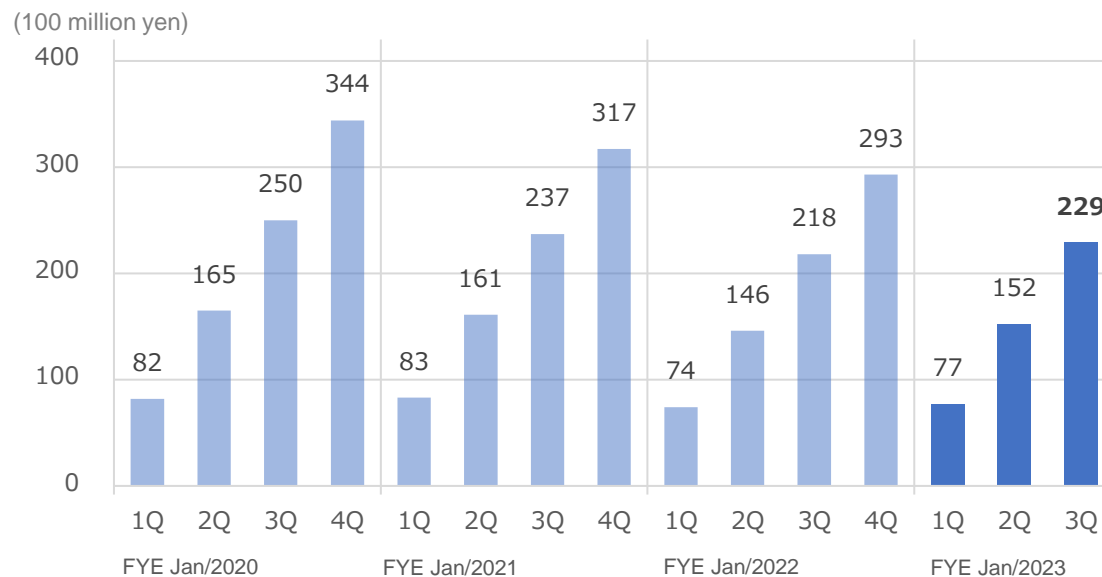
Operating income/operating income ratio



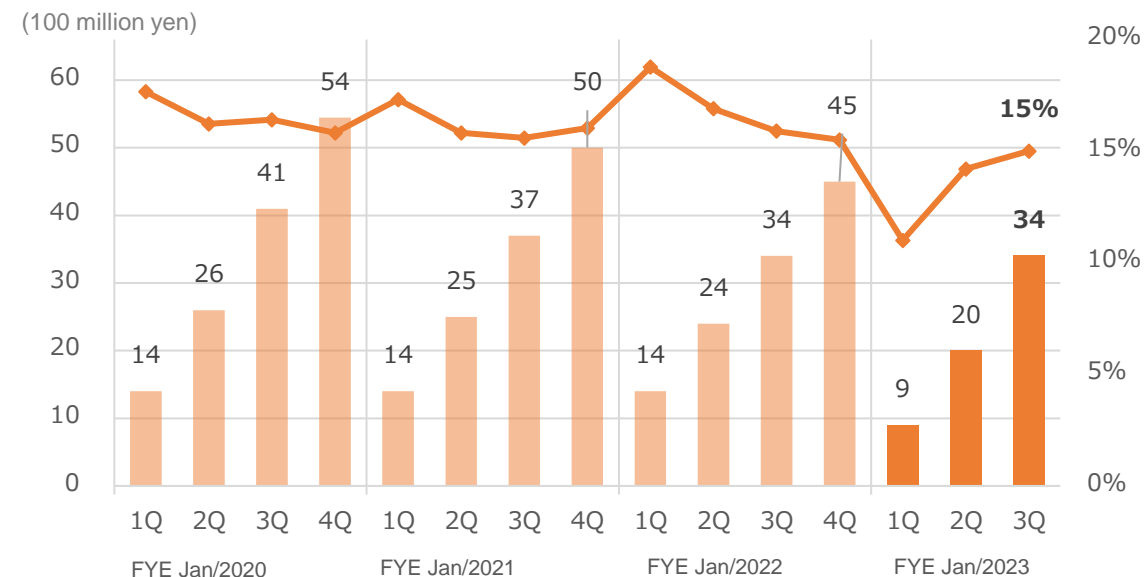
Business category	Net sales weather chart	Points for 3Q
Smart factory		● Inquiries on products and development projects increased due to more customers working on production DX on a company-wide basis.
Connected services		● The mobility field was steady, and control projects saw an increasing trend for business negotiations.
Chubu district		● ICT investment made by major customers remained steady with favorable net sales and income.
Nishinohon district		● Business negotiations in the existing system development field were favorable in addition to product services.

Service Integration Business

Net sales



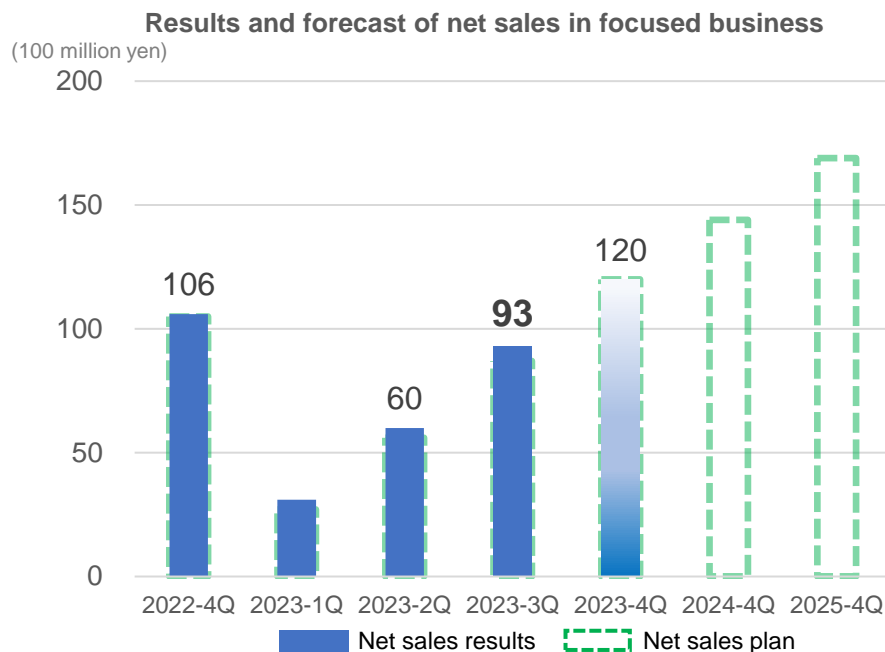
Operating income/operating income ratio



Business category	Net sales weather chart	Points for 3Q
Service integration		<ul style="list-style-type: none"> The whole system development business continued to be steady with the acquisition of new projects, thanks to the fair wind of demand for DX promotion in the government and the private sector.
Platform architect		<ul style="list-style-type: none"> Inquiries from government and public offices and local governments regarding the security field continued to be active, and the infrastructure construction business was on a recovery trend despite the continuous impact of the semiconductor shortage.
Group companies		<ul style="list-style-type: none"> The business environment including nearshore development was favorable and remained steady.

Progress of focused business

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



Full-year target	Net sales	12 billion yen
Results for the first nine months	Net sales	9.3 billion yen
	Progress rate	77.7%

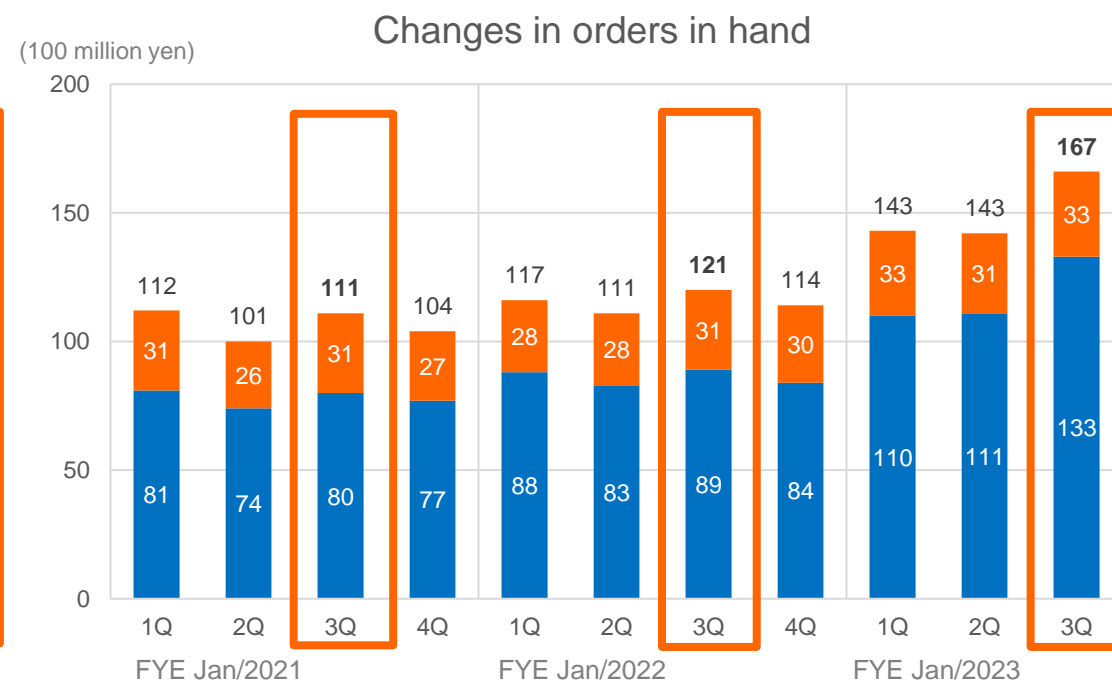
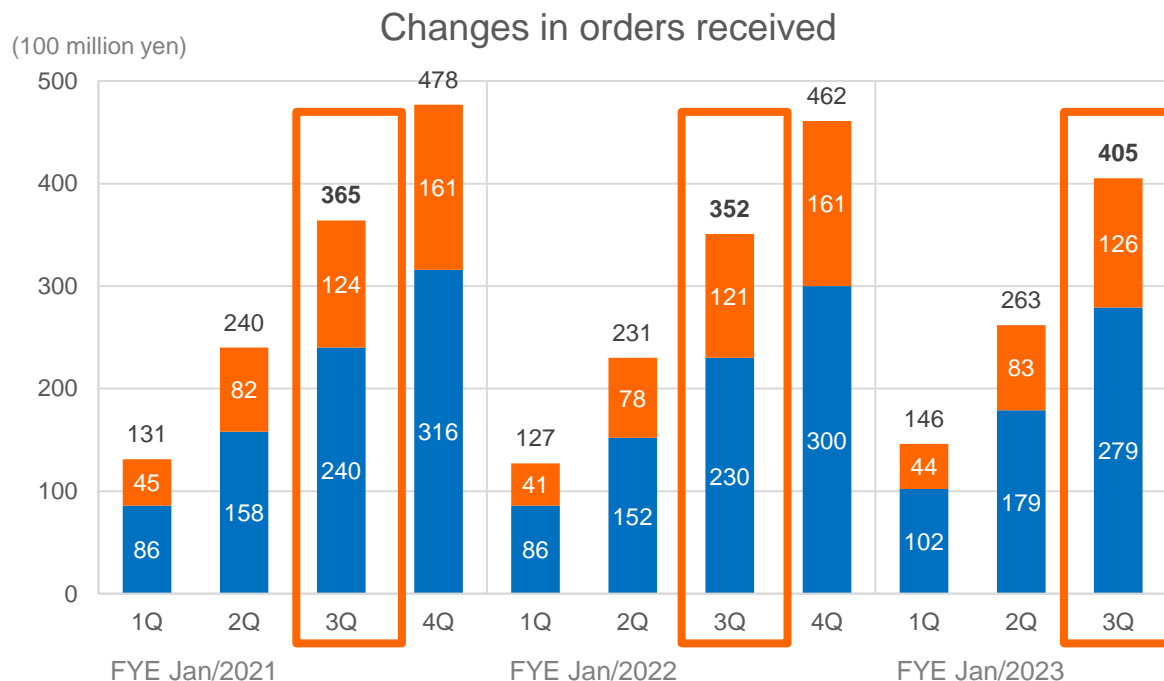
	Focused business	Point
DI*	Production and logistics solutions	Time tends to be required before sales are recorded due to an increase in customers working on production DX on a company-wide basis.
	Mobility services	Business negotiations related to cloud development continued to be steady.
SI*	Services in cooperation with Microsoft Japan	There were many business negotiations such as on customer relations management (CRM) and low-code development due to the promotion of DX, and progress exceeded the plan.
	Migration services	Backed by the growing demand for DX, a shift to the cloud and out-of-support programming language support were active.
	Security services	Business negotiations on security services (consulting, deployment & monitoring) continued to be active.
	DX cloud platform	Cloud service functions for our services are undergoing development, design, implementation, and verification with actual equipment.

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

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



(Unit: Million yen)

Total	Results for 3Q of FYE Jan/2022	Results for 2Q of FYE Jan/2023	Results for 3Q of FYE Jan/2023	Year-on-year rate of change	Status of orders received
Orders received	35,206	26,301	40,561	15.2%	Business negotiations in the system development business continued to be steady and business negotiations in the infrastructure construction business saw an increase.
Orders in hand	12,164	14,309	16,760	37.8%	

Year-on-year comparisons of sales by industry

(Unit: Million yen)

	Results for 3Q of FY ended Jan. 2022	Results for 3Q of FY ending Jan. 2023	Year-on-year comparisons		Points by industry
			Amount of change	Rate of change	
Manufacturing industry Component ratio	14,876 44.4%	15,557 44.1%	681	4.6%	[Manufacturing industry] ICT investment by existing customers remained steady
Communication and information service industry Component ratio	8,161 24.4%	9,475 26.8%	1,313	16.1%	[Communication and information service industry] Growth through DX promotion support and collaborative business
Financial industry Component ratio	3,971 11.8%	3,416 9.7%	(555)	(14.0%)	[Financial industry] Down from the previous year due to a decrease in business negotiations in the infrastructure construction business
Distribution industry Component ratio	1,817 5.4%	2,278 6.5%	461	25.4%	[Distribution industry] Demand for security and logistics services increased
Government and public offices Component ratio	1,692 5.0%	1,281 3.6%	(411)	(24.3%)	[Government and public offices] The security business performed well, but net sales decreased mainly due to a change in periodic business negotiations in infrastructure construction
Other industries Component ratio	3,007 9.0%	3,279 9.3%	271	9.0%	
Total	33,527 100%	35,288 100%	1,760	5.3%	

Balance sheet compared with the end of the previous fiscal year

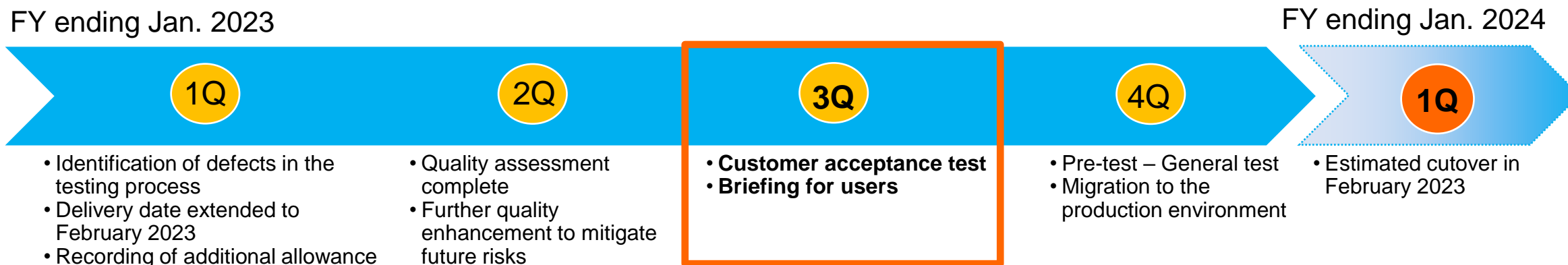
(Unit: Million yen)

	End of January 2022	End of October 2022	Comparison with the end of the previous year		Point
			Amount of change	Rate of change	
Current assets	34,060	34,710	650	1.9%	[Assets] Increased Grew due to increase in cash and deposits
Cash and deposits	22,430	23,977	1,547	6.9%	
Non-current assets	11,087	10,981	(106)	(1.0%)	[Liabilities] Decreased Fell due to decrease in long-term accounts payable–other
Property, plant and equipment	6,567	6,614	47	0.7%	
Intangible assets	244	272	28	11.6%	[Net assets] Increased Up due to increase in retained earnings in spite of a decrease due to the acquisition of treasury stock
Investments and other assets	4,275	4,093	(181)	(4.3%)	
Total liabilities	9,411	9,287	(123)	(1.3%)	
Current liabilities	8,310	8,632	321	3.9%	Equity ratio
Non-current liabilities	1,100	655	(444)	(40.4%)	
Total net assets	35,736	36,404	667	1.9%	78.7% → 79.5%
Total liabilities and net assets	45,147	45,691	544	1.2%	

Unprofitable projects and future plans

- Response to unprofitable projects progressed as planned
 - Customer acceptance test and briefing for users completed. Project is progressing smoothly.
 - As of December 9, general testing process and documentation work including preparation of customer manual is underway.
 - No change in cutover schedule.

- 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 fourth quarter of the fiscal year ending January 2023 may change depending on the progress of the project.

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

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

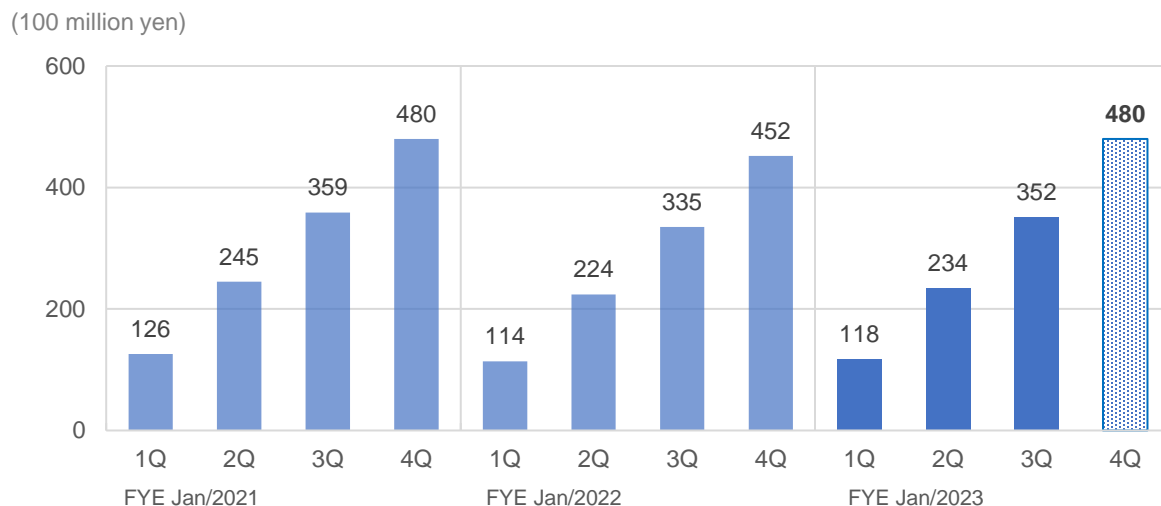
- Full-year earnings forecast remains unchanged, and we will aim at meeting our target by closing deals that tend to increase

(Unit: Million yen)

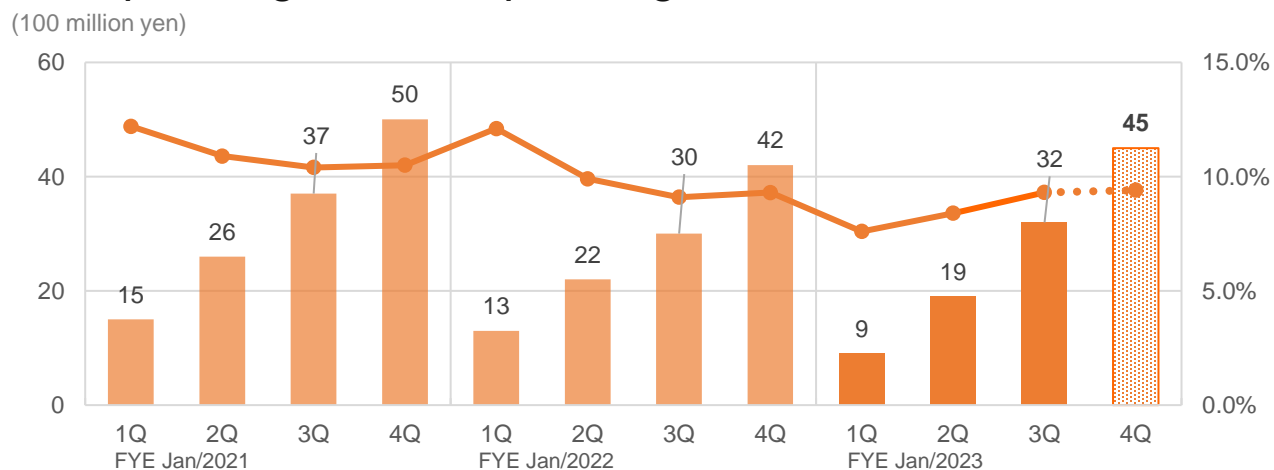
	Results for FY ended Jan. 2022	Forecast for FY ending Jan. 2023			Results for 3Q of FY ending Jan. 2023	Progress rate
			Amount of change	Rate of change		
Net sales	45,220	48,000	2,779	6.1%	35,288	73.5%
Operating income	4,206	4,500	293	7.0%	3,277	72.8%
Operating income ratio	9.3%	9.4%	0.1	—	9.3%	—
Ordinary income	4,282	4,540	257	6.0%	3,296	72.6%
Ordinary income ratio	9.5%	9.5%	—	—	9.3%	—
Net income	3,039	5,200	2,160	71.1%	4,381	84.3%
Net income ratio	6.7%	10.8%	4.1	—	12.4%	—

Full-year earnings forecasts 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 businesses focused on.
- Develop new business negotiations by fully utilizing the synergies generated by the integration of business areas and regions.

Operating income

- 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		FY ending Jan. 2023 3Q 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%	17,100	3,900 22.8%	1,203 7.6%	747 23.7%	72.0%	71.9%
Service Integration Business	29,322	4,546 15.5%	30,900	4,600 14.9%	1,578 5.4%	54 1.2%	74.4%	74.8%
Corporate expenses	—	(3,493)	—	(4,000)	—	(507)	—	—
Total	45,220	4,206 9.3%	48,000	4,500 9.4%	2,780 6.1%	294 7.0%	73.5%	72.8%

Full-year earnings forecast for digital industry business

■ Net sales and operating income

		FY ending Jan. 2023		
		Results for 3Q	Full-year forecast	Progress rate
Digital Industry Business	Net sales	12.3 billion yen	17.1 billion yen	72.0%
	Operating income	2.8 billion yen	3.9 billion yen	71.9%
Focused business	Net sales	3.6 billion yen	5.1 billion yen	71.2%

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

Full-year earnings forecast for service integration business

■ Net sales and operating income

		FY ending Jan. 2023		
		Results for 3Q	Full-year forecast	Progress rate
Service Integration Business	Net sales	22.9 billion yen	30.9 billion yen	74.4%
	Operating income	3.4 billion yen	4.6 billion yen	74.8%
Focused business	Net sales	5.6 billion yen	6.9 billion yen	82.5%

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

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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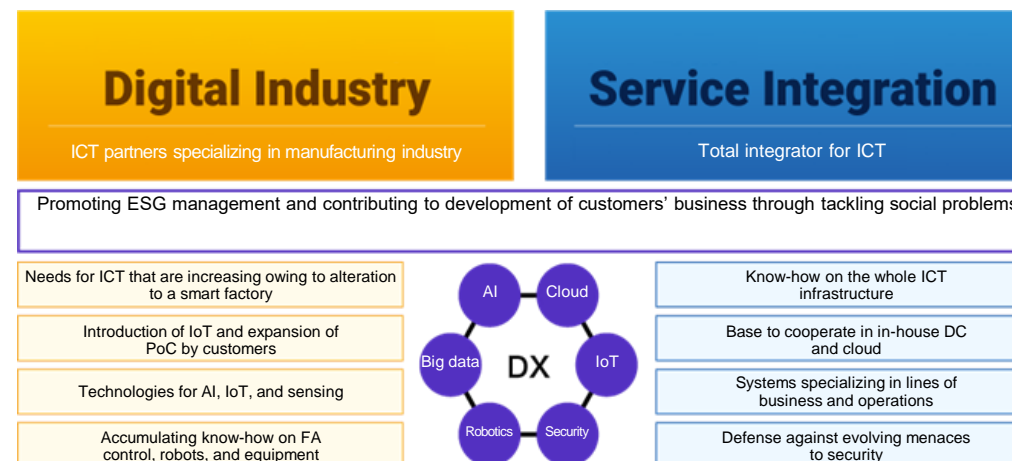
Company profile

Company Name	Computer Engineering & Consulting Ltd. 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	45,220 million yen (FY ended Jan. 2022)
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(12) ■ JQA Certification <ul style="list-style-type: none"> • 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)

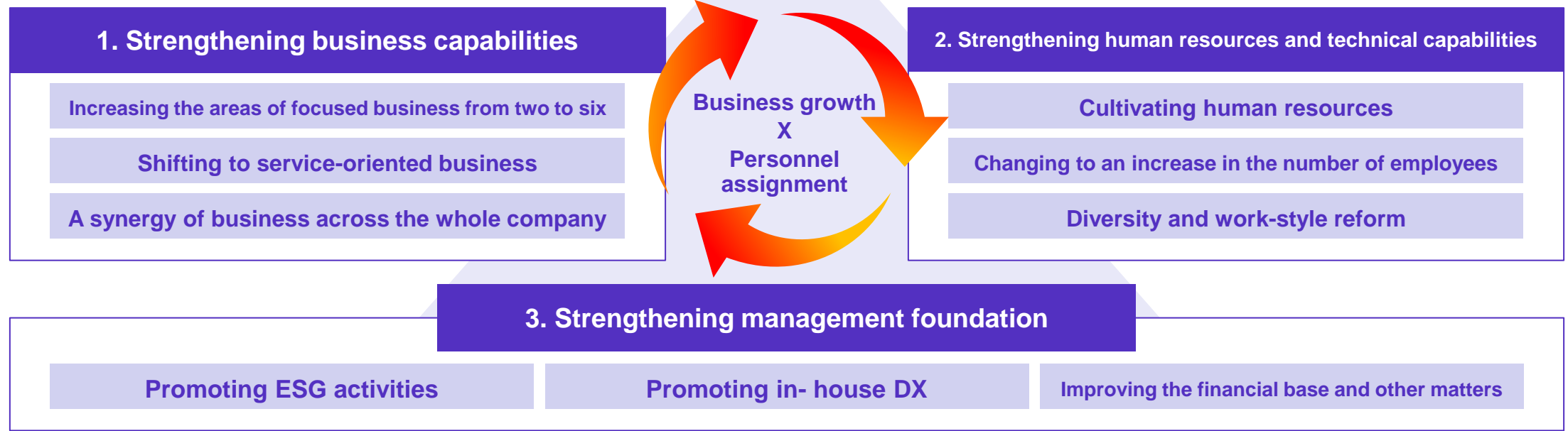
Number of Employees	2,273 (as of April 1, 2022)
Consolidated subsidiaries	8 companies
Head Office	JR Ebisu Bldg., 5-5 Ebisu Minami 1-chome, Shibuya-ku, Tokyo 150-0022
Representative	Hitoshi Ooishi, Representative Director & President

Business Description	<ul style="list-style-type: none"> ■ 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
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Two businesses contributing to the realization of a sustainable society

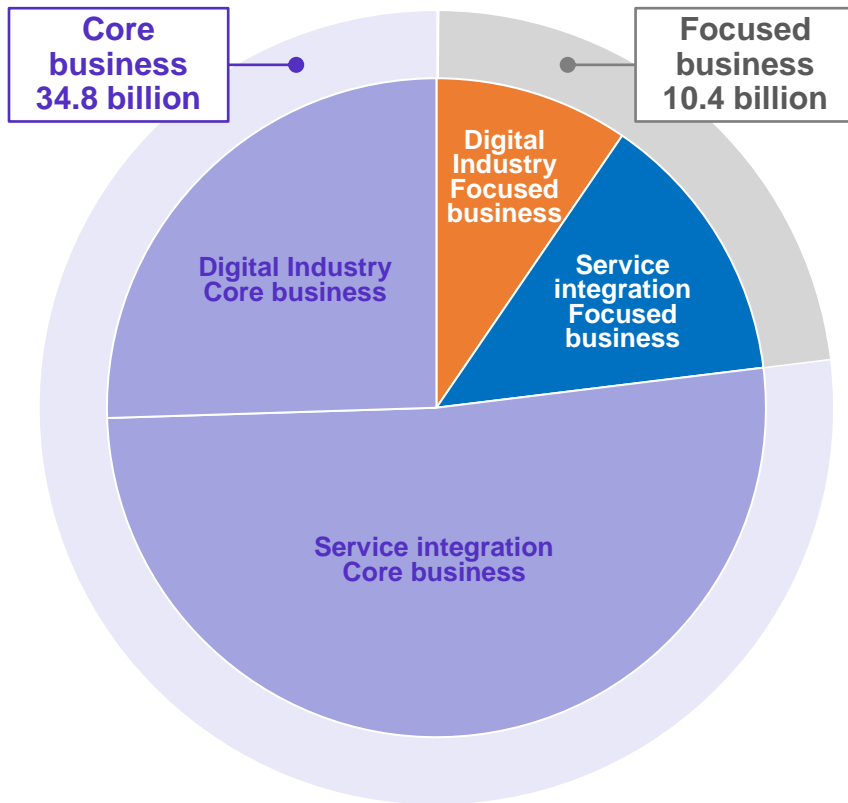


Vision 2025: To a Company That Creates the Future with ICT Technologies



	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

Company-wide sales 45.2 billion



Focused Businesses: Business areas utilizing their unique characteristics

Digital Industry Business	Production and logistics	Visual Factory® LogiPull®	A focused area that supports digitization and DX strategy from production sites to logistics by adding LogiPull, a logistics solution, besides product services for the manufacturing industry.
	Mobility	PlusLocation. SimuField®-SC	A focused area that develops services utilizing car-mounted/traffic big data in the connected field of the automotive industry.
Service Integration Business	Services in cooperation with Microsoft Japan	Convergent®	A focused area that supports DX through management analysis and marketing support for Dynamics 365/Azure base.
	Migration	Re@nove® <small>マイグレーションサービス リノーフ</small>	A focused area that supports legacy ICT innovation, a cloud shift, and a DX-compliant environment for systems and apps.
	Security	CyberNEXT® <small>トータルセキュリティソリューション</small>	A focused area that conducts security consulting, design, construction, and operation services with a series of products that protect ICT factors connected to networks from security threats.
	Cloud platform	BizVision	A focused area that promotes the cloud platform of our products.