

First Quarter of Fiscal Year Ending January 31, 2025 Financial Results Briefing

Computer Engineering & Consulting Ltd. (9692)
June 7, 2024

Business results for first quarter of the fiscal year ending January 31, 2025

Highlights of financial results for first quarter of the fiscal year ending January 31, 2025

Summary of performance in first quarter of the fiscal year ending January 31, 2025

- Led by **mobility and security**, +6.3% in net sales and +4.2% in operating income
- **50.7%** of first-half target **for net sales** and **60.8%** of first-half target **for operating income** reached
- **Incoming orders were firm**, with +6.3% in orders received and +1.3% in outstanding balance of orders.

Performance outlook for the fiscal year ending January 31, 2025

- Growth investments **proceeded as planned** overall, with smooth progress made in laying the foundations for VISION2030.
- **No change** in financial results forecasts announced on March 8


Shareholder returns

- On June 7, we resolved to **repurchase** up to **three billion yen** worth of **our own shares** and **retire** them within the current fiscal year.

Consolidated business results

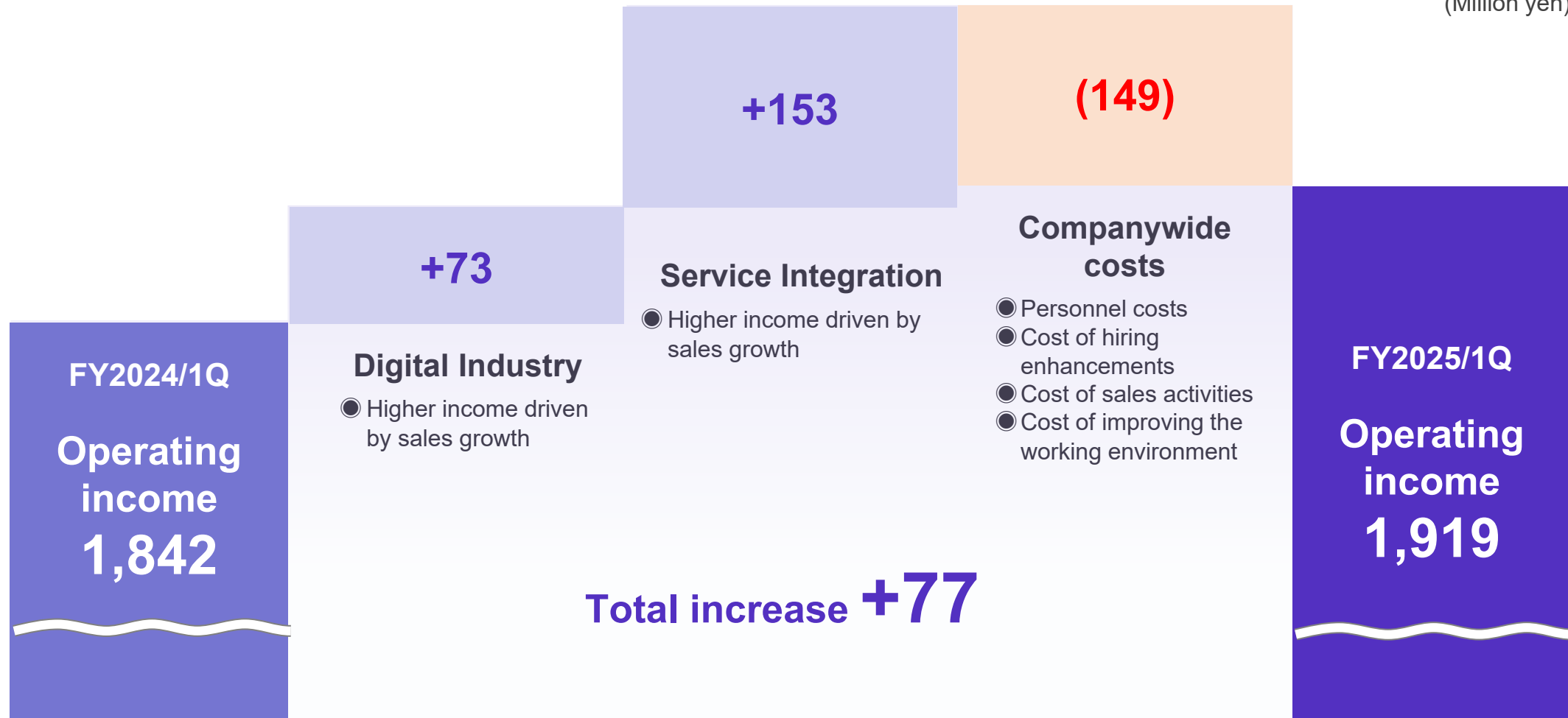
- With rising demand for DX, **both focus businesses and core businesses increased net sales and profits** in line with targets.
- Both net sales and profits reached **record highs**. Although **expenses increased due to growth investments**, **profits climbed**.

(Million yen)

	FY2024/1Q	FY2025/1Q	YoY	
			Amount	%
Net sales	13,222	 14,049	+826	+6.3%
Gross profit	3,534	3,820	+286	+8.1%
Gross profit margin	26.7%	27.2%	—	+0.5pt
Operating income	1,842	1,919	+77	+4.2%
Operating profit margin	13.9%	13.7%	—	(0.2)pt
Ordinary income	1,853	1,924	+71	+3.9%
Ordinary profit margin	14.0%	13.7%	—	(0.3)pt
Quarterly net income per share attributable to owners of parent	1,286	1,311	+25	+2.0%
Margin on net income attributable to owners of parent	9.7%	9.3%	—	(0.4)pt

Main factors affecting operating income

(Million yen)



Performance by business segment

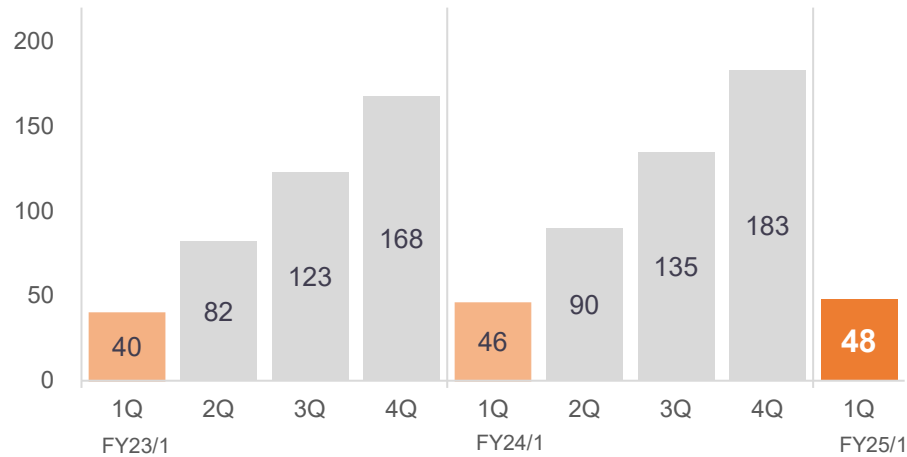
- **Net sales and profits increased** in the Digital Industry segment due to growth in **mobility**, a focus business.
- **Net sales and profits increased** in the Service Integration segment due to growth in **security**, a focus business.

(Million yen)

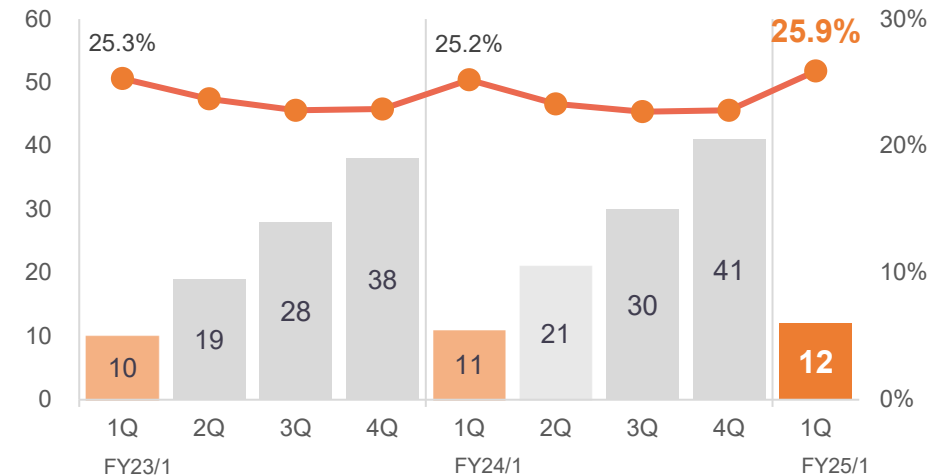
	FY ended January 2024/1Q		FY ending January 2025/1Q		YoY	
	Net sales	Operating income / operating profit margin	Net sales	Operating income / operating profit margin	Net sales (%)	Operating income (%)
Digital Industry	4,642	1,171 25.2%	4,814	1,245 25.9%	+171 [+3.7%]	+73 [+6.3%]
Service Integration	8,580	1,668 19.4%	9,235	1,821 19.7%	+654 [+7.6%]	+153 [+9.2%]
Companywide costs	—	(997)	—	(1,147)	—	(149)
Total	13,222	1,842 13.9%	14,049	1,919 13.7%	+826 [+6.3%]	+77 [+4.2%]

Digital Industry Business

■ Net sales (100 million yen)



■ Operating income, margin (100 million yen, %)



Business category	Change in net sales	Change in income	Points
Smart Factory			<ul style="list-style-type: none"> FA development declined from the previous quarter due to restrained investment by major customers. Production systems development was firm. Profits rose due to an increase in development support services involving consulting.
Connected Services			<ul style="list-style-type: none"> Mobility-related cloud development and Big Data analysis for the automotive industry were firm. Profits rose due to an increase in business negotiations on cloud development support.
Chubu Services			<ul style="list-style-type: none"> Systems development projects for backbone systems (design field) at major customers remained at the same level as in the previous quarter.
Nishinihon Services			<ul style="list-style-type: none"> EOL services associated with the replacement of customer systems grew, and the LogiPull logistics solution was firm EOL services boosted profits.

+ 10% or more

+ 5 to less than 10%

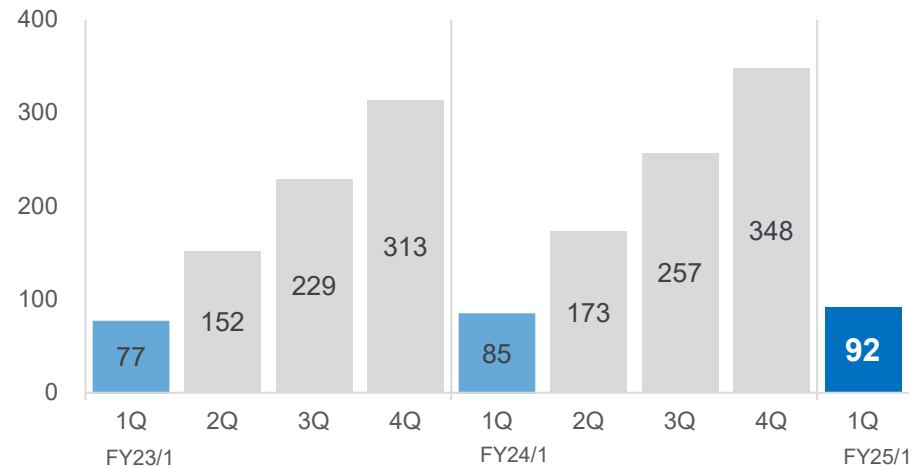
+/- less than 5%

(5) to more than (10)%

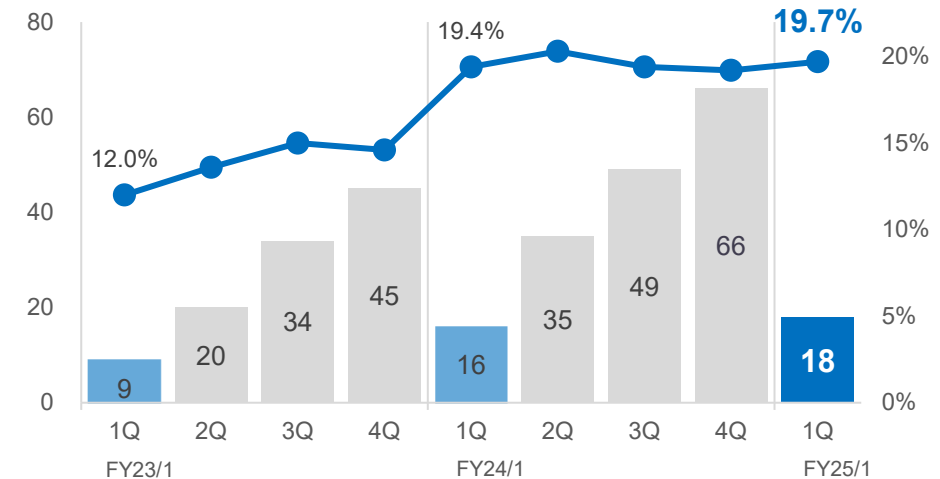
(10)% or less

Service Integration Business

■ Net sales (100 million yen)



■ Operating income, margin (100 million yen, %)



Business category	Change in net sales	Change in income	Points
Service Integration			<ul style="list-style-type: none"> • Microsoft-related services were strong against the backdrop of DX demand. Migration services were firm. • Systems development and maintenance projects for major customers were firm.
Platform Architect			<ul style="list-style-type: none"> • In the ICT infrastructure development business, operation and maintenance services for information and communications were strong. • The security business saw growth in services (SOC) and steady growth in products (SmartSESAME).
Group companies			<ul style="list-style-type: none"> • Business negotiations on systems development for major customers were firm.

+ 10% or more

+ 5 to less than 10%

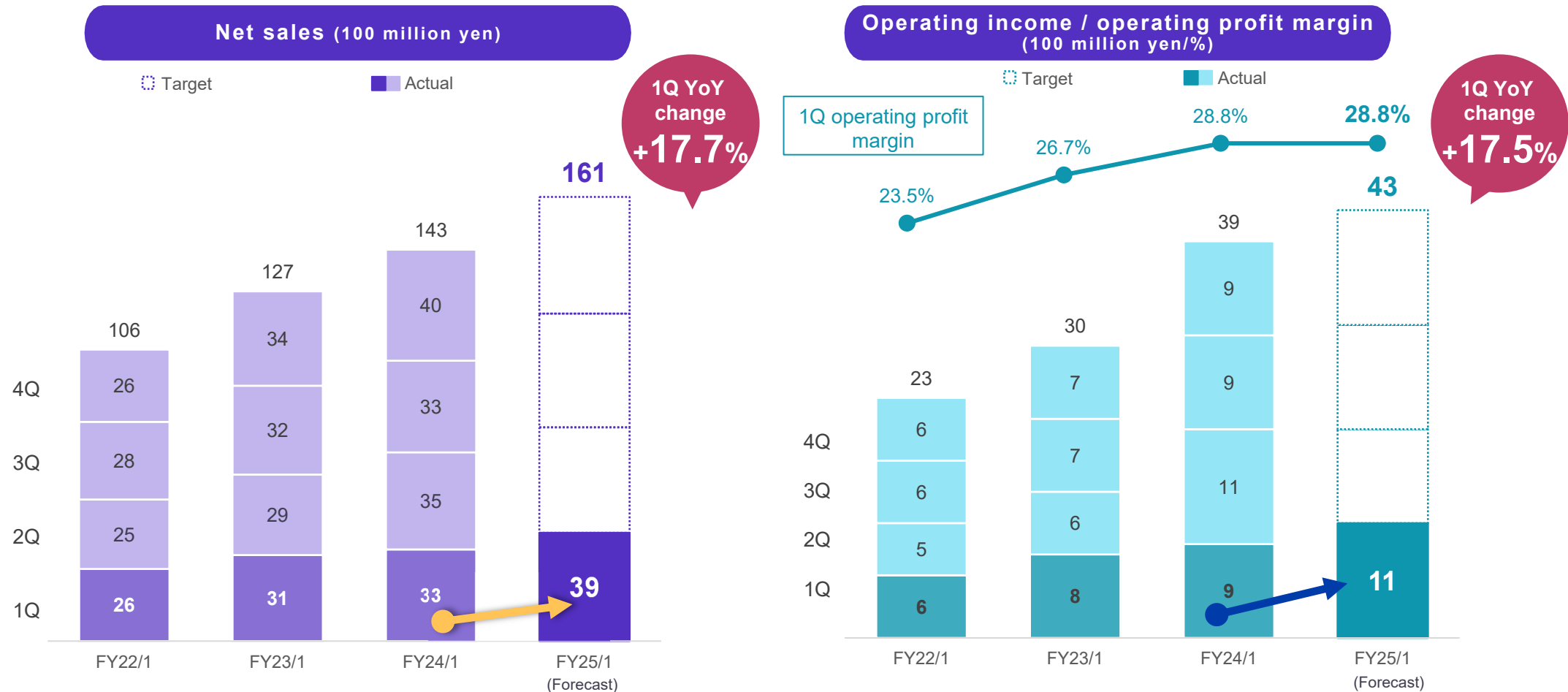
+/- less than 5%

(5) to more than (10)%

(10)% or less

Progress of the focus businesses

- Proposal of ICT solutions in line with customer DX demand bore fruit, **increasing both sales and profit.**



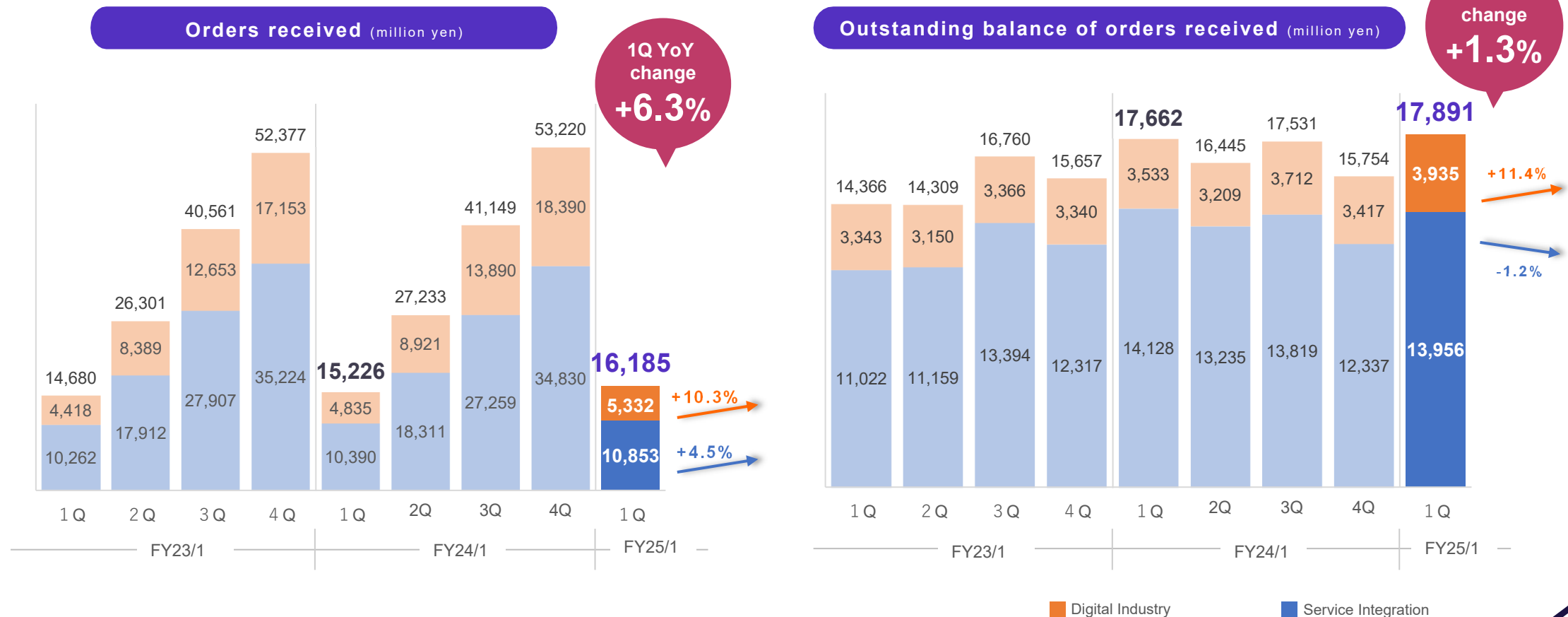
Details of progress on the focus businesses

- Among the focus businesses, **mobility** and **security** were the leaders in growth rate.

Digital Industry	Production and logistics solutions	<p>Change in net sales</p> <p>+11.2%</p>	<ul style="list-style-type: none"> • Production: Sales declined from the previous quarter due to restrained investment by major customers. • Logistics: Logistics systems development grew against a backdrop of the 2024 logistics issue.
	Mobility services	<p>Percentage of full-year target achieved</p> <p>23.2%</p>	<ul style="list-style-type: none"> • Positive performance in cloud development and Big Data analysis for the auto industry • BEV-related onboard controls development is on the rise, as is in-vehicle software evaluation.
Service Integration	Microsoft-related services	<p>Change in net sales</p> <p>+23.1%</p> <p>Percentage of full-year target achieved</p> <p>26.0%</p>	<ul style="list-style-type: none"> • Business negotiations for low-code solutions increased. Dynamics 365, and Power Platform saw strong performance. • Consulting-related business negotiations from upstream processes increased as we rolled out services related to generative AI (Azure OpenAI).
	Migration services		<ul style="list-style-type: none"> • Negotiations on migration aimed at shifting to the cloud and strengthening security increased. • Inquiries about legacy migrations increased, as did business negotiations on surveying/analytics and PoC.
	Security services		<ul style="list-style-type: none"> • Security monitoring services (SOC) for the ICT service sector performed well. • Our SmartSESAME product sold well to local governments as sales of PCLogon products expanded.
	DX cloud platform		<ul style="list-style-type: none"> • Commercial introduction planned for January 2026: Aim to offer subscription services by migrating own products to the cloud.

Trends in orders received and outstanding balance of orders received

- **Orders received** reached **record highs**, backed by strong ICT investment.
- Service integration orders received **grew year-on-year**, despite fewer major business negotiations on our SmartSESAME product than in the first quarter of last year.



Details of orders received

- Orders received for **connected services** and **service integration** increased.

Digital Industry	Smart Factory	<ul style="list-style-type: none"> • Orders received were flat due to restrained investment by machine tool manufacturers. • Support for the development of production management systems increased. Lead times for factory DX projects lengthened.
	Connected Services	<ul style="list-style-type: none"> • Cloud development and Big Data analysis for the auto industry remained strong. • Onboard verification for BEVs also rose.
	Chubu Services	<ul style="list-style-type: none"> • Upgrade projects for backbone systems at major customers increased.
	Nishinohon Services	<ul style="list-style-type: none"> • Orders related to the logistics solution LogiPull were on par with the previous quarter.
Service Integration	Service Integration	<ul style="list-style-type: none"> • In services provided in cooperation with Microsoft Japan, orders received increased for both Dynamics 365 and Power Platform projects. • In migration, cloud migration projects were strong, and upgrade projects grew.
	Platform Architects	<ul style="list-style-type: none"> • Government cloud-related remote operation projects and security monitoring services (SOCs) increased. • Orders received for our SmartSESAME product dropped as major business negotiations receded.
	Group companies	<ul style="list-style-type: none"> • Systems development for major customers increased.

Sales by industry

(Million yen)

	FY2024/1Q	FY2025/1Q	YoY		Key points by industry
			Amount	%	
Manufacturing [Share of total]	5,905 (44.7%)	6,420 (45.7%)	+514	+8.7%	[Manufacturing] Strong performance in systems development projects for electronics manufacturers and the automotive industry
Telecommunications/ information services [Share of total]	3,380 (25.6%)	3,697 (26.3%)	+317	+9.4%	
Finance [Share of total]	1,303 (9.8%)	1,175 (8.4%)	(128)	(9.9)%	[Telecommunications/information services] Growth in ICT infrastructure development projects for major carriers
Distribution [Share of total]	781 (5.9%)	879 (6.3%)	+98	+12.6%	[Finance] Down due to expiration of contracts with major customers
Government agencies [Share of total]	736 (5.6%)	722 (5.1%)	(13)	(1.9)%	
Other [Share of total]	1,115 (8.4%)	1,153 (8.2%)	+38	+3.4%	[Distribution] Sales in Microsoft-related business increased.
Total	13,222 (100%)	14,049 (100%)	+826	+6.3%	

Balance Sheet

(Million yen)

	January 31, 2024	April 30, 2024	Amount	%	Points
Current assets	39,005	39,591	+585	+1.5%	Assets: Up Growth in cash and deposits
Cash and deposits (included above)	26,714	28,260	+1,546	+5.8%	
Non-current assets	12,385	13,017	+631	+5.1%	Liabilities: Up Growth in allowance for bonuses
Total assets	51,391	52,608	+1,217	+2.4%	
Current liabilities	9,006	9,643	+637	+7.1%	Shareholder equity: Up Growth in retained earnings
Non-current liabilities	1,597	1,575	(22)	(1.4)%	
Shareholder equity	40,760	41,353	+592	+1.5%	
Equity ratio	79.3%	78.6%	—	(0.7)pt	

Appendix

Easy printing of **paper toys** Parenting app (**at Claps**)

- (1) A woman employee with children came up with the idea for this **parenting support app**.
- (2) Platform for paper toys such as coloring pages is being offered as **a free-of-charge service**.
- (3) **More than 40 partner companies** have begun supporting the childrearing generation by offering the service.
- (4) **The number of downloads exceeded 6,000** in the first two months of release.



TOPICS (2): Acquisition of shares of ASSO Inc.



- News release on acquisition of shares of ASSO Inc. <https://www.cec-ltd.co.jp/news/2024/6737.html>

1. Reason for acquisition of shares

ASSO possesses technology and knowledge in the fields of mobility services and security services, which CEC has positioned as growth areas. We decided to acquire all shares of the company based on the belief that adding ASSO's formidable IT talent to our team would boost the value of the CEC Group over the medium to long term.

2. Overview of ASSO Inc.

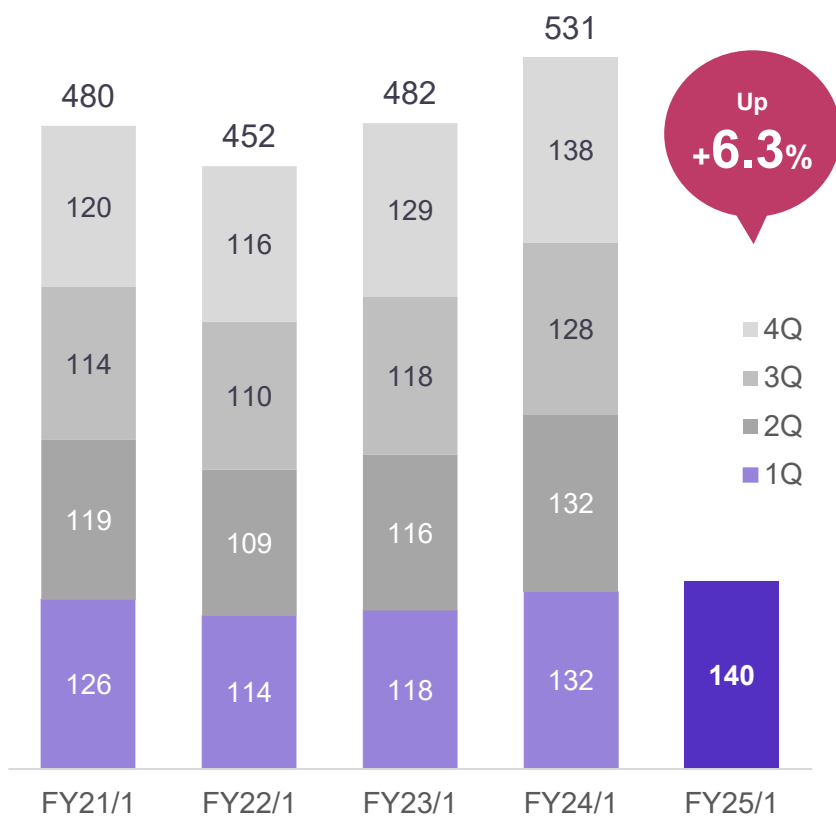
Address	5-1-11 Higashihara, Zama-shi, Kanagawa 252-8567
Established	June 2003
Representative director and president	Yasuo Sakai
Businesses	IT solutions, development, operation/maintenance, infrastructure development, third-party verification, business outsourcing, education business
Capital	20 million yen

3. Share acquisition date

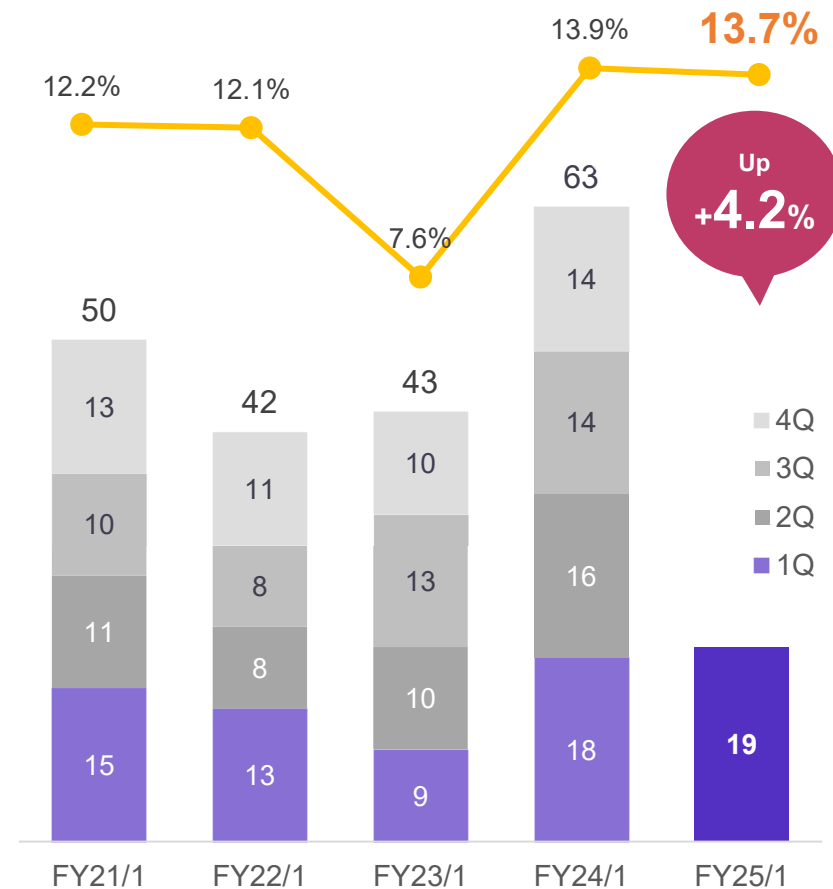
Tuesday, April 30, 2024

Quarterly performance trend

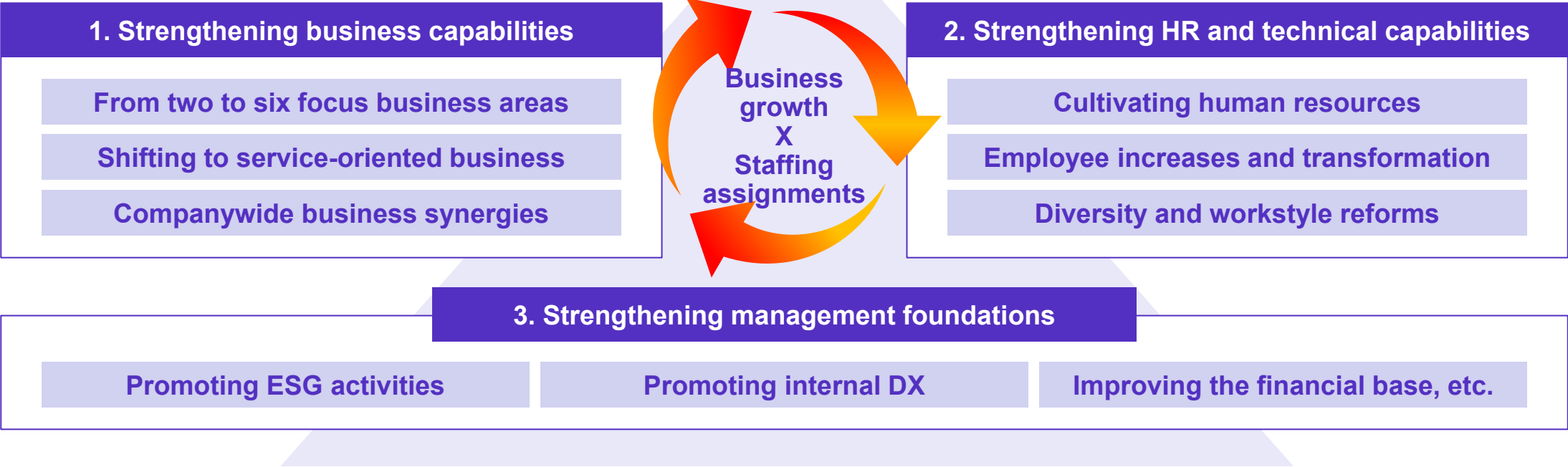
Net sales (100 million yen)



Operating income / operating profit margin (100 million yen)



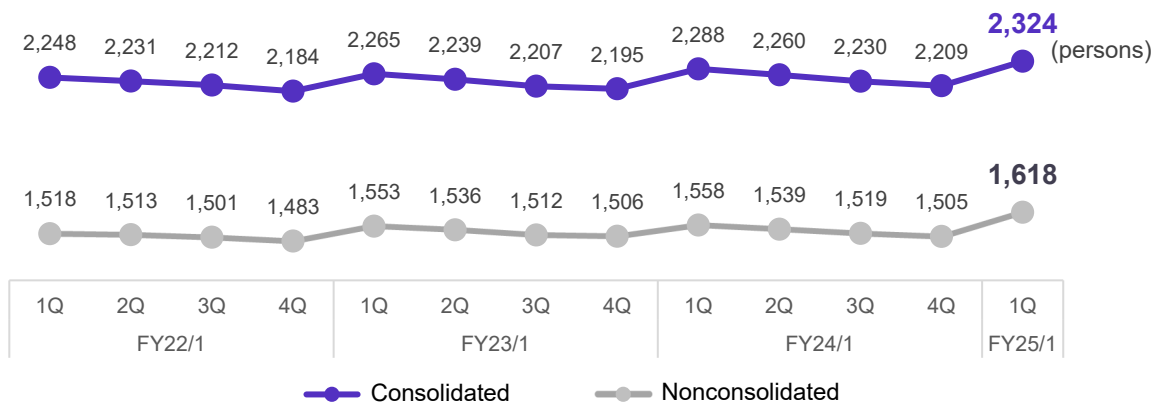
Vision 2025: To a Company That Creates the Future with ICT Technologies



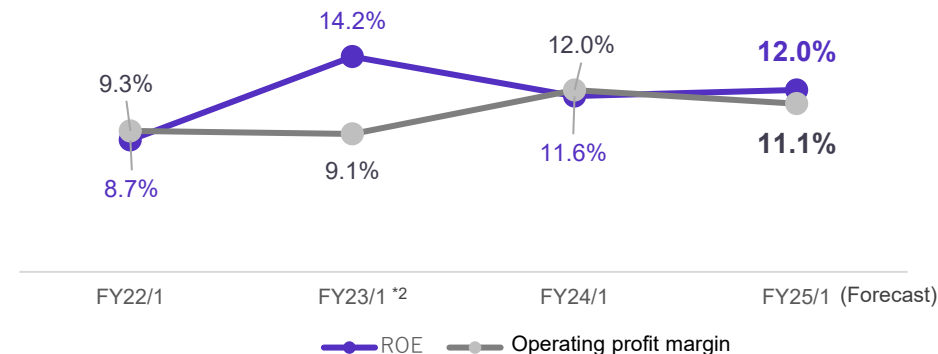
	Net sales	Ordinary income	Ordinary profit margin	ROE, payout ratio
Target management indicators	56.5 billion yen	6.3 billion yen	11% or more	ROE: 12.0% or more Payout ratio: 40% or more

Other indicators

■ Trends in numbers of employees (persons)

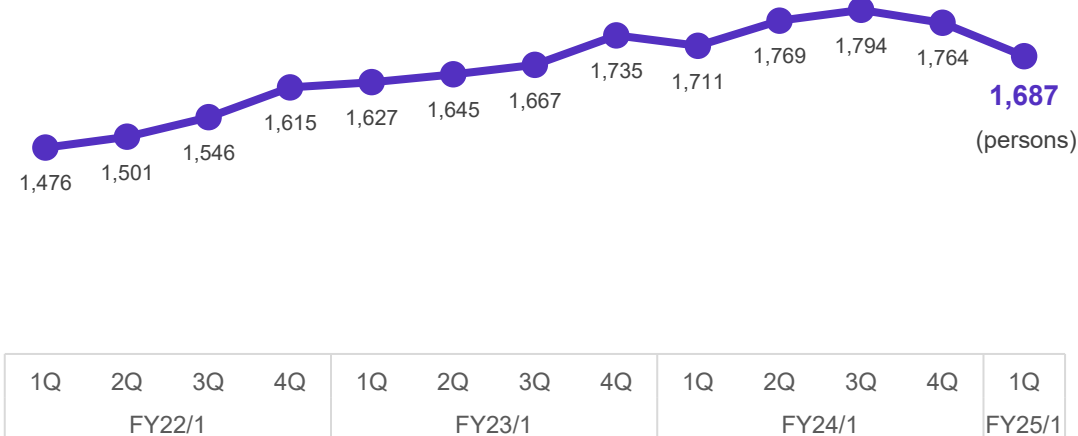


■ Trends in ROE and operating profit margin



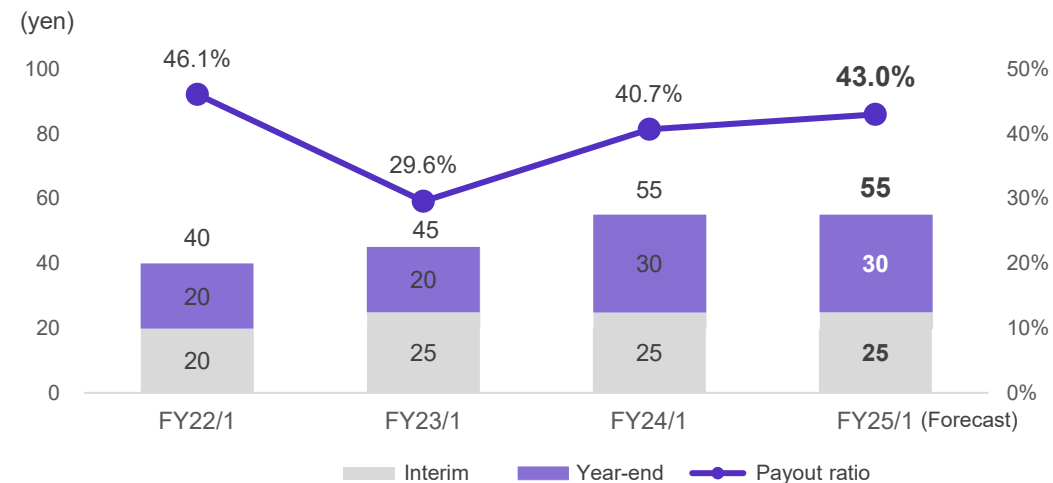
*2 A special dividend of 5 yen was paid in H1 FY23/1 due to gains on sales of investment securities.

■ Trends in number of partners *1



*1 CEC nonconsolidated, not including subcontracts

■ Trends in payout ratio and dividends



Company overview

Name Computer Engineering & Consulting Ltd.

Established February 24, 1968

Date of listing April 2022 (Prime Market, Tokyo Stock Exchange)
July 2001 (First Section, Tokyo Stock Exchange)

Capital 6,586 million yen

Net Sales 53,124 million yen (FY2024/1)

Licenses and Certifications

- Registered in the System Audit Corporate Ledger of the Ministry of Economy, Trade and Industry
- Registered in the Information Security Audit Corporate Ledger of the Ministry of Economy, Trade and Industry
- Privacy Mark Certification No. 11820032 (13)
- JQA Certifications
 - Quality Management System
ISO 9001:2015 (Certification No. JQA-1481)
 - Information Security Management System
ISO/IEC 27001 (Certification No. JQA-IM0007)
 - Information Security Controls for Cloud Services
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)
- Telecommunications Construction Business License No. 28700 from the Ministry of Land, Infrastructure, Transport and Tourism (General-4) (Licensed November 21, 2022)

Employees 2,330 (as of April 1, 2024)

Consolidated Subsidiaries 8 companies

Head Office JR Ebisu Bldg., 1-5-5 Ebisu Minami, Shibuya-ku, Tokyo, 150-0022, Japan

Representative Takashi Himeno, President

Business Segments

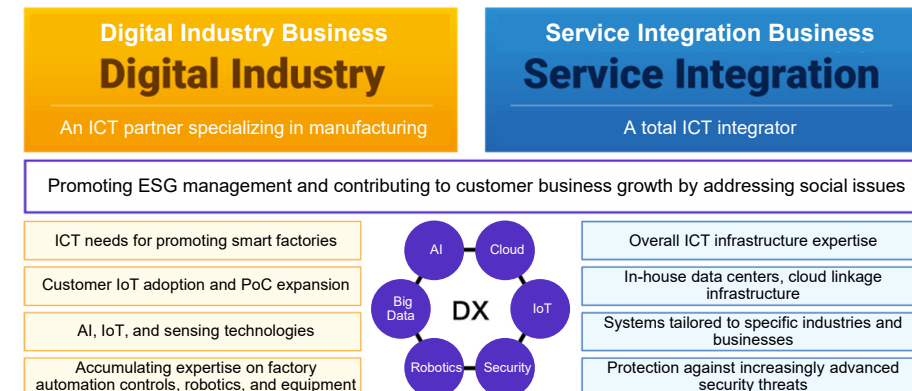
■ Digital Industry Business

Providing ICT products and services to improve business efficiency and quality and to support the production of attractive products, chiefly for customers in manufacturing industries

■ Service Integration Business

Supporting the entire ICT life cycle as needed to achieve corporate and organizational business reforms and improvements; comprehensive provision of ICT products and services, including cloud computing and security solutions

<Two businesses contributing to a sustainable society>



Segment Information: Digital Industry Business

An ICT partner specializing in manufacturing

	Business overview	Strengths
Smart Factory	<ul style="list-style-type: none">● Addresses the production and logistics fields for manufacturers. Product planning, product and systems development, maintenance, solutions services	<ul style="list-style-type: none">● In-the-field factory information infrastructure● AI image recognition and detection● Expertise in the OT field● A lineup of our own products
Connected Services	<ul style="list-style-type: none">● Consulting, systems development, maintenance/operations in IoT and connected fields centered on mobility, and solutions services● Businesses related to embedded software development, centered on onboard devices● Auto-testing, CI/CD development, and other businesses related to quality solutions	<ul style="list-style-type: none">● Engineers with expertise in areas such as cloud computing and vehicle controls● Development knowledge and expertise related to mobility services● One-step service capabilities for handling planning, development, and maintenance
Chubu Services	<ul style="list-style-type: none">● Provides the auto industry with general ICT services for the technical information segment (Bill of materials, PDM, and CAD) and corporate information segments (sales, finance, and accounting; HR and production logistics).	<ul style="list-style-type: none">● Connections with and related business expertise for major automakers● Relationships characterized by mutual trust built through direct transactions since CEC's founding● Knowledge of legacy systems based on a wealth of business experience (parts lists, production management, procurement, HR, accounting)
Nishinihon Services	<ul style="list-style-type: none">● Provides SI services based on business SI and EOS solutions in the Kansai and Hokuriku areas.● Provides product planning, development, maintenance, operation, and product services centered on the IoT field in the logistics and manufacturing domains.● Provides systems development, verification, maintenance, operation, and adoption services centered on the factory automation/industrial machinery and medicine/healthcare fields.	<ul style="list-style-type: none">● Customization for individual customers in logistics solutions● A track record with airports, manufacturing plants, and other special projects

Segment Information: Service Integration Business

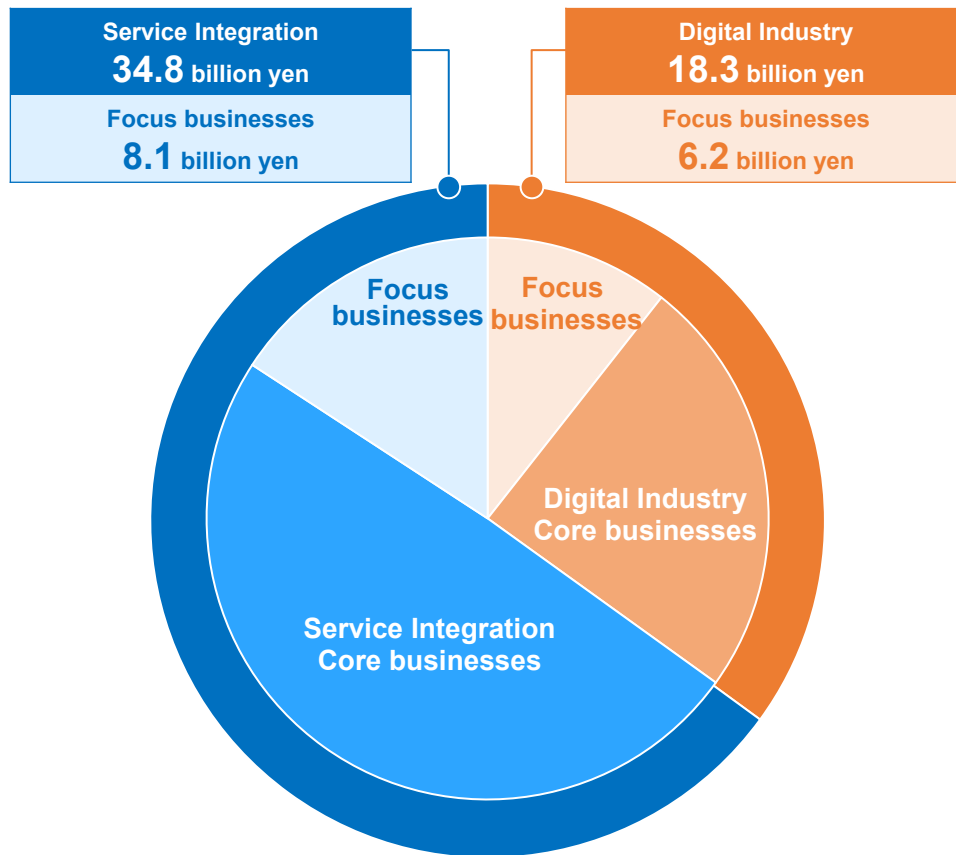
A total ICT integrator

		Business overview	Strengths
Service Integration	Enterprise	<ul style="list-style-type: none"> Consulting, systems development, and maintenance/operations using Microsoft cloud services like Dynamics 365, Microsoft 365, and Azure Solutions, systems development, and maintenance/operations for government agencies and local governments 	<ul style="list-style-type: none"> Track record and expertise in the SFA domain Track record in cloud development for government agencies and local governments
	AX Services	<ul style="list-style-type: none"> Consulting, systems development, and maintenance/operations related to ICT modernization based on migration services 	<ul style="list-style-type: none"> One-step services capable of handling multiple solutions A wealth of expertise, automation tools, and specialized engineers
	Business Systems	<ul style="list-style-type: none"> Systems development and maintenance/operations for the financial sector, including banks, insurance, credit cards, securities, and leasing 	<ul style="list-style-type: none"> Engineers with expertise in the financial business Capacity to propose comprehensive solutions from development through operations
Platform Architects	Security	<ul style="list-style-type: none"> Monitoring and operating security services and devices Product development and sales, solutions services, systems development, and maintenance/operations related to office security based on recognition technologies 	<ul style="list-style-type: none"> Products: capacity to handle multiple makers, nationwide sales channels Services: capacity to handle multiple vendors, wide-ranging monitoring compatibility
	Platforms	<ul style="list-style-type: none"> Operations related to the management of entire life cycles, from planning and study through design, development, migration, and operation of ICT systems and cloud services 	<ul style="list-style-type: none"> One-step service capabilities ranging from ICT infrastructure design through development, migration, and operation Capacity to handle multiple vendors and multiple cloud platforms
	Data Centers	<ul style="list-style-type: none"> Businesses related to data center services and cloud services Businesses related to system operation design, adoption support, and operation management services 	<ul style="list-style-type: none"> Capacity to provide 24-hour service 365 days/year through on-site engineers Uses 100% green power
Group companies		<ul style="list-style-type: none"> Near-shore development, integration, and maintenance/operations HR dispatch services 	<ul style="list-style-type: none"> Ties to major manufacturers and business expertise

* The Service Integration Business was reorganized in February 2024.

Focus Businesses (FY2024/1 Results)

Companywide sales: 53.1 billion yen



Focus businesses: Business fields leveraging our unique strengths

Digital Industry	Production/Logistics Solutions	Visual Factory® LogiPull®	Offers, in addition to products and services for manufacturers, LogiPull logistics solutions and support for digitalization and DX strategy from production workplaces through logistics.
	Mobility Services	PlusLocation® SimuField®-SC	Deploys services utilizing onboard and transportation Big Data, mainly for connected solutions in the automotive field.
Service Integration	Microsoft-related Services	Convergent® <small>マイクロソフトクラウドサービス統合ソリューション</small>	Promotes businesses in cooperation with Microsoft Japan, chiefly through DX support in management analysis and marketing based on Dynamics 365 and Azure.
	Migration Services	Re@nove® <small>マイグレーションサービス リノーブ</small>	Supports DX for legacy ICT upgrades, cloud migration, and system/app environments.
	Security Services	CyberNEXT® SmartSESAME® <small>トータルセキュリティソリューション オフィスセキュリティソリューション スマートセサミ</small>	Offers a line of products to safeguard networked ICT elements from security threats, as well as security consulting, design, development, and operation services.
	DX Cloud Platforms	BizVision®	Promotes cloud computing by integrating our products and applications with cloud platforms.

- ✓ This document is not intended for purposes of soliciting investment.
- ✓ The forecasts of future financial results included in this document have been prepared based on Japanese economic and information-service industry trends and other information available as of the date of preparation. Note that actual results may vary due to various factors such as uncertainties inherent to forecasts and changing domestic and international business conditions.
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