

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

Computer Engineering & Consulting Ltd. (9692)
December 9, 2024

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



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

- **+5.0% in net sales** thanks to strong business performance and **-3.0% in operating income** due to increased SG&A expenses including investments in growth
- **73.0%** of full-year target for **net sales** and **76.3%** of full-year target for **operating income** reached
- Incoming orders grew by **+5.6% in orders received** and **+2.5% in outstanding balance of orders**, setting new record highs

Performance outlook for the fiscal year ending January 31, 2025

- Portion of expenses associated with reorganization of data centers posted as extraordinary loss
- Full-year financial results forecast target for net income **revised downward** accordingly

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.**
- **Year-end dividend forecast (30 yen) unchanged**



**1. Business results for third quarter of the
fiscal year ending January 31, 2025**

**2. Full-year forecasts for the fiscal year
ending January 31, 2025**

3. Appendix

Consolidated business results

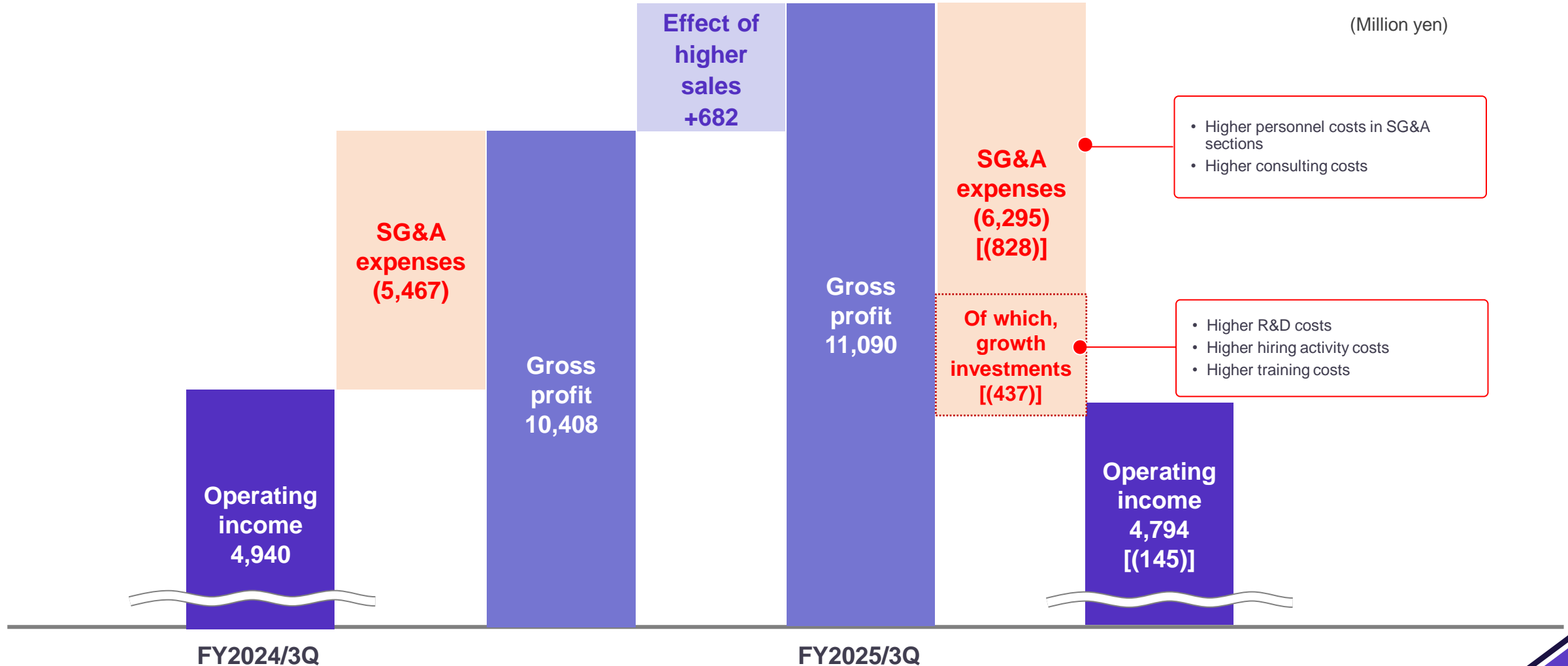
- With rising demand for DX, both **focus businesses and core businesses** trended **in line with targets**.
- Both **net sales and profits reached record highs**, although **expenses grew due to growth investments**.

	FY2024/3Q	FY2025/3Q	YoY	
			Amount	%
Net sales	39,275	 41,223	+1,947	+5.0%
Gross profit	10,408	 11,090	+682	+6.6%
Gross profit margin	26.5%	26.9%	—	+0.4pt
Operating income	4,940	4,794	(145)	(3.0)%
Operating profit margin	12.6%	11.6%	—	(1.0)pt
Ordinary income	4,969	4,820	(148)	(3.0)%
Ordinary profit margin	12.7%	11.7%	—	(1.0)pt
Interim net income attributable to owners of parent	3,410	3,277	(132)	(3.9)%
Margin on net income attributable to owners of parent	8.7%	8.0%	—	(0.7)pt

(Million yen)

Main factors affecting operating income

- **Gross profit** reached **record highs**; **SG&A expenses**, including growth investments, increased.



Performance by business segment

- **Net sales and profits increased** in the Digital Industry segment due to strong performance in both core and focus businesses.
- **Net sales increased** in the Service Integration segment due to growth in focus businesses, although **profits decreased** due to a decline relative to the effects of several large-scale projects in the preceding year.

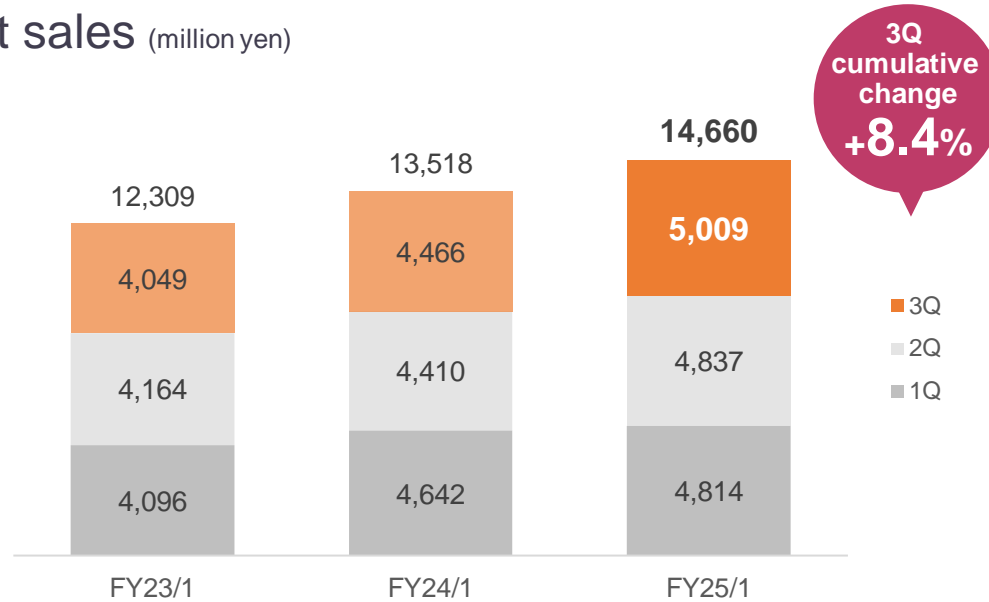
(Million yen)

	FY2024/3Q		FY2025/3Q		YoY	
	Net sales	Operating income / operating profit margin	Net sales	Operating income / operating profit margin	Net sales [%]	Operating income [%]
Digital Industry	13,518	3,073 22.7%	14,660	3,646 24.9%	+1,141 [+8.4%]	+572 [+18.6%]
Service Integration	25,757	4,992 19.4%	26,562	4,893 18.4%	+805 [+3.1%]	(98) [(2.0)%]
Companywide costs*	—	(3,125)	—	(3,745)	—	(619)
Total	39,275	4,940 12.6%	41,223	4,794 11.6%	+1,947 [+5.0%]	(145) [(3.0)%]

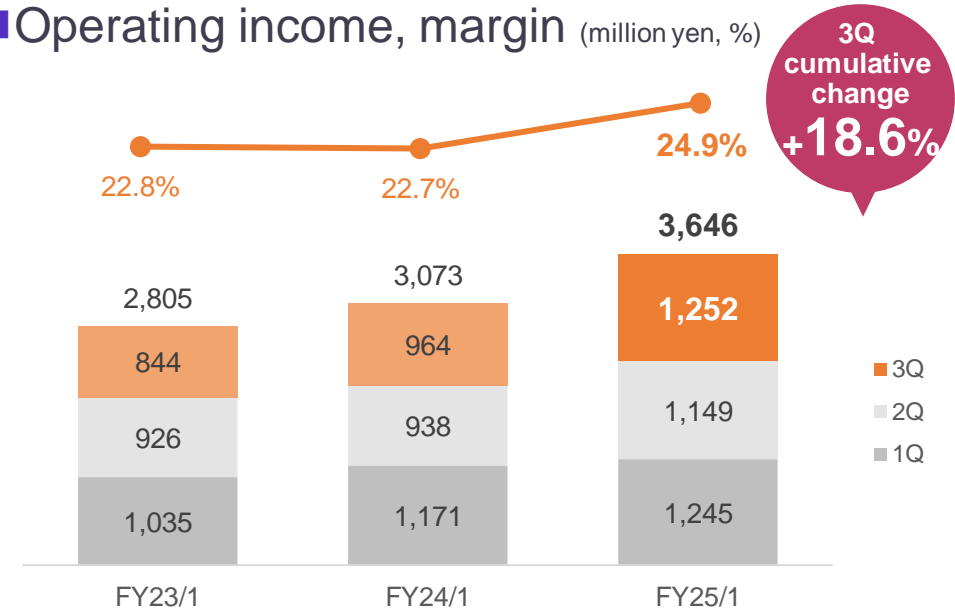
* Companywide costs consist mainly of administrative section costs not attributable to any reporting segment.

Digital Industry Business

■ Net sales (million yen)



■ Operating income, margin (million yen, %)

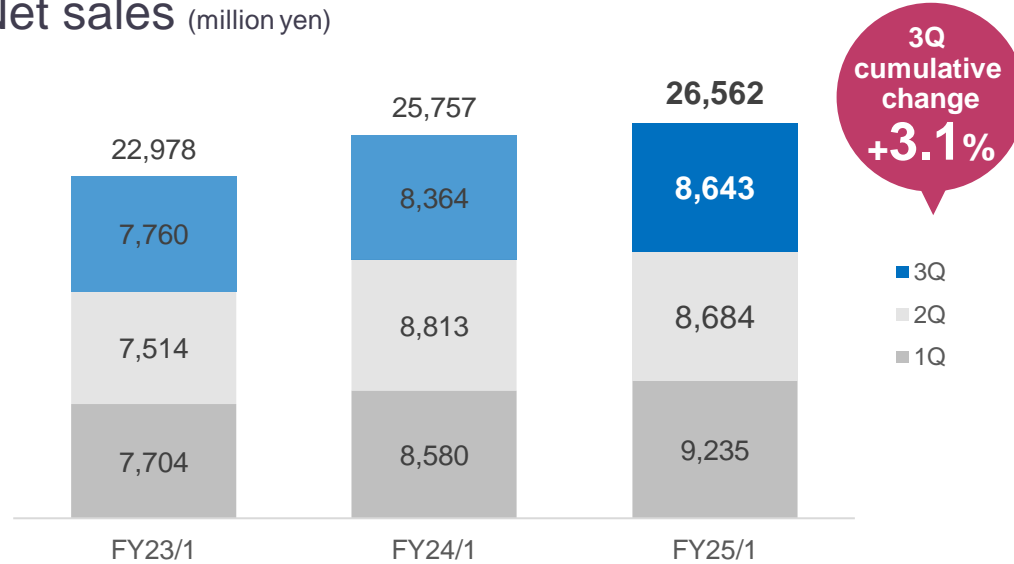


Business category	Change in net sales	Change in income	Points
Smart Factory			<ul style="list-style-type: none"> Sales grew due to growth in production systems development, despite the effects of restrained investment by machine tool makers continuing to be felt. Profits grew due to increased FA development and side-by-side DX support projects.
Connected Services			<ul style="list-style-type: none"> Sales grew due to growth in mobility-related cloud development and Big Data analytics platform building for automotive industry. Profits rose accordingly as these projects expanded.
Chubu Services			<ul style="list-style-type: none"> Sales grew due to growth in systems development projects for backbone systems (design field) at major customers. Profits rose due to expanding systems development projects.
Nishinihon Services			<ul style="list-style-type: none"> Sales grew due to growth in LogiPull logistics solution and EOL services associated with the replacement of customer systems. Orders for EOL services boosted profits.

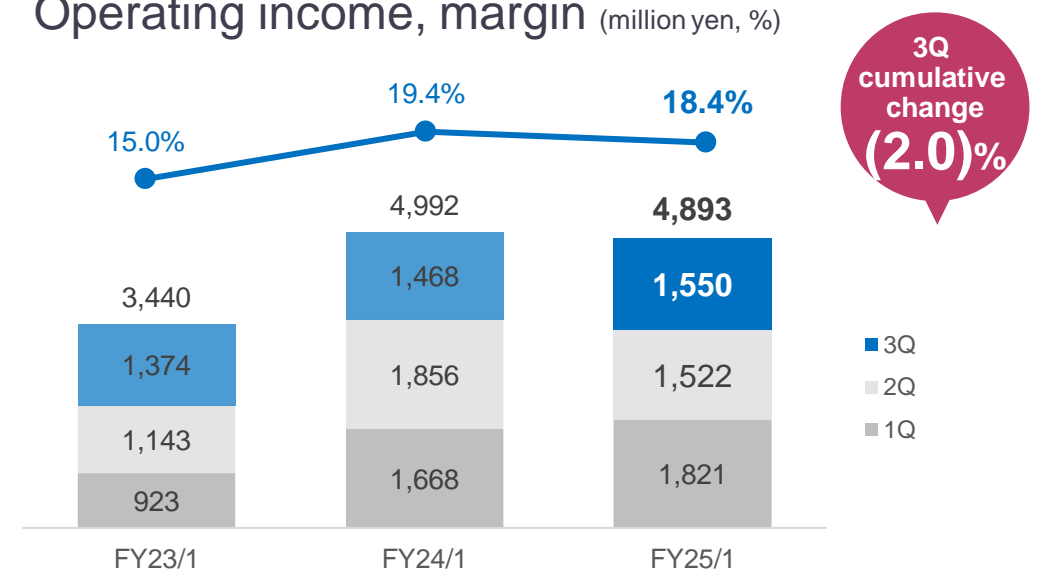
+ 10% or more
 + 5 to less than 10%
 +/- less than 5%
 (5) to more than (10)%
 (10)% or less

Service Integration Business

■ Net sales (million yen)



■ Operating income, margin (million yen, %)



Business category	Change in net sales	Change in income	Points
Service Integration			<ul style="list-style-type: none"> • Sales grew due to growth in Microsoft-related services and migration projects. • Profits grew, backed by growth in both systems development in core business and growth in focus business areas.
Platform Architect			<ul style="list-style-type: none"> • Sales grew in the security business, which remained strong; in contrast, the ICT infrastructure development business saw lower sales due to a project delay that will push the project into the next year. • Profits declined due to the effects of several large-scale projects recorded in the preceding year and the aforementioned delay.
Group companies			<ul style="list-style-type: none"> • Despite sluggish trends in systems development for the insurance industry, sales of other systems development remained unchanged from last year.

+ 10% or more

+ 5 to less than 10%

+/- less than 5%

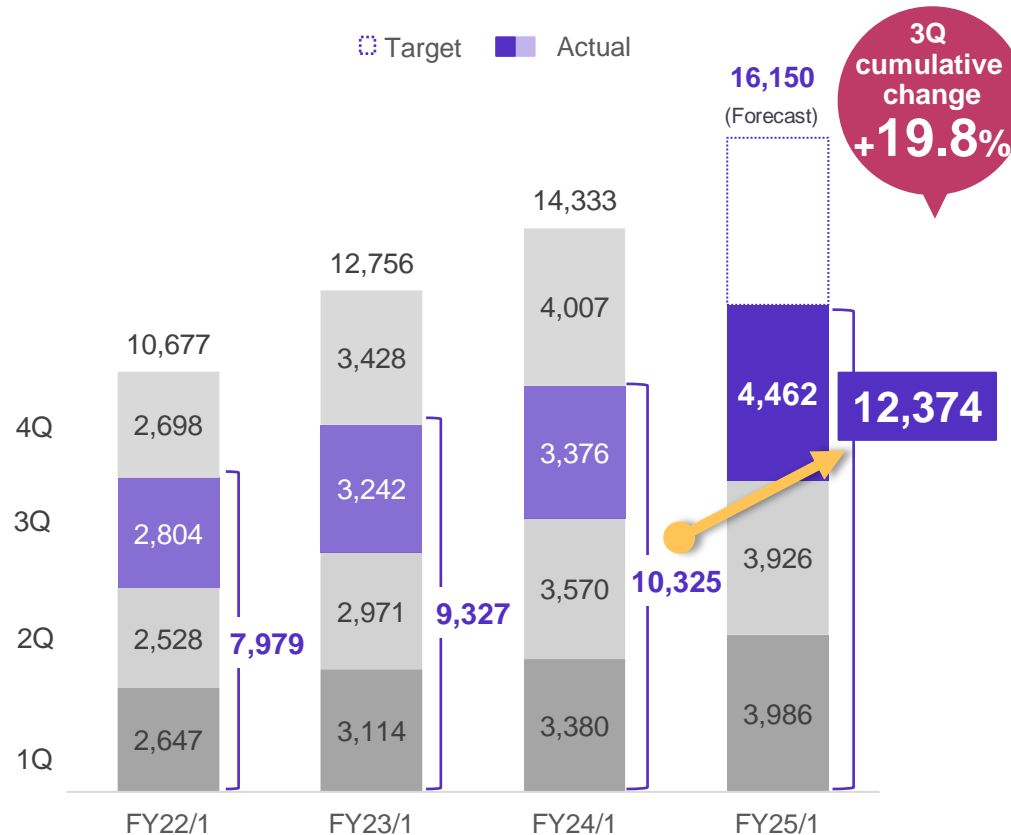
(5) to more than (10)%

(10)% or less

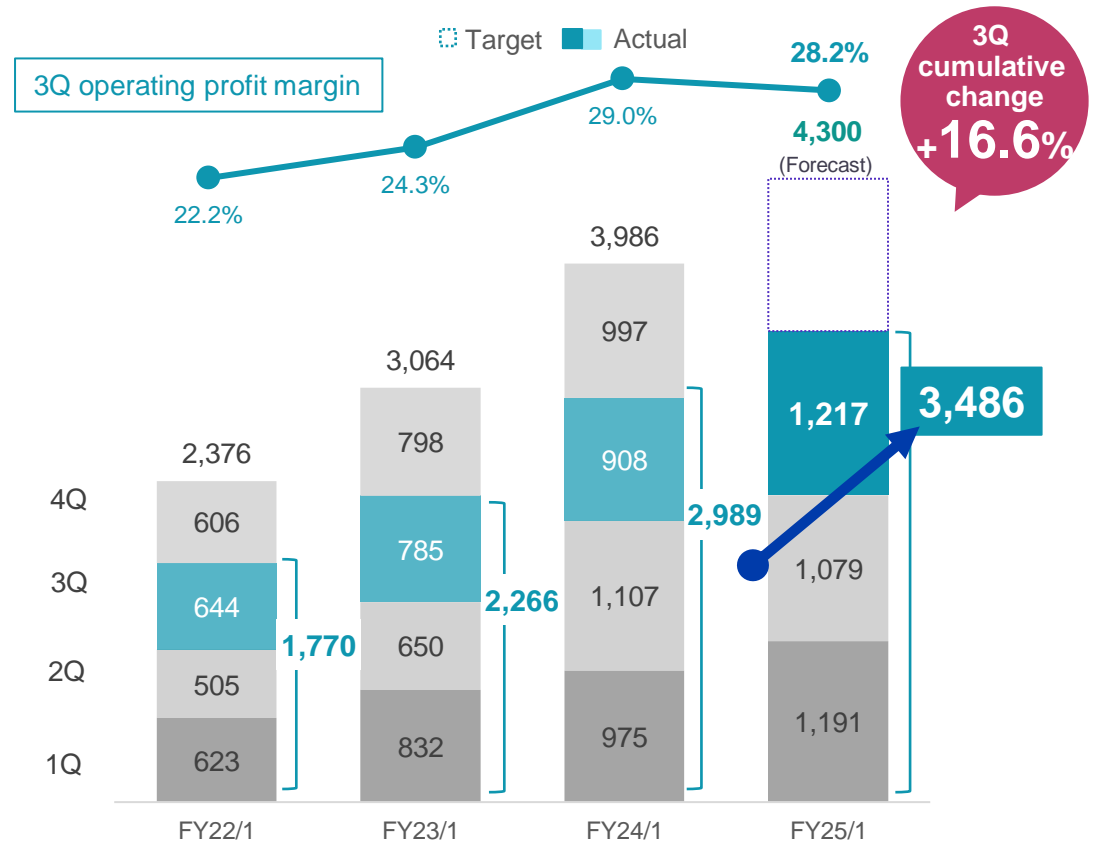
Progress of the focus businesses

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

Net sales (million yen)



Operating income / operating profit margin (million yen/%)



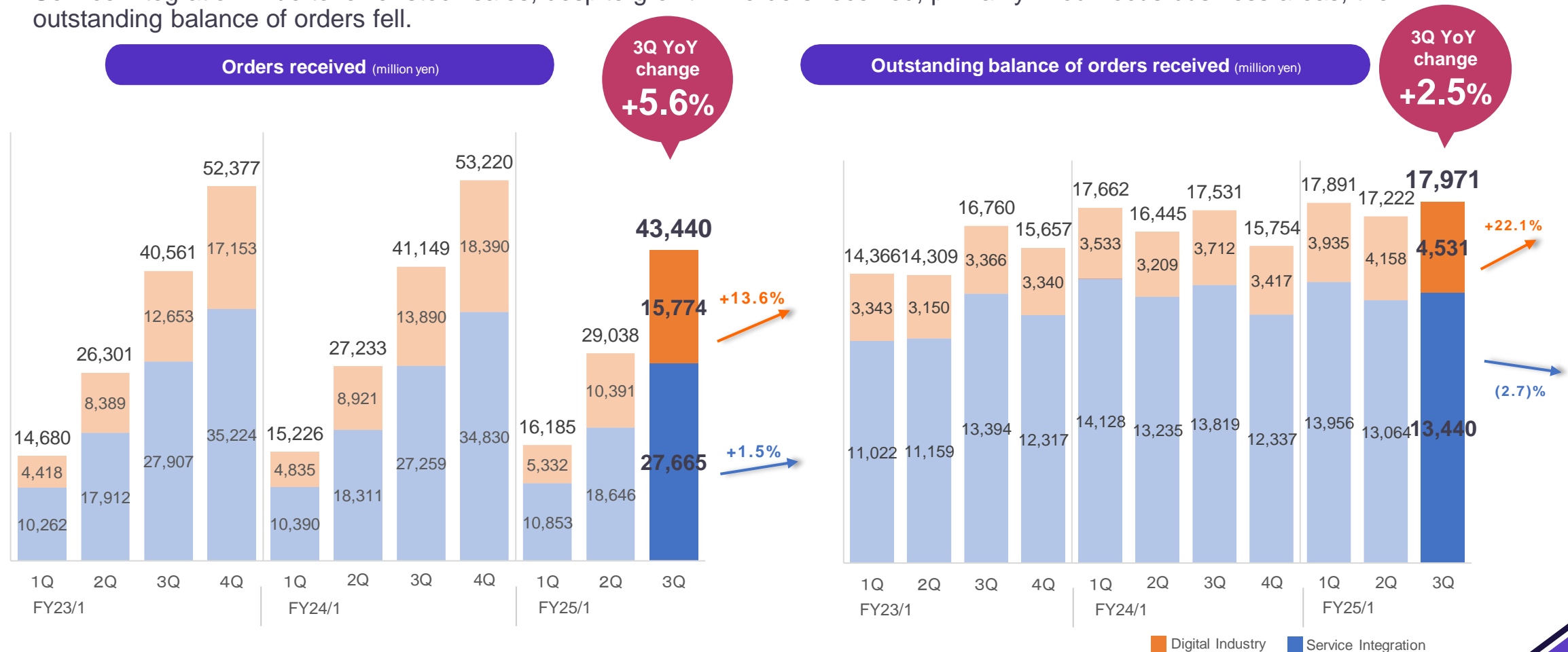
Details of progress on the focus businesses

- The leading factors were **Mobility** and **Microsoft-related** services.

Digital Industry	Production and logistics solutions	Change in net sales +28.6%	<ul style="list-style-type: none"> • Production: Manufacturing side-by-side DX support services grew despite the continuing effects of restrained investment by major customers. • Logistics: Logistics systems development for the automotive industry grew against the backdrop of the 2024 logistics problem.
	Mobility services	Percentage of full-year target achieved 79.0%	<ul style="list-style-type: none"> • Performance remained solid for cloud development and in Big Data analytics platform-building for the auto industry. • BEV-related onboard controls development is expanding.
Service Integration	Microsoft-related services	Change in net sales +13.2% Percentage of full-year target achieved 75.1%	<ul style="list-style-type: none"> • Demand for low-code solutions grew. Dynamics 365 and Power Platform saw strong performance. • Consulting projects involving generative AI (Azure OpenAI) services expanded.
	Migration services		<ul style="list-style-type: none"> • Migrations targeting the transition to the cloud and strengthening security remained solid. • Despite growing inquiries concerning legacy migrations, finalizing actual orders is taking longer than expected.
	Security services		<ul style="list-style-type: none"> • Orders grew for security monitoring services (SOC) from Boards of Education and the medical market. • Inquiries from financial institutions concerning our SmartSESAME PC Logon product increased.
	DX cloud platform		<ul style="list-style-type: none"> • Starting next fiscal year (FY ending January 2026), we plan to start offering subscriptions for our products as part of the transition to SaaS.

Trends in orders received and outstanding balance of orders received

- **Record-high orders received and outstanding balance of orders**
- Digital industry: Backed by strong ICT investment by manufacturing customers, orders received grew, especially in the automotive industry.
- Service integration: Due to lower stock sales, despite growth in orders received, primarily in our focus business areas, the outstanding balance of orders fell.



Sales by industry

(Million yen)

	FY2024/3Q	FY2025/3Q	YoY		Key points by industry
			Amount	%	
Manufacturing [Share of total]	16,889 [43.0%]	18,074 [43.8%]	+1,185	+7.0%	[Manufacturing] Growth in systems development for automotive industry customers
Telecommunications/ information services [Share of total]	10,367 [26.4%]	11,259 [27.3%]	+891	+8.6%	[Telecommunication and Information Services] Growth in systems development for carriers
Finance [Share of total]	3,471 [8.8%]	3,479 [8.4%]	+8	+0.2%	[Finance] Growth in migration projects despite fewer projects involving insurance industry customers
Distribution [Share of total]	2,322 [5.9%]	2,641 [6.4%]	+318	+13.7%	[Logistics] Growth in new Power Platform projects
Government agencies [Share of total]	2,831 [7.2%]	2,635 [6.4%]	(195)	(6.9)%	[Government Agencies] Decline due to the effects of several large-scale projects recorded in the preceding year
Other [Share of total]	3,393 [8.7%]	3,132 [7.7%]	(260)	(7.7)%	
Total	39,275 [100%]	41,223 [100%]	+1,947	+5.0%	

Balance Sheet

(Million yen)

	January 31, 2024	October 31, 2024	Amount	%	Points
Current assets	39,005	39,017	+12	+0.0%	Assets: Up Increased revaluation on investment securities Increased guarantee and security deposits
Cash and deposits (included above)	26,714	25,599	(1,115)	(4.2)%	
Non-current assets	12,385	13,479	+1,093	+8.8%	
Total assets	51,391	52,497	+1,105	+2.2%	Liabilities: Up Increased contract liabilities Increased allowance for bonuses
Current liabilities	9,006	10,707	+1,701	+18.9%	
Non-current liabilities	1,597	1,401	(196)	(12.3)%	
Shareholder equity	40,760	40,352	(408)	(1.0)%	Shareholder equity: Down Decrease due to acquisition of treasury stock Growth in retained earnings
Equity ratio	79.3%	76.9%	—	(2.4)pt	

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Full-year forecasts for the fiscal year ending January 31, 2025

■ Full-year forecasts for net income **revised downward** due to **extraordinary loss**

(Million yen)

	FY ended January 2024 Full-year results	FY ending January 2025			
		Initial forecast	Revised forecast	Compared to previous forecast	
				Change	%
Net sales	53,124	56,500	56,500	—	—
Gross profit / margin	14,096/26.5%	15,500/27.4%	15,500/27.4%	—	—
Operating income / margin	6,361/12.0%	6,280/11.1%	6,280/11.1%	—	—
Ordinary income / margin	6,409/12.1%	6,300/11.2%	6,300/11.2%	—	—
Net income attributable to owners of parent / margin	4,541/8.5%	4,300/7.6%	3,700/6.5%	(600)	(14.0)%
ROE	11.6%	12% or more	9.2%	—	(2.8)pt
Dividend per share (payout ratio)	55 yen (40.7%)	55 yen (43%)	55 yen (49.1%)	—	—

Reorganization of the Data Center Business ①

■ Overview of the Reorganization of the Data Center Business

Business Overview

- We operate four data centers in Japan.
- Our services focus on cloud services, housing services, and hosting services.

Recognition of Issues

- Demand is growing for cloud services.
- Equipment specifications and the power supply capacity of the current data centers will become insufficient to meet customer needs as we strengthen our cloud services.

VISION 2030 Growth strategy

- Transition from the current data center business to a business focused on cloud services
- Opening of a hybrid data center* and reorganization of all existing data centers

* Hybrid data center: A computing environment that combines on-premises and cloud-based infrastructure.
This facilitates the sharing of applications and data between on-premise information assets and the multi-cloud environment, thereby improving customer convenience.

Reorganization of the Data Center Business ②

■ Reasons and schedule for data center reorganization

Data Centers Subject to Reorganization and Reasons for Reorganization

- ① New Data Center (Opening)
 - To strengthen cloud services, we will open a hybrid data center that combines on-premises and cloud-based infrastructure, thereby **expanding our business**.
- ② Kanagawa Data Center 1 (Renovation)
 - The current facilities are aging; we will **expand the center** by adding new housing spaces and cloud equipment, thereby meeting demand for sensitive data storage and other needs.
- ③ Tokyo Data Center 2 (relocation)
 - The current facilities are aging; we have determined that it will difficult to expand operations at this data center due to power supply capacity issues. We plan to **relocate** this facility to the new data center.

③ Tokyo Data Center 2 (relocation)

① New Data Center (opening)

② Kanagawa Data Center 1 (renovation)

December 2024

Timely disclosure related to the reorganization of the data center business

From February 2025

- ① Start of new data center operations
- ② Start of the renovation at Kanagawa Data Center 1

End of April 2026

- ② Completion of the renovation at Kanagawa Data Center 1

End of April 2027

- ③ Restoration and vacation of Tokyo Data Center 2

FY25/1 forecasts by business segment

- Full-year forecasts by business segment remain unchanged.

(Million yen)

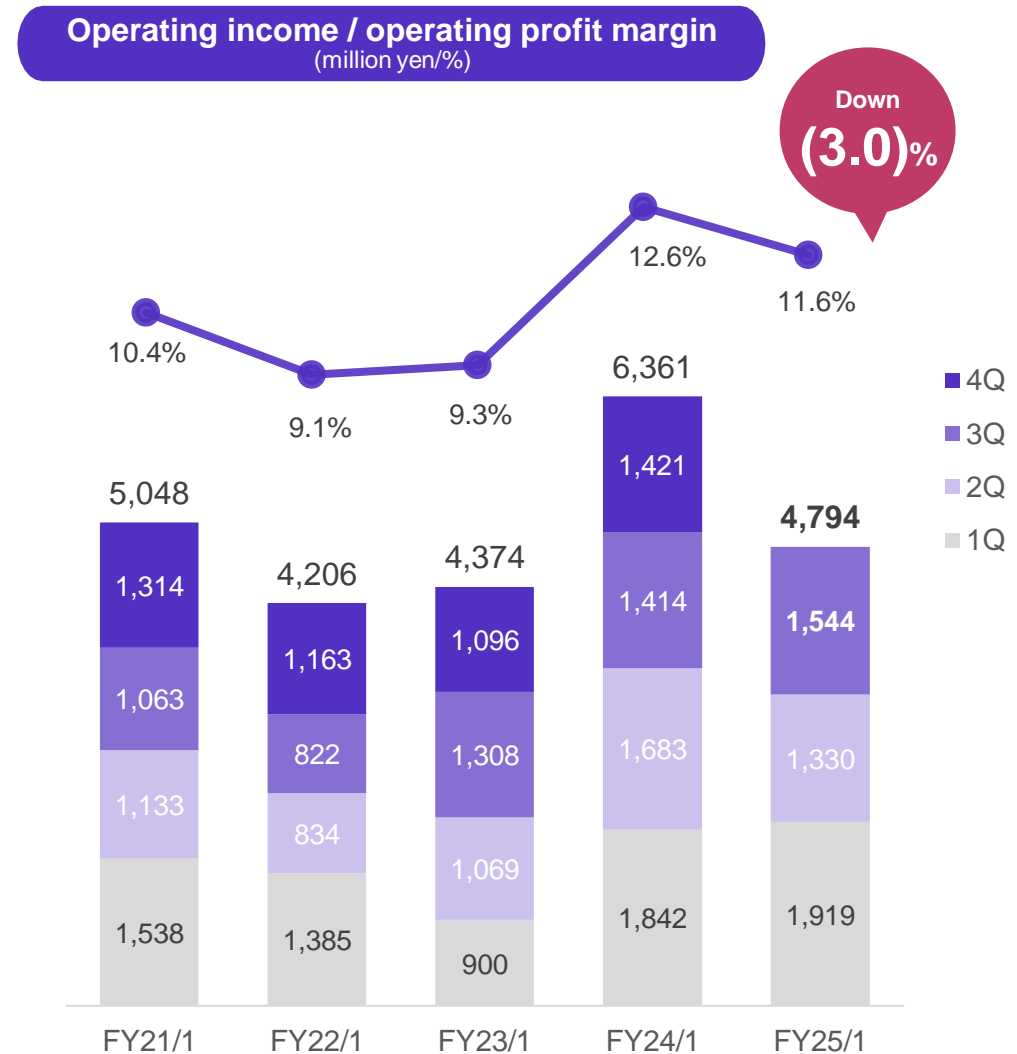
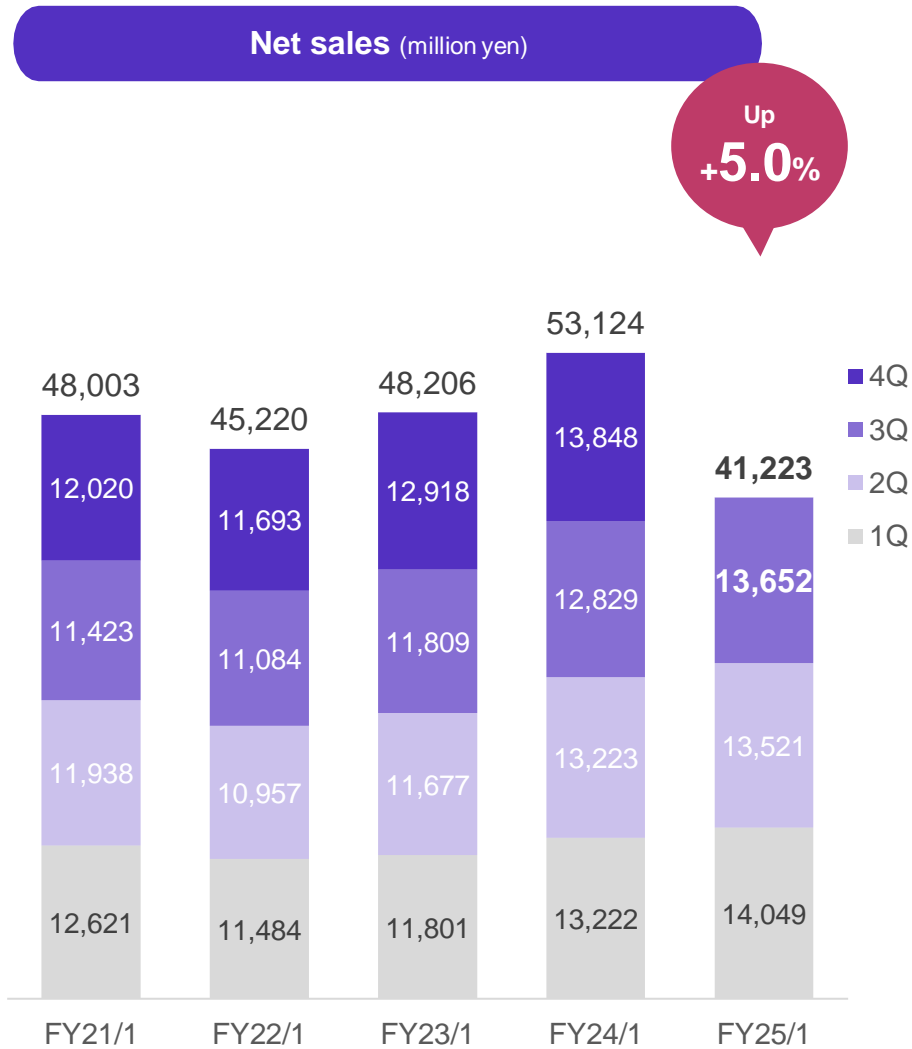
	FY25/1 3Q		FY25/1 full year		Progress	
	Net sales	Operating income [margin]	Net sales	Operating income [margin]	Net sales	Operating income
Digital Industry Business	14,660	3,646 [24.9%]	20,200	4,800 [23.8%]	72.6%	76.0%
Focus businesses (included above)	5,769	—	7,300	—	79.0%	—
Service Integration Business	26,562	4,893 [18.4%]	36,300	6,110 [16.8%]	73.2%	80.1%
Focus businesses (included above)	6,604	—	8,800	—	75.0%	—
Companywide costs	—	(3,745)	—	(4,630)		80.9%
Total	41,223	4,794 [11.6%]	56,500	6,280 [11.1%]	73.0%	76.3%

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Quarterly performance trend



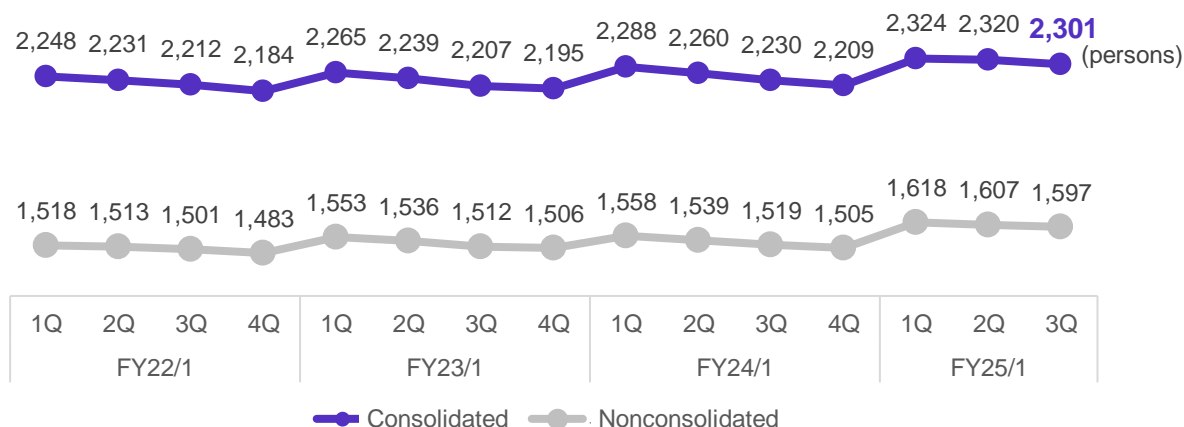
Details of orders received

- Orders received for **Digital Industry** and **Service Integration** increased.

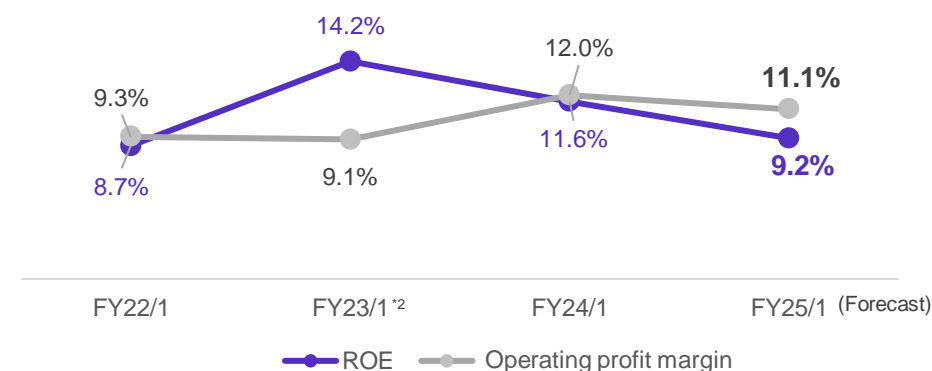
Digital Industry	Smart Factory	<ul style="list-style-type: none"> Investments by some machine tool manufacturers is recovering, leading to growth in inquiries concerning factory DX. Support for the development of production management systems increased as side-by-side DX support services showed an increasing trend.
	Connected Services	<ul style="list-style-type: none"> Orders for cloud development, Big Data analysis platform building, and onboard controls development for automotive industry remained strong. Orders for quality verification and development projects based on generative AI increased
	Chubu Services	<ul style="list-style-type: none"> Systems development projects expanded due to the renewal of parts procurement systems at major customers.
	Nishinohon Services	<ul style="list-style-type: none"> Orders for the LogiPull logistics solution grew thanks to orders from air transport customers. Orders for EOL services for the automotive industry increased.
Service Integration	Service Integration	<ul style="list-style-type: none"> Orders for integrations with Microsoft Dynamics 365, Power Platform, and Microsoft 365 increased. For migrations, orders for cloud migration projects grew, while orders for systems development (our core business) remained flat.
	Platform Architect	<ul style="list-style-type: none"> Government cloud-related remote operation projects and orders for security monitoring services (SOC) increased. In the ICT infrastructure development business, the number of projects declined due to the delay of certain projects to the next fiscal year.
	Group Companies	<ul style="list-style-type: none"> Orders declined due to curtailments in projects for major customers.

Other indicators

■ Trends in numbers of employees (persons)

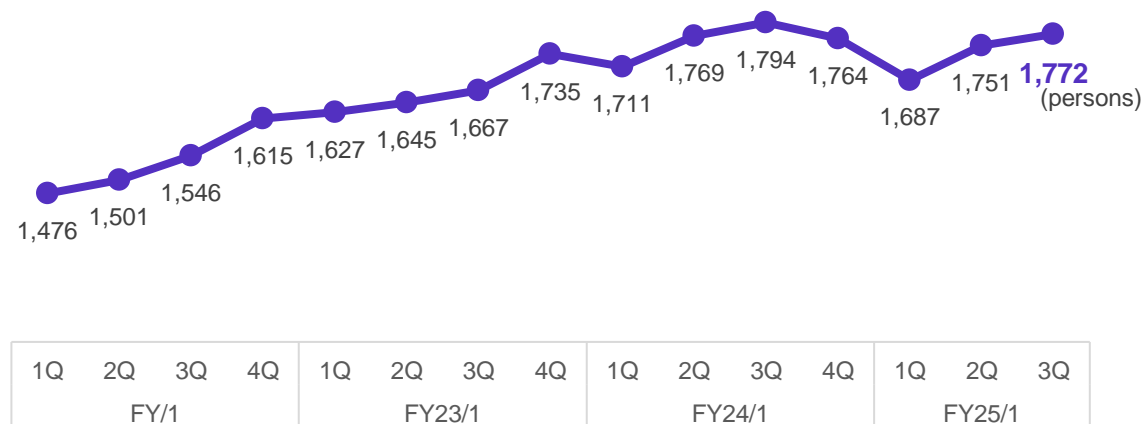


■ Trends in ROE and operating profit margin



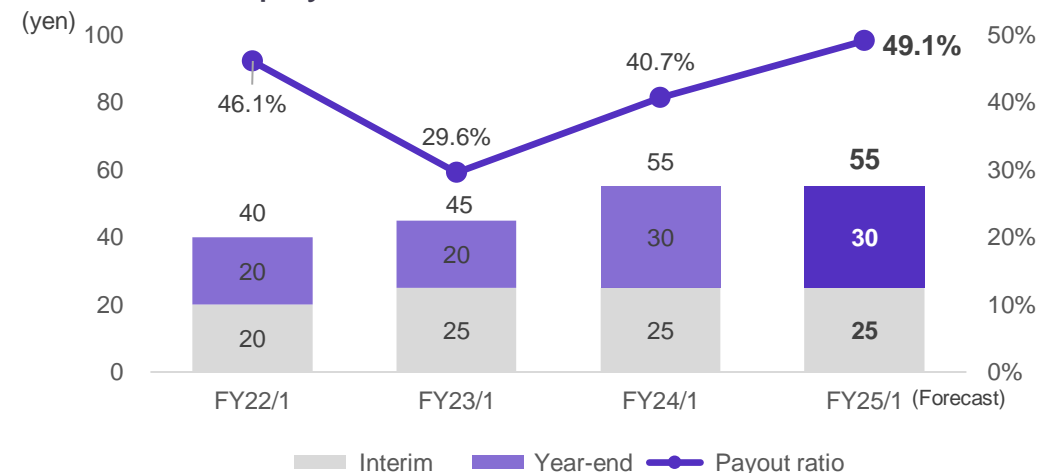
² A special dividend of 5 yen was paid in H1 FY23/1 due to gains on sales of investment securities.

■ Trends in number of partners ^{*1}

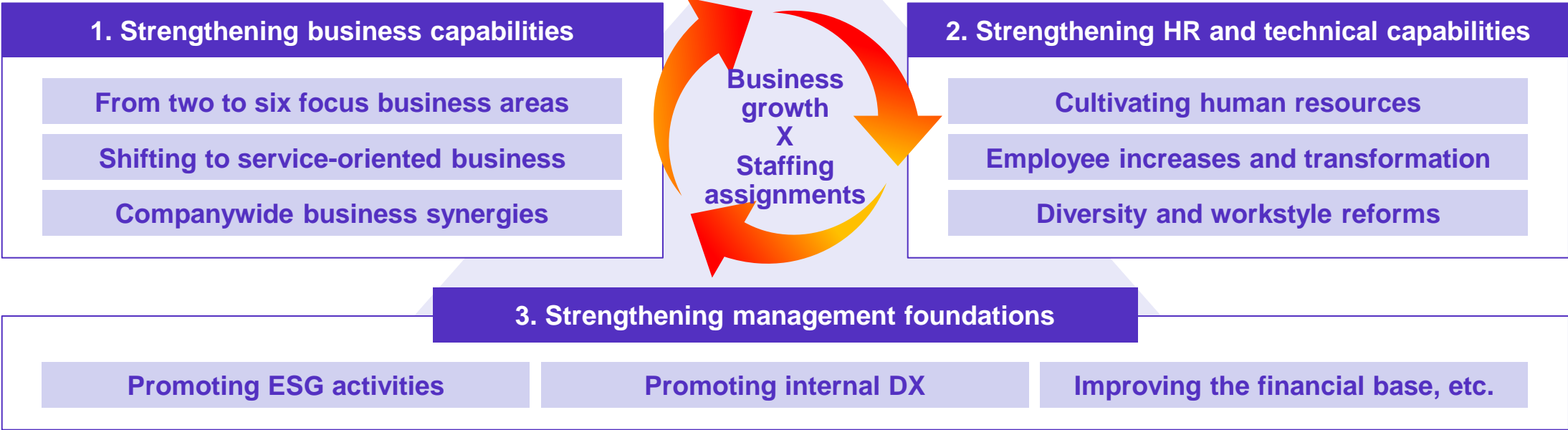


^{*1} CEC nonconsolidated, not including subcontracts

■ Trends in payout ratio and dividends



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: 9.2% Payout ratio: 40% or more

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 2,301 (as of October 31, 2024)

Consolidated Subsidiaries 7 companies

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

Representative Takashi Himeno, President

Business Segments

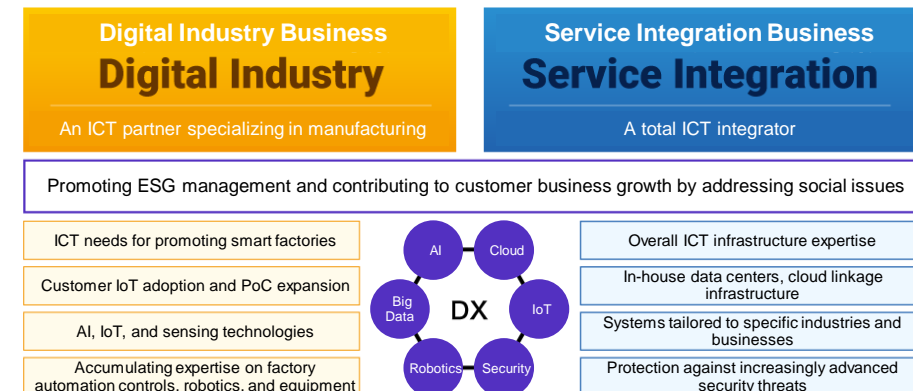
■ Digital Industry Business

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

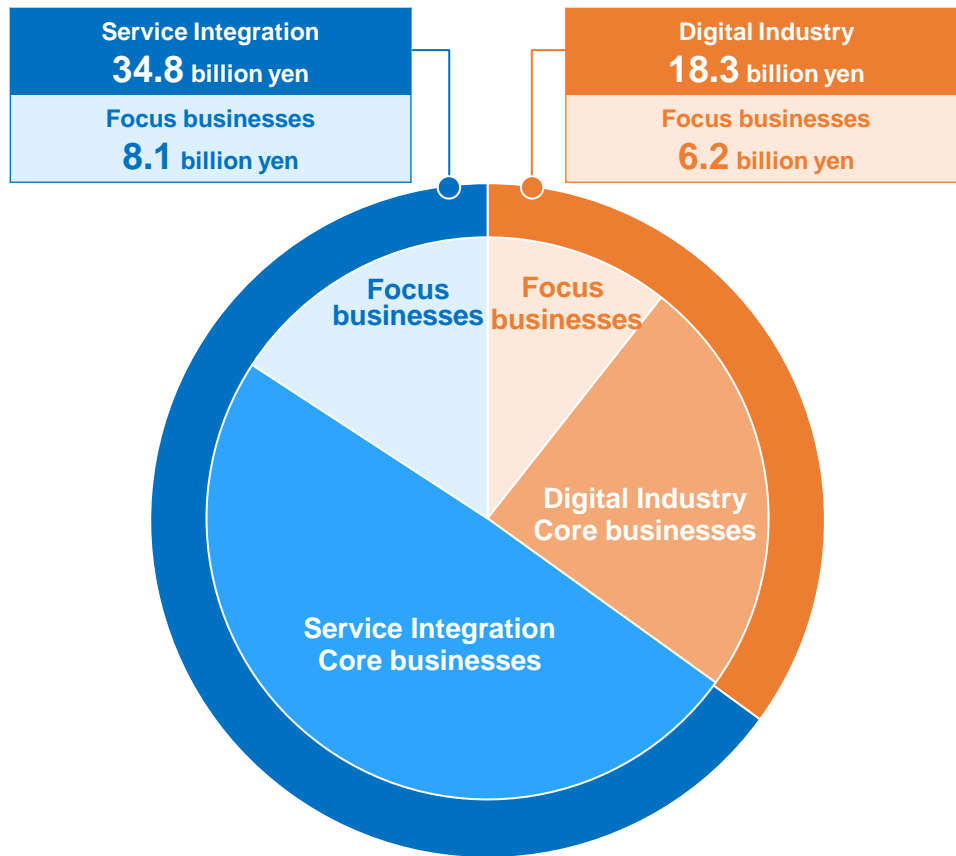
A total ICT integrator

		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	マイクロソフトクラウドサービス統合ソリューション Convergent®	Promotes businesses in cooperation with Microsoft Japan, chiefly through DX support in management analysis and marketing based on Dynamics 365 and Azure.
	Migration Services	マイグレーションサービス Re@move リノーフ	Supports DX for legacy ICT upgrades, cloud migration, and system/app environments.
	Security Services	トータルセキュリティソリューション CyberNEXT® オフィスセキュリティソリューション SmartSESAME スマートセサミ	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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