

Financial Results Briefing Session for the Fiscal Year Ended January 2023

Computer Engineering & Consulting Ltd.

March 15, 2023

1.

**Operating Results for
the Fiscal Year Ended January 2023**

2.

Progress of Medium-term Management Plan

3.

**Earnings Forecast for
the Fiscal Year Ending January 2024**

Operating Results for the Fiscal Year Ended January 2023

Year-on-year and earnings forecast comparisons

- ICT investment by customers became active mainly in the DX area and for security measures, and business negotiations increased.
- Net income reached a **record high** with gain on sale of investment securities recorded in 2Q as extraordinary income.

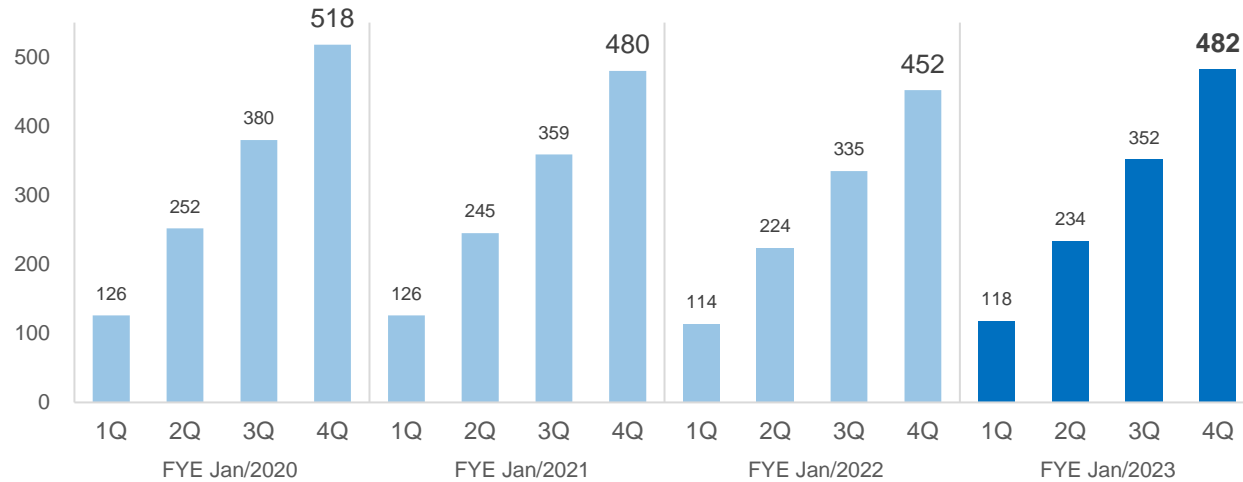
(Unit: Million yen)

	FY ended Jan. 2022	FY ended Jan. 2023	Amount of change	Rate of change	Earnings forecast	Expected achievement rate
Net sales	45,220	48,206	2,985	6.6%	48,000	100.4%
Operating income	4,206	4,374	167	4.0%	4,500	97.2%
Operating income ratio	9.3%	9.1%	(0.2)	—	9.4%	—
Ordinary income	4,282	4,413	130	3.1%	4,540	97.2%
Ordinary income ratio	9.5%	9.2%	(0.3)	—	9.5%	—
Net income	3,039	5,179	2,140	70.4%	5,200	99.6%
Net income ratio	6.7%	10.7%	4.0	—	10.8%	—

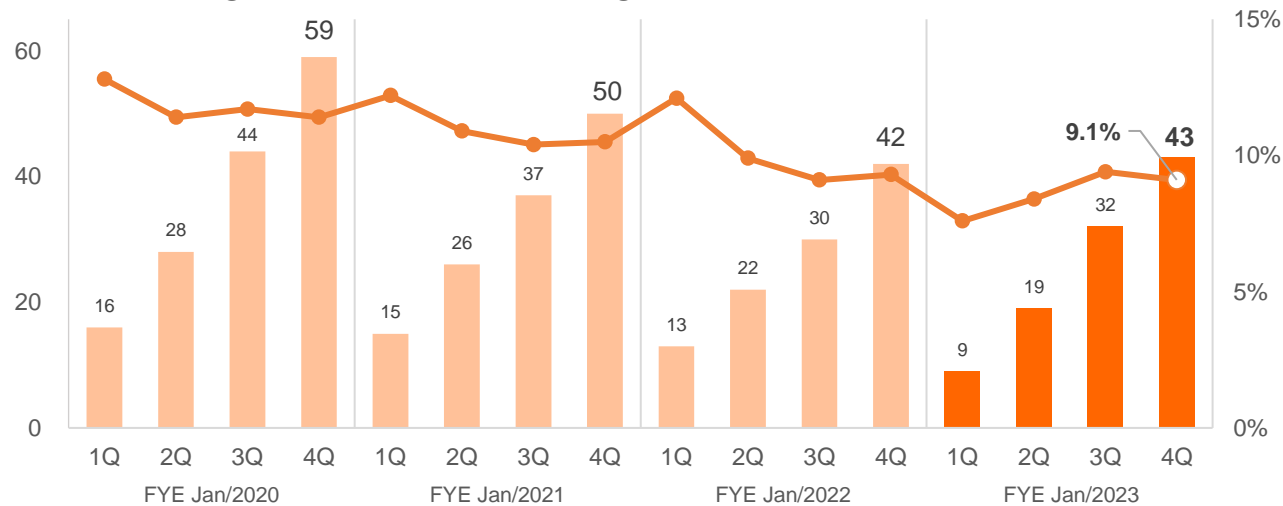
* Net income signifies Net income attributable to owners of parent (the same applies hereinafter).

* From the beginning of the fiscal year under review, the Company applied the “Accounting Standard for Revenue Recognition,” etc. Its impact in the fiscal year under review includes the following: net sales increased 387 million yen, and operating income, ordinary income, and profit before income taxes grew by 68 million yen, respectively.

Net sales (100 million yen)



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



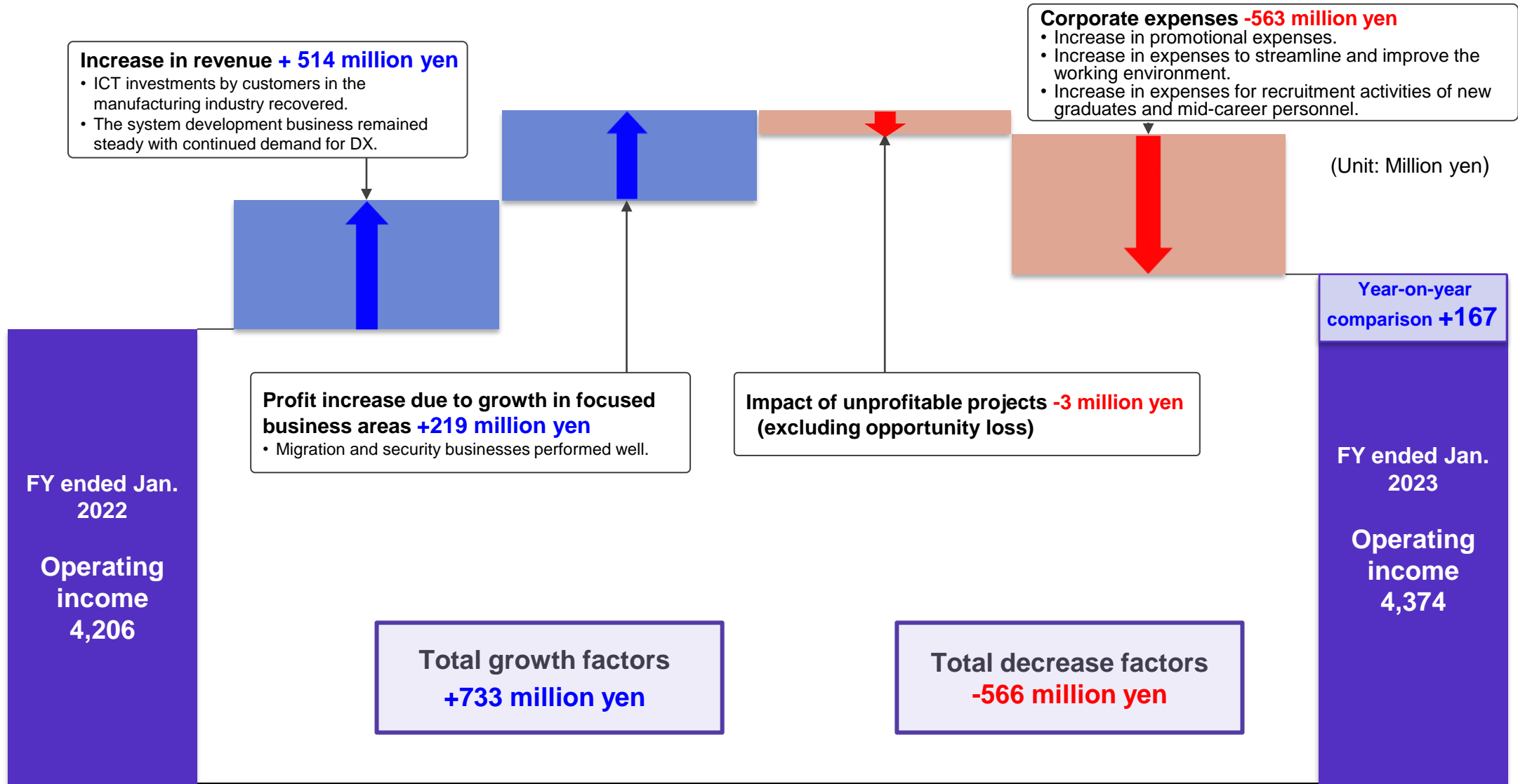
Net sales

- In the manufacturing area, net sales increased as ICT investments recovered.
- The system development business saw steady demand for DX.
- The security field was favorable thanks to strong demand.
- Nearshore development is strong at Group companies.

Operating income

- Increase in income due to higher net sales.
- Profit margin improved through expansion of focused businesses.
- Increase in corporate expenses to strengthen sales promotion.
- Continued impact of unprofitable projects in the previous fiscal year and additional provision for loss on orders received was recorded in 1Q and 4Q.

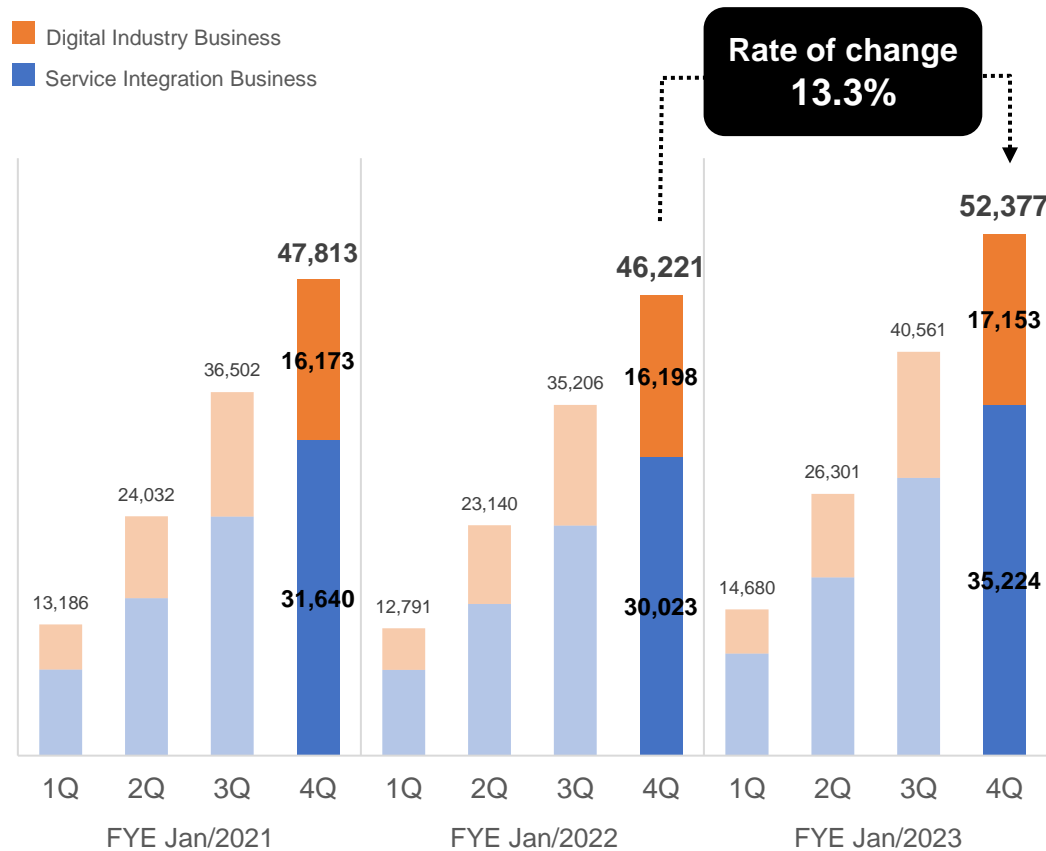
Major factors affecting consolidated operating income



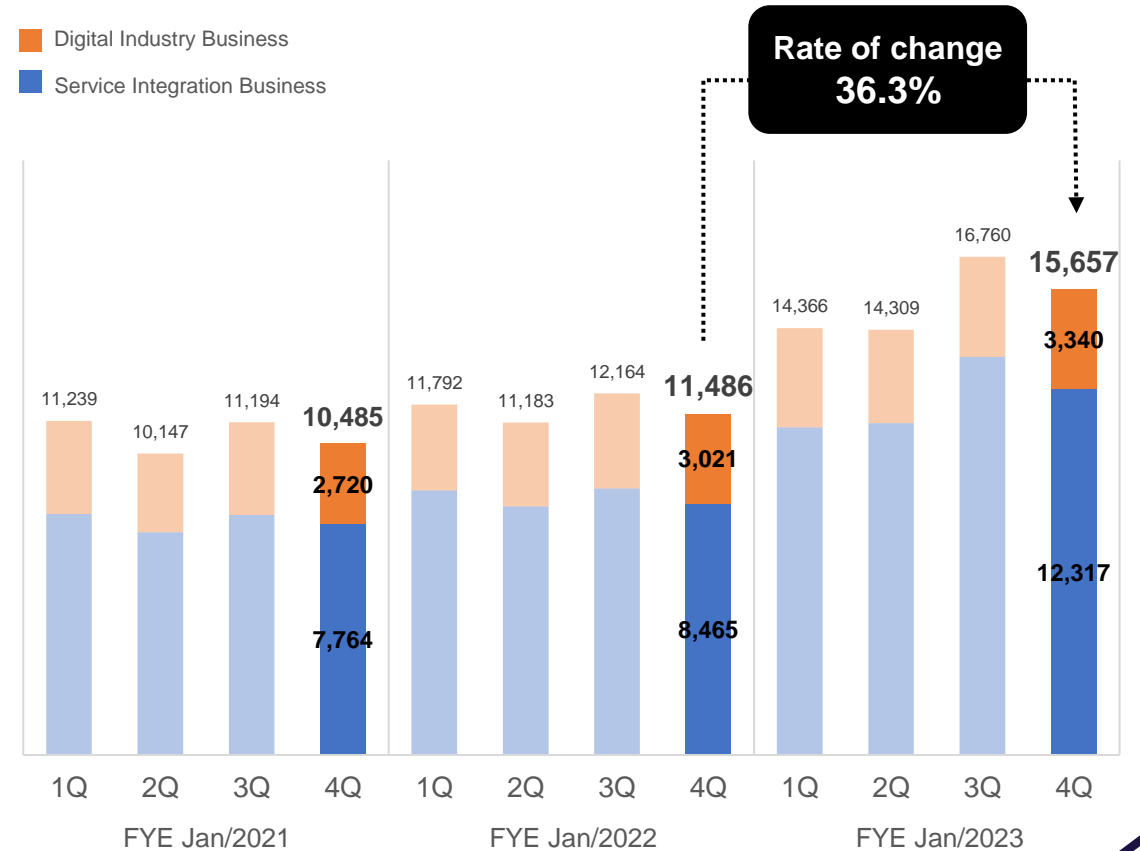
Orders received/orders in hand

- Business negotiations in the system development business continued to be steady and business negotiations in the infrastructure construction business saw an increase

Orders received (Million yen)



Orders in hand (Million yen)



Year-on-year comparison by business segment

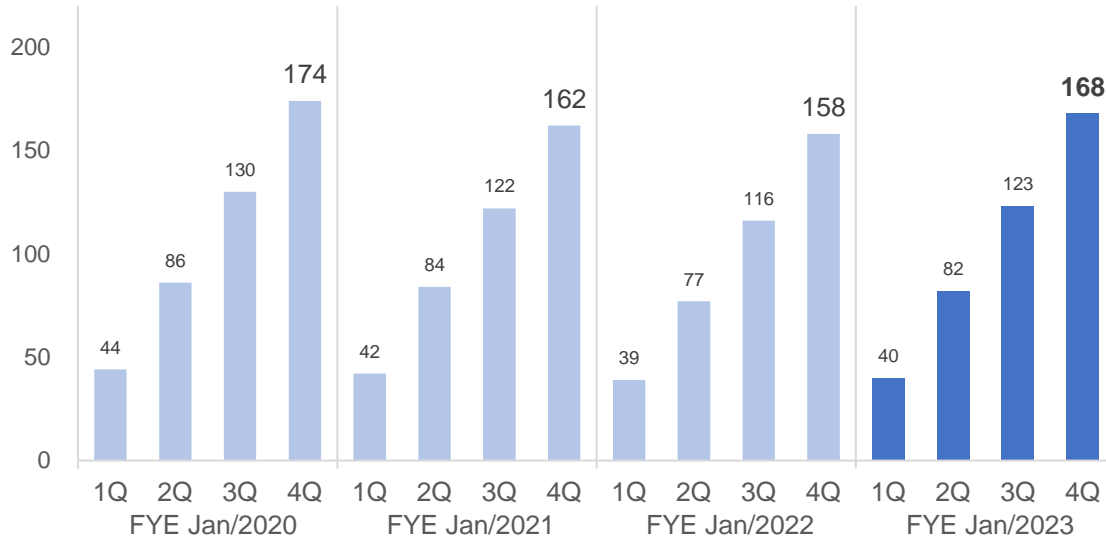
- In the digital industry business, both net sales and operating income increased as business performance improved backed by the recovery in ICT investments by customers in the manufacturing industry.
- In the service integration business, revenue increased due to strong sales in the migration and security businesses driven by DX promotion, while operating profit remained slightly higher than the previous year due to the continued impact of unprofitable projects.

(Unit: Million yen)

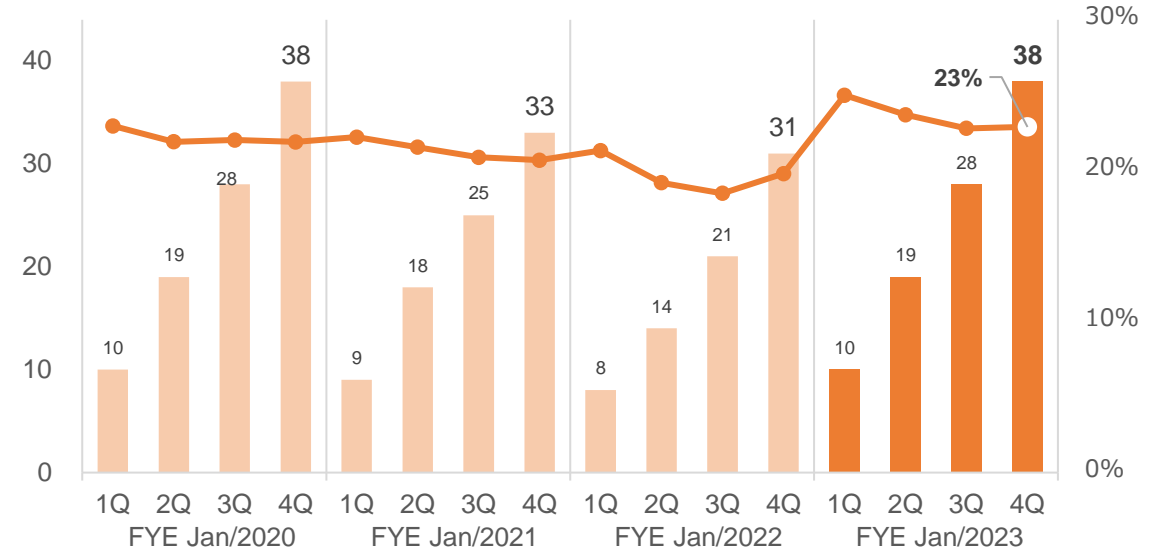
	FY ended Jan. 2022		FY ended Jan. 2023		Amount of change	
	Net sales	Operating income Rate of return	Net sales	Operating income Rate of return	Net sales Rate of change	Operating income Rate of change
Digital Industry Business	15,897	3,153 19.8%	16,834	3,857 22.9%	936 5.9%	704 22.3%
Service Integration Business	29,322	4,546 15.5%	31,372	4,573 14.6%	2,049 7.0%	26 0.6%
Corporate expenses	—	(3,493)	—	(4,057)	—	(563)
Total	45,220	4,206 9.3%	48,206	4,374 9.1%	2,985 6.6%	167 4.0%

* The impact for 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 167 million yen, and segment profit grew 40 million yen.
In the service integration business, net sales increased 220 million yen, and segment profit was up 27 million yen.

■ Net sales (100 million yen)



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

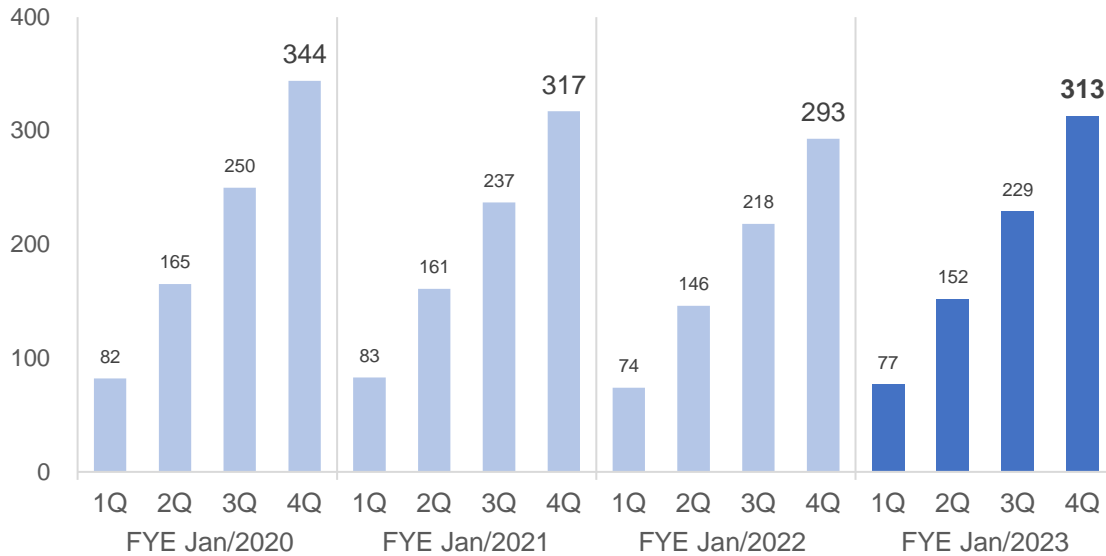


Business category	Net sales weather chart	Point
Smart factory		● Although it will take a long time before business negotiations begin, DX at production sites is activated and inquiries are recovering.
Connected services		● The mobility field remains steady despite in-house production by some customers.
Chubu district		● ICT investment by major customers remains steady, although some business negotiations were postponed in 4Q.
Nishinohon district		● In addition to growth in product and service systems in the logistics area, the existing system development field was also favorable.

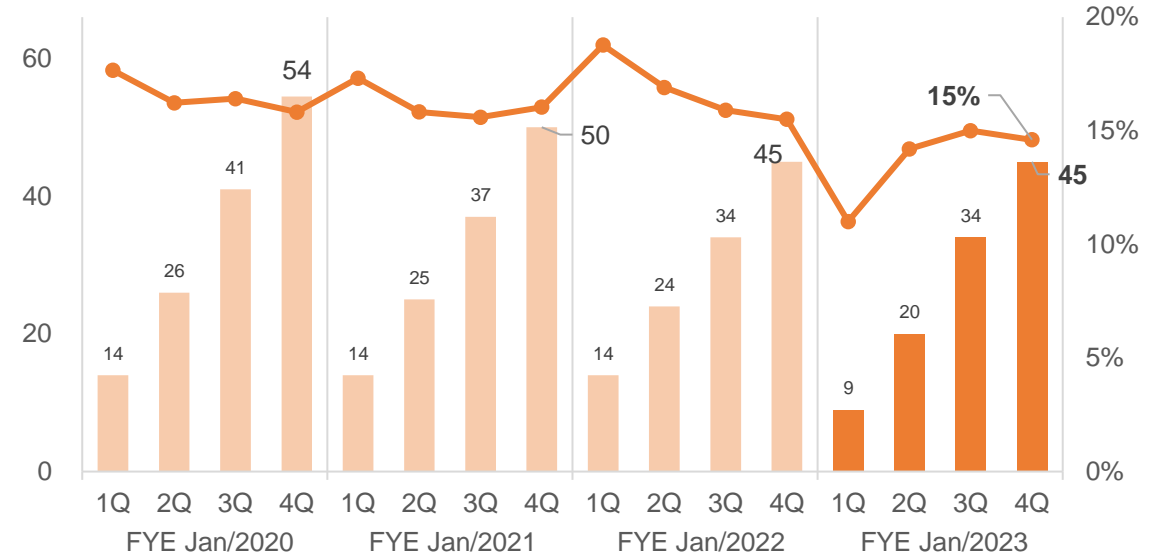
*Weather chart definition : More than 10% YoY increase : 0 to less than 10% increase : 0 to 10% or less decrease : Less than 10% YoY decrease The same applies for subsequent pages.

Service Integration Business

■ Net sales (100 million yen)



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



Business category	Net sales weather chart	Point
Service integration		● The impact of unprofitable projects continues, but migration business is strong due to DX promotion.
Platform architect		● The government related security field fared well, while infrastructure construction business recovers from the impact of the semiconductor shortage.
Group companies		● Nearshore development, as well as operation and maintenance, are strong, although there are some differences among the companies.

Year-on-year comparisons of sales by industry

(Unit: Million yen)

	Results for FY ended Jan. 2022	Results for FY ended Jan. 2023	Year-on-year comparisons		Points by industry
			Amount of change	Rate of change	
Manufacturing industry Component ratio	20,316 44.9%	21,333 44.3%	1,017	5.0%	[Manufacturing industry] ICT investment by major customers remains steady
Communication and information service industry Component ratio	10,989 24.3%	12,700 26.3%	1,710	15.6%	[Communication and information service industry] Growth of DX promotion support and collaborative business
Financial industry Component ratio	5,192 11.5%	4,605 9.6%	(586)	(11.3%)	[Financial industry] YoY decline due to loss of special demand from some customers
Distribution industry Component ratio	2,513 5.6%	2,989 6.2%	476	19.0%	[Distribution industry] Demand for security and logistics services increased
Government and public offices Component ratio	2,087 4.6%	1,999 4.1%	(87)	(4.2%)	[Government and public offices] The security business fared well, but net sales fell between infrastructure renewal projects
Other industries Component ratio	4,121 9.1%	4,576 9.5%	455	11.0%	
Total	45,220 100%	48,206 100%	2,985	6.6%	

Balance sheet compared with the end of the previous fiscal year

(Unit: Million yen)

	End of January 2022	End of January 2023	Year-End Comparison		Point
			Amount of change	Rate of change	
Current assets	34,060	35,208	1,148	3.4%	[Assets] Increased Increase in cash and deposits
Cash and deposits	22,430	23,302	871	3.9%	
Non-current assets	11,087	11,124	37	0.3%	[Liabilities] Decreased Decrease in long-term accounts payable-other
Property, plant and equipment	6,567	6,615	47	0.7%	
Intangible assets	244	258	13	5.6%	
Investments and other assets	4,275	4,251	(24)	(0.6%)	[Net assets] Increased Increase in retained earnings in spite of a decrease due to the purchase of treasury shares
Total liabilities	9,411	8,954	(457)	(4.9%)	
Current liabilities	8,310	8,311	0	0.0%	
Non-current liabilities	1,100	642	(457)	(41.6%)	Equity ratio
Total net assets	35,736	37,379	1,642	4.6%	78.7% → 80.5%
Total liabilities and net assets	45,147	46,333	1,185	2.6%	

Unprofitable projects and future plans

■ Status of response to unprofitable projects

- Pre-test - General test completed as planned, **cutover** upon migration to the production environment.
- **Problems due to environmental differences** occurred after the cutover, and an **additional provision for loss on orders received of 385 million yen** recorded to strengthen the environment and framework.
- It is currently **operating stably**. Framework is being maintained for further improvement with **complete convergence in the first half of the year**.

■ Background and future plans

FY ended Jan. 2023



- Customer acceptance test
- Briefing for users



- Pre-test – General test
- Migration to the production environment, cutover in January
⇒ **Problem occurred after cutover**

FY ending Jan. 2024



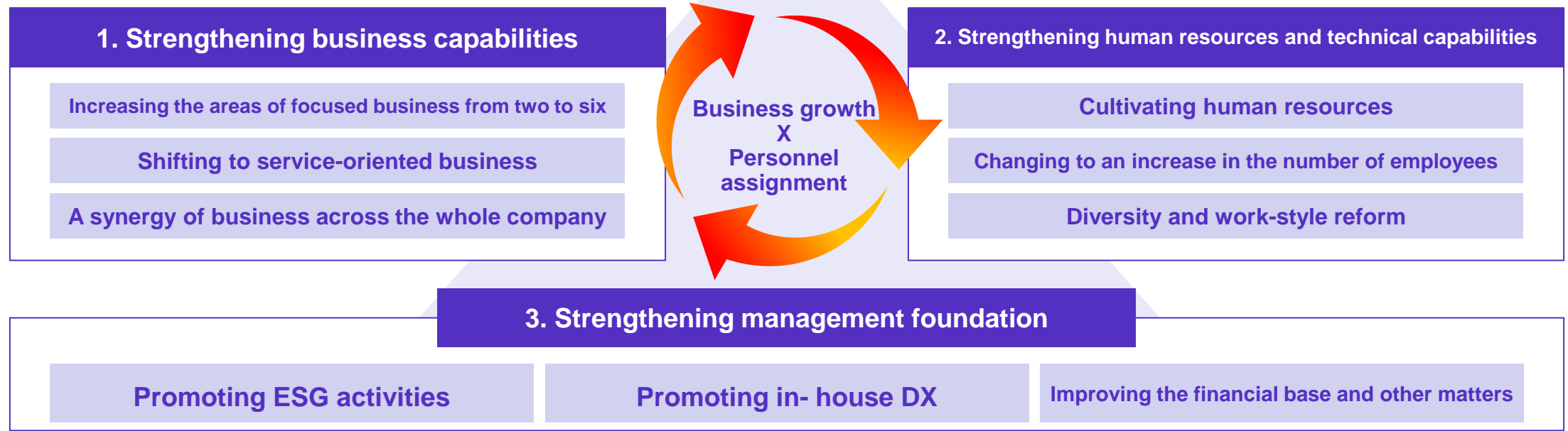
- Bug fixes and further improvements
- Strengthening the environment and framework
- Maintain enhanced environment and framework
- Full convergence during the first half of the year

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

* The schedule in and after the first quarter of the fiscal year ending January 2024 may change depending on the progress of the project.

Progress of Medium-term Management Plan

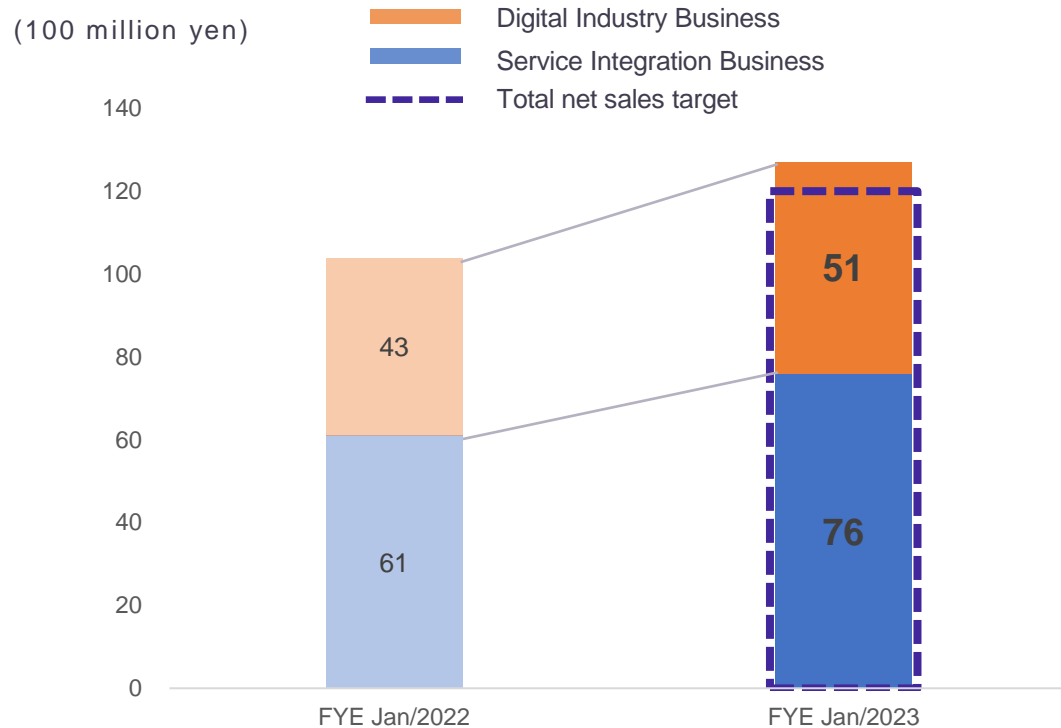
Vision 2025: To a Company That Creates the Future with ICT Technologies



	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

Progress of focused business

■ Focused businesses exceeded their full-year targets



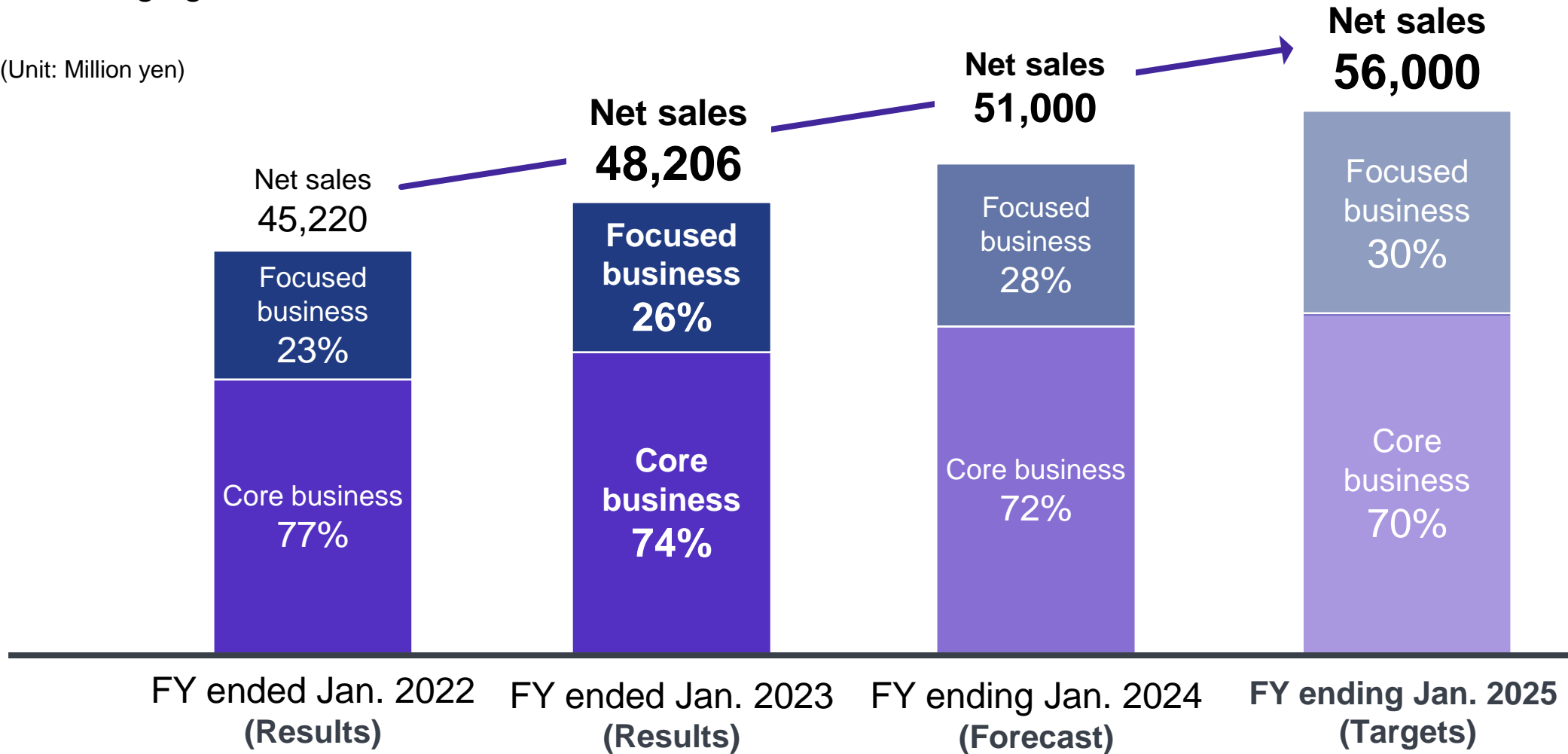
FY ended Jan. 2023	Net sales (target)	12 billion yen
	Net sales (results)	12.7 billion yen
	Achievement rate	106%

Digital Industry Business	Production and logistics solutions	Visual Factory® LogiPull®	Production DX initiatives revitalized, but customers' review periods lengthened.
	Mobility services	PlusLocation® SimuField®-SC	Cloud development negotiations remained steady.
Service Integration Business	Services in cooperation with Microsoft Japan	Convergent®	Numerous business negotiations, including CRM and low-code development.
	Migration services	Re@nove® リノーフ	Booming in cloud migration and out-of-support program language support
	Security services	CyberNEXT®	Business negotiations on security services (consulting, deployment & monitoring) continued to be active.
	DX cloud platform	BizVision	Design to implementation and actual equipment verification in progress

Progress toward sales composition ratio target

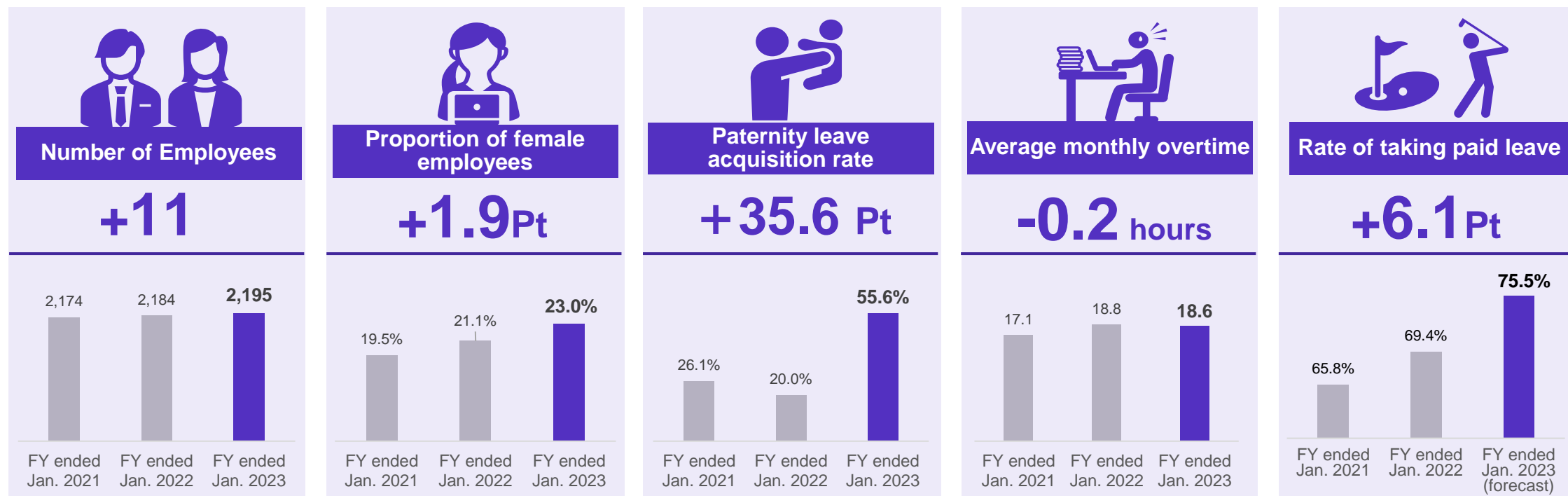
- Growing core business steadily as well as establishing the base of focused business and enlarging their areas

(Unit: Million yen)



Status of Sustainability Management Promotion

- Strengthen management foundation for sustainable corporate value enhancement
 - Dividend increased by 5 yen in the first half and changed from 40 yen to 45 yen for the full year.
 - Purchased approximately 2 billion yen in treasury shares.
 - Expressing support for TCFD recommendations, acquisition of additional ISO 14001 certification, support for sports for the disabled.
- Transition to a net increase in the number of employees and promoting diversity and work style reforms



Earnings Forecast for the Fiscal Year Ending January 2024

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

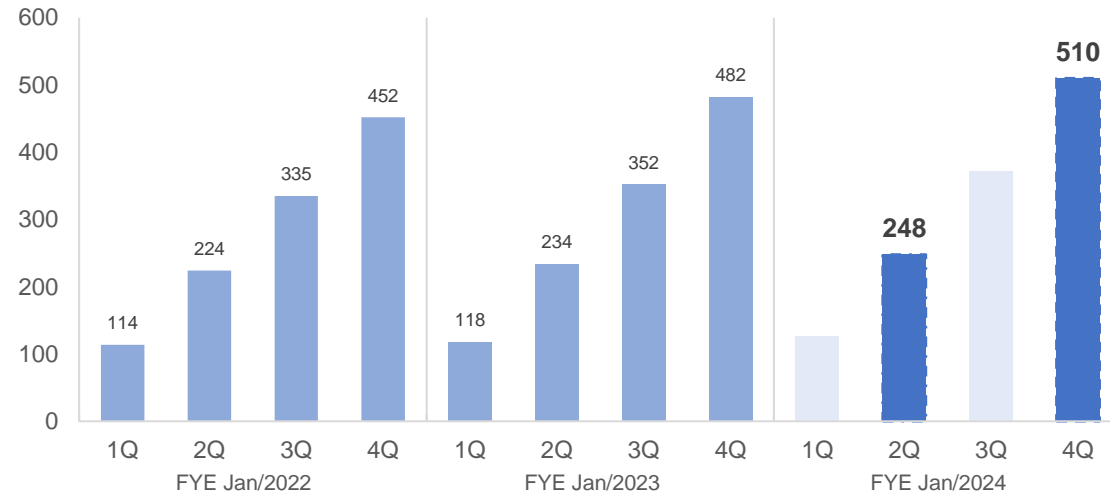
- Aim to achieve targets by steadily capturing the robust ICT investment demand from major customers
- Net income is expected to decrease due to the absence of gain on sale of investment securities

(Unit: Million yen)

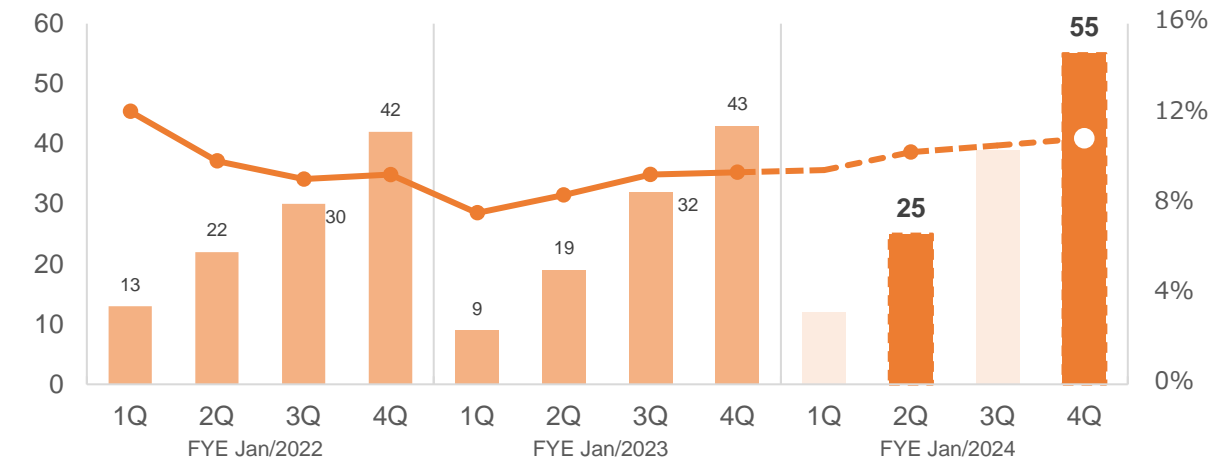
	Results for FY ended Jan. 2023	Forecast for FY ending Jan. 2024	Amount of change	Rate of change
Net sales	48,206	51,000	2,793	5.8%
Operating income	4,374	5,550	1,175	26.9%
Operating income ratio	9.1%	10.9%	1.8	—
Ordinary income	4,413	5,570	1,156	26.2%
Ordinary income ratio	9.2%	10.9%	1.7	—
Net income	5,179	3,840	(1,339)	(25.9%)
Net income ratio	10.7%	7.5%	(3.2)	—

Full-year earnings forecasts and points

Net sales (100 million yen)



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



Net sales

- Cultivate new business opportunities through deep cultivation of major customers by cross-selling and up-selling across the Company.
- Promote expansion of sales of products and services in the focused business areas.
- Strengthen nearshore development through inter-group collaboration.

Operating income

- Acquire high-profit business opportunities and promote service shifts.
- Revise product and service menus to reflect rising electricity cost and commodity prices.
- Curb the occurrence of unprofitable projects.

Full-year earnings forecast by business segment

- In the digital industry business, ICT investments by customers in the manufacturing industry are expected to remain strong.
- In the service integration business, despite the continuous impact of unprofitable projects in the first half, promotion of DX and security are expected to be favorable.

(Unit: Million yen)

	Results for FY ended Jan. 2023		Forecast for FY ending Jan. 2024		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%	18,000	4,000 22.2%	1,165 6.9%	142 3.7%
Service Integration Business	31,372	4,573 14.6%	33,000	5,600 17.0%	1,627 5.2%	1,026 22.5%
Corporate expenses	—	(4,057)	—	(4,050)	—	7
Total	48,206	4,374 9.1%	51,000	5,550 10.9%	2,793 5.8%	1,175 26.9%

Full-year earnings forecast for digital industry business

■ Net sales and operating income

		Results for FY ended Jan. 2023	Forecast for FY ending Jan. 2024	
			Full Year	Rate of change
Digital Industry Business	Net sales	16.8 billion yen	18.0 billion yen	6.9%
	Operating income	3.8 billion yen	4.0 billion yen	3.7%
Focused business	Net sales	5.1 billion yen	5.7 billion yen	11.8%

Business category	Point
Smart factory	<ul style="list-style-type: none"> ● Strengthen system development combining our products for DX in factory manufacturing. ● Strengthen FA development support for digital data utilization.
Connected services	<ul style="list-style-type: none"> ● Expand big data analysis and smartphone application development in the mobility field. ● Enhance environment construction services for test automation.
Chubu district	<ul style="list-style-type: none"> ● Reinforcement of technical staff framework to prepare for DX conversion, which is being promoted by major customers. ● Shift resources to DX field to promote expansion of areas of responsibility.
Nishinohon district	<ul style="list-style-type: none"> ● Acquire business opportunities mainly in the distribution industry by adding new functions to logistics solutions. ● Strengthen system development combining own IoT-related products and services.

Full-year earnings forecast for service integration business

■ Net sales and operating income

		Results for FY ended Jan. 2023	Forecast for FY ending Jan. 2024	
			Full Year	Rate of change
Service Integration Business	Net sales	31.3 billion yen	33.0 billion yen	5.2%
	Operating income	4.5 billion yen	5.6 billion yen	22.5%
Focused business	Net sales	7.6 billion yen	8.5 billion yen	11.8%

Business category	Point
Service integration	<ul style="list-style-type: none"> ● Strengthen cloud services and cultivate existing customers in the businesses in cooperation with Microsoft Japan. ● Develop new customers by expanding the target demographic of the migration business.
Platform architect	<ul style="list-style-type: none"> ● Further expansion of security business focusing on own products and services. ● Reevaluate data center service prices in response to rising energy prices.
Group companies	<ul style="list-style-type: none"> ● Promote sales activities to cultivate new customers for nearshore development and acquire large-scale projects. ● In addition to developing new products and services, focus on strengthening external sales capabilities of existing commercial products.

■ Reform company-wide sales activities to strengthen competitiveness

- Sales reforms: Start to make proposals to major customers with account plans that incorporate the company's products and services. Establish a new “partner system” to strengthen sales agents to expand sales of our products and services and build co-creation relationships.

■ Strengthen recruitment, improve retention rate and reform work style

- Recruitment plans: 80 new graduates, 60 mid-career personnel or more
Reinforce recruitment to achieve final year target of net increase of 150 employees.
- Improve retention rate: Introduce a new personnel system and improve working conditions to increase satisfaction among young to mid-level employees. Retain skilled engineers by improving re-employment treatment.
- Work-style reforms: Encourage male employees to take childcare leave and support a balance between work and nursing care, etc.

■ Enhance return of profits to shareholders through dividends

- Strengthen profit return: Plan to increase ordinary dividend by 10 yen to 50 yen.

■ Enhance the reputation among organizations for environmental friendliness initiatives

- Decarbonization: Initiatives to reduce CO₂ emissions by improving air conditioning efficiency and switching to “renewable energy” electricity.
- ISO14001: Obtain additional certification at major sites nationwide outside the Tokyo metropolitan area.

■ Creating work environment where employees demonstrate their individuality and abilities

- Health management promotion: Certified as a Health & Productivity Management Outstanding Organization in March 2023. Further improve working environment to acquire White 500 certification.

- ✓ 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	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(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	Takashi Himeno, Representative Director & President

Business Description

- **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**
Supporting the entire ICT life cycle, which is necessary to reform and improve the business operations of companies and organizations. Providing total ICT services and products, including cloud computing and security.

Two businesses contributing to the realization of a sustainable society

