

# Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending January 31, 2025 [Japanese GAAP]

June 7, 2024

Name of listed company: Computer Engineering & Consulting Ltd. Listed exchange: Tokyo  
 Code: 9692 URL: <https://www.cec-ltd.co.jp/en/>  
 Representative: (Title) Representative Director & President (Name) Takashi Himeno  
 Contact: (Title) General Manager, Accounting & Finance Division (Name) Yoshiyuki Nakamura  
 Tel. +81-(0)46-252-4111

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 Scheduled date of dividend payments: –  
 Supplementary materials prepared for quarterly financial results: Yes  
 Briefing held on quarterly financial results: No

(Rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of the fiscal year ending January 31, 2025 (February 1, 2024 through April 30, 2024)

(1) Consolidated operating results (Cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q of FY ending Jan. 2025	14,049	6.3	1,919	4.2	1,924	3.9	1,311	2.0
1Q of FY ended Jan. 2024	13,222	12.0	1,842	104.6	1,853	104.2	1,286	53.6

(Note) Comprehensive income: 1Q of FY ending January 2025 1,601 million yen 22.9%  
 1Q of FY ended January 2024 1,302 million yen 59.1%

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q of FY ending Jan. 2025	39.02	38.98
1Q of FY ended Jan. 2024	38.33	38.24

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q of FY ending Jan. 2025	52,608	41,389	78.6	1,230.17
FY ended Jan. 2024	51,391	40,787	79.3	1,212.54

(Reference) Total shareholders' equity: 1Q of FY ending January 2025 41,353 million yen  
 1Q of FY ended January 2024 40,760 million yen

2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended Jan. 2024	–	25.00	–	30.00	55.00
FY ending Jan. 2025	–				
FY ending Jan. 2025 (Forecast)		25.00	–	30.00	55.00

(Note) Revision to most recently announced dividend forecast: No

3. Forecasts of consolidated financial results for the fiscal year ending January 31, 2025  
(February 1, 2024 through January 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
H1	27,700	4.7	3,160	(10.4)	3,175	(10.5)	2,170	(11.5)	64.55
Full year	56,500	6.4	6,280	(1.3)	6,300	(1.7)	4,300	(5.3)	127.91

(Note) Revision to most recently announced dividend forecast: No

\*Notes

(1) Significant changes in subsidiaries during the current quarterly consolidated cumulative period (transfer of specific subsidiaries accompanying changes in scope of consolidation): None

(2) Application of accounting policies specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies or estimates, restatements:

- (i) Changes in accounting policies accompanying revisions of accounting standards, etc.: None
- (ii) Changes other than those under (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding (including treasury stock)	1Q of FY ending Jan. 2025	37,600,000 shares	FY ended Jan. 2024	37,600,000 shares
(ii) Ended number of shares of treasury stock	1Q of FY ending Jan. 2025	3,983,910 shares	FY ended Jan. 2024	3,983,862 shares
(iii) Average number of shares during period (quarterly cumulative total)	1Q of FY ending Jan. 2025	33,616,100 shares	1Q of FY ended Jan. 2024	33,569,798 shares

\* The Quarterly Summary of Financial Results is not subject to quarterly reviews by a certified public accountant or audit firm.

\* Notes on forward-looking statements and other notes

(Forward-looking statements)

Forward-looking statements, including the forecasts of financial results contained herein, are based on information currently available to the Company and certain assumptions the Company deems reasonable. Actual results and performance may differ significantly from forecasts for various reasons. Please see page 5 (Notes on Forecasts of Consolidated Financial Results and Other Forward-Looking Information) of the accompanying materials for the conditions on which assumptions underlying the forecasts are based, important points concerning the use of forecasts, and other related information.

(How to obtain quarterly supplementary briefing materials)

The Company plans to publish quarterly supplementary briefing materials on the Company website (<https://www.cec-ltd.co.jp>) on Friday, June 7, 2024.

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## 1. Qualitative Information on Financial Results for the Quarter Under Review

### (1) Overview of Business Results

Due to the effects of government policies to support the economy, Japan's economy experienced a gentle recovery during the first-quarter consolidated cumulative period under review (February 1, 2024 through April 30, 2024), with improving employment and income conditions. Nevertheless, the future outlook continues to pose the risk that an economic downturn overseas will exert downward pressure on the domestic economy. Examples include concerns about the impact of financial tightening across the globe and prospects for the Chinese economy. Other notable factors include inflation, geopolitical risks, and fluctuations in financial and capital markets.

In the information services industry, along with the continuing recovery in the domestic economy, the appetite for investments in digital transformation (DX) to improve corporate productivity and competitive strengths remains high. Demand for digitalization, including system upgrades and migration to the cloud as part of business structural reforms, is expected to continue to grow. In particular, use of ChatGPT and other generative AI solutions is spreading rapidly, with the ongoing proliferation of AI-based business efficiency improvements and workstyle reforms. In addition, demand for cybersecurity solutions continues to show rapid growth in response to increasingly sophisticated cyberattacks.

Under these circumstances, as it entered the final year of its medium-term management plan for the three-year period from the fiscal year ended January 2023 through the fiscal year ending January 2025, the CEC Group engaged in business in accordance with three basic policies: (i) strengthening business capabilities; (ii) strengthening human resources and technical capabilities; and (iii) strengthening the management foundations. This plan seeks to realize a sustainable society and sustained growth. During the first-quarter consolidated cumulative period under review, we consolidated our sales divisions and sought to deepen cross-selling and up-selling across the Company to key customers and to engage with potential new customers. In addition, we strengthened joint efforts with partner companies; provided support in sales and marketing; and launched a partner program intended to resolve social issues through co-creation. And as a way of contributing to society through our business activities, we began offering a free parenting support app that allows for easy printing of paper toys such as pictures for coloring and paper crafts.

The business results for the cumulative first-quarter consolidated period under review showed positive results due to overall firmness in ICT investments, and progress proceeded as planned in both core businesses\*<sup>1</sup> and focus business areas\*<sup>2</sup>, driving net sales up 826 million yen (6.3%) from the same period the previous year to 14,049 million yen. In terms of profit, despite higher expenses due to growth investments, higher sales led to growth of 77 million yen (4.2%) in operating income to 1,919 million yen; growth of 71 million yen (3.9%) in ordinary income to 1,924 million yen; and growth of 25 million yen (2.0%) in quarterly net income attributable to owners of the parent to 1,311 million yen.

\*1 Core businesses: The Company defines its core business as those that function as stable foundations supporting the Company's operations, including contracted development, which serves as the basis of Company sales; provision and operation of ICT infrastructure, development of onboard devices, embedded development, and the testing business.

\*2 Focus business areas: The Company's six focus business areas are (1) production and logistics solutions, (2) mobility services, (3) services provided in cooperation with Microsoft Japan, (4) migration services, (5) security services, and (6) DX cloud platforms.

Business results in the individual segments are reviewed below.

#### (Digital Industry Business)

In the core businesses, services in both central and Western Japan benefited from firmness in systems development, backed by active ICT investment among manufacturing customers. The focus business area of mobility services demonstrated positive trends in areas such as Big Data analysis and cloud development in the MaaS domain. In production and logistics solutions, while results related to smart factory solutions remained poor due to restrained investment, maintaining the trend observed the previous fiscal year, logistics solutions recorded solid performance. As a result, net sales grew 171 million yen (3.7%) from the same period the previous year to 4,814 million yen. Operating income rose 73 million yen (6.3%) over the same period to 1,245 million yen due to higher net sales.

#### (Service Integration Business)

The core businesses of ICT infrastructure development, operations/maintenance, and systems development trended firmly. Services provided in cooperation with Microsoft Japan, one of the Company's focus businesses, also maintained favorable performance thanks to growth in business negotiations related to Dynamics 365 and Power Platform. Migration services also saw strong performance thanks to growth in demand for cloud migration and security enhancements, against a backdrop of DX promotion. Security services continued to show favorable performance in terms of both surveillance services and sales of our own security products. As a result, net sales grew 654 million yen (7.6%) from the same period the previous year to 9,235 million yen. Operating income rose 153 million yen (9.2%) over the same period to 1,821 million yen due to higher net sales.

(2) Explanation of Financial Position

(Total assets)

Total assets as of the end of the period stood at 52,608 million yen, up 1,217 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 1,546 million yen in cash and deposits.

(Liabilities)

Total liabilities amounted to 11,219 million yen, up 615 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 595 million yen in the allowance for bonuses.

(Net assets)

Net assets grew 602 million yen from the end of the previous consolidated fiscal year to 41,389 million yen. This was mainly due to increases of 303 million yen in retained earnings and 155 million yen in valuation difference on available-for-sale securities.

(3) Notes on Forecasts of Consolidated Financial Results and Other Forward-Looking Information

There are no changes in forecasts of consolidated financial results for the fiscal year ending January 31, 2025 or for the second-quarter cumulative period of the same fiscal year announced on March 8, 2024. We will promptly disclose revised forecasts should it become necessary in light of future circumstances and business trends.

\* Forecasts of business results reflect judgments based on information currently available. They do not guarantee that the Company will achieve the forecast results. Actual results may vary from forecast figures due to changing business conditions and other factors.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2024)	Current First Quarter Consolidated Accounting Period (April 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	26,714,532	28,260,707
Notes and accounts receivable - trade, and contract assets	10,343,099	9,401,818
Product	319,019	125,381
Work in progress	531,948	581,774
Other accounts receivable	30,346	10,601
Others	1,075,983	1,219,959
Allowance for doubtful accounts	(9,394)	(9,038)
Total current assets	39,005,535	39,591,204
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	4,561,882	4,577,126
Land	2,004,644	2,004,644
Other, net	871,959	845,884
Total property, plant, and equipment	7,438,487	7,427,655
Intangible assets		
Others	239,307	376,589
Total intangible assets	239,307	376,589
Investments and other assets		
Others	4,719,660	5,225,147
Allowance for doubtful accounts	(11,909)	(11,909)
Total investments and other assets	4,707,750	5,213,237
Total non-current assets	12,385,544	13,017,481
Total assets	51,391,080	52,608,685

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2024)	Current First Quarter Consolidated Accounting Period (April 30, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,211,551	2,217,244
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,800	13,800
Income taxes payable	795,357	873,546
Allowance for bonuses	716,224	1,311,811
Allowance for performance-linked remuneration	—	11,412
Allowance for share-based remuneration	—	3,333
Provision for loss on orders received	2,835	2,517
Others	4,916,547	4,860,069
Total current liabilities	9,006,316	9,643,735
Non-current liabilities		
Long-term accounts payable	22,120	22,120
Provision for directors' retirement benefits	15,050	16,080
Net defined benefit liability	111,131	113,148
Asset retirement obligations	1,396,138	1,396,839
Others	53,118	27,231
Total non-current liabilities	1,597,558	1,575,418
Total liabilities	10,603,874	11,219,153
<b>Net assets</b>		
Shareholder equity		
Capital stock	6,586,000	6,586,000
Capital surplus	6,737,978	6,737,978
Retained earnings	30,135,872	30,439,084
Treasury shares	(3,462,774)	(3,462,860)
Total shareholder equity	39,997,076	40,300,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	455,482	610,554
Foreign currency translation adjustment	12,611	17,172
Remeasurements of defined benefit plans	295,633	425,672
Total accumulated other comprehensive income	763,727	1,053,399
Subscription rights to shares	26,401	35,929
Total net assets	40,787,205	41,389,532
Total liabilities and net assets	51,391,080	52,608,685

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
(Quarterly Consolidated Statement of Income)  
(First Quarter Consolidated Cumulative Period)

(Unit: thousands of yen)

	Previous First Quarter Consolidated Cumulative Period (February 1, 2023 - April 30, 2023)	Current First Quarter Consolidated Cumulative Period (February 1, 2024 - April 30, 2024)
Net sales	13,222,568	14,049,299
Cost of sales	9,688,259	10,228,875
Gross profit	3,534,309	3,820,424
Selling, general, and administrative expenses	1,691,968	1,900,502
Operating income	1,842,340	1,919,921
Non-operating income		
Interest income	109	463
Foreign exchange gains	142	—
Dividends from insurance	7,953	7,175
Others	3,491	3,185
Total non-operating income	11,696	10,824
Non-operating expenses		
Interest expenses	475	524
Loss on retirement of non-current assets	—	427
Foreign exchange loss	—	4,797
Others	98	154
Total non-operating expenses	573	5,903
Ordinary income	1,853,463	1,924,841
Extraordinary income		
Loss on retirement of non-current assets	454	—
Total extraordinary loss	454	—
Quarterly net income before income taxes	1,853,009	1,924,841
Income taxes - current	664,403	779,842
Income taxes - deferred	(97,959)	(166,696)
Total income taxes	566,444	613,145
Quarterly net income	1,286,565	1,311,695
Quarterly net income attributable to owners of parent	1,286,565	1,311,695

(Quarterly Consolidated Statement of Comprehensive Income)  
(First Quarter Consolidated Cumulative Period)

(Unit: thousands of yen)

	Previous First Quarter Consolidated Cumulative Period (February 1, 2023 - April 30, 2023)	Current First Quarter Consolidated Cumulative Period (February 1, 2024 - April 30, 2024)
Quarterly net income	1,286,565	1,311,695
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,167)	155,072
Foreign currency translation adjustment	2,465	4,561
Remeasurements of defined benefit plans	34,784	130,039
Total other comprehensive income	16,083	289,672
Quarterly comprehensive income	1,302,649	1,601,368
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of parent	1,302,649	1,601,368

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

Not applicable

(Segment Information, etc.)

[Segment information]

Previous First Quarter Consolidated Cumulative Period (February 1, 2023 - April 30, 2023)

1. Information on net sales and income/loss by reporting segment

(Unit: thousands of yen)

	Reporting segment			Adjustment (Note) 1	Total (Note) 2
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	4,642,497	8,580,071	13,222,568	—	13,222,568
Inter-segment sales or transfers	85	177,012	177,097	(177,097)	—
Total	4,642,582	8,757,083	13,399,666	(177,097)	13,222,568
Segment profit	1,171,947	1,668,336	2,840,283	(997,943)	1,842,340

(Notes) 1. The adjustment of (negative) 997,943 thousand yen to segment profit consists mainly of Companywide expenses not allocated to individual reporting segments. Companywide expenses consist mainly of administrative-section expenses not allocated to individual reporting segments.

2. Segment profits are adjusted against operating income reported on the Quarterly Consolidated Statement of Income.

Current First Quarter Consolidated Cumulative Period (February 1, 2024 - April 30, 2024)

1. Information on net sales and income/loss by reporting segment

(Unit: thousands of yen)

	Reporting segment			Adjustment (Note) 1	Total (Note) 2
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	4,814,281	9,235,017	14,049,299	—	14,049,299
Inter-segment sales or transfers	85	151,718	151,804	(151,804)	—
Total	4,814,367	9,386,736	14,201,103	(151,804)	14,049,299
Segment profit	1,245,872	1,821,849	3,067,721	(1,147,800)	1,919,921

(Notes) 1. The adjustment of (negative) 1,147,800 thousand yen to segment profit consists mainly of Companywide expenses not allocated to individual reporting segments. Companywide expenses consist mainly of administrative-section expenses not allocated to individual reporting segments.

2. Segment profits are adjusted against operating income reported on the Quarterly Consolidated Statement of Income.

### 3. Other

#### Orders received and outstanding balances of orders received

Orders received and the outstanding balance of orders received in the Digital Industry Business exhibited positive trends in the first-quarter consolidated cumulative period under review. Appetite for ICT investment was strong, although this varied from customer to customer. Orders received and the outstanding balance of orders received in the Service Integration Business remained at the same levels as in the previous year, as while special demand for our own products faded, the number of companies pursuing DX increased.

Orders received during the first-quarter consolidated cumulative period are broken down below by business segment.

Segment	Orders received (thousands of yen)	YoY change (%)	Balance of orders received (thousands of yen)	YoY change (%)
Digital Industry Business	5,332,011	110.3	3,935,193	111.4
Service Integration Business	10,853,846	104.5	13,956,037	98.8
Total	16,185,858	106.3	17,891,231	101.3