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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 4, 2022

Company name: Business Engineering Corporation

Stock exchange listing: Tokyo Stock Exchange, Prime Market

Code number: 4828

URL: <https://www.b-en-g.co.jp/>

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Scheduled date of filing quarterly securities report: August 9, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing materials on quarterly financial results: None

Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	4,384	9.0	844	440.4	852	424.4	575	426.4
June 30, 2021	4,021	(12.4)	156	(76.9)	162	(76.2)	109	(76.3)

(Note) Comprehensive income: Three months ended June 30, 2022: ¥571 million [678.5%]

Three months ended June 30, 2021: ¥73 million [(88.1%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	47.99	–
June 30, 2021	9.20	–

(Note) The Company split its common shares at a ratio of two shares for one share on June 1, 2022. The basic earnings per share were calculated based on the assumption that the share split had taken place at the beginning of the fiscal year ended March 31, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	11,637	7,753	66.6
As of March 31, 2022	11,491	7,475	65.1

(Reference) Equity: As of June 30, 2022: ¥7,753 million

As of March 31, 2022: ¥7,475 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	35.00	–	49.00	84.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		21.00	–	21.00	42.00

(Note) Revision to the most recently announced dividends forecast: No

The Company split its common shares at a ratio of two shares for one share on June 1, 2022. The figures for the fiscal year ended March 31, 2022 are, therefore, the actual amounts of dividends prior to the share split.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% represent changes from the previous fiscal year for full year, and on a year-on-year basis for quarterly results)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,900	0.6	1,430	23.9	1,430	23.3	970	22.7	80.83
Full year	17,900	0.8	2,600	7.8	2,600	6.4	1,770	7.7	147.50

(Note) Revision to the most recently announced financial results forecast: Yes

The Company split its common shares at a ratio of two shares for one share on June 1, 2022. The basic earnings per share were calculated based on the average number of shares during the period reflecting the share split.

*** Notes:**

(1) Changes in significant subsidiaries during the three months ended June 30, 2022: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
New subsidiaries: – Excluded subsidiaries: –

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 12,000,000 shares

March 31, 2022: 12,000,000 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 134 shares

March 31, 2022: 134 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 11,999,866 shares

Three months ended June 30, 2021: 11,897,639 shares

(Note) The Company split its common shares at a ratio of two shares for one share on June 1, 2022. The total numbers of issued shares at the end of the period (including treasury shares), the total numbers of treasury shares at the end of the period and the average numbers of shares during the period were calculated based on the assumption that the share split had taken place at the beginning of the fiscal year ended March 31, 2022.

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions that are deemed reasonable. They are not a pledge by the Company to achieve the forecasted results. Actual results, etc. may differ significantly from these forecasts due to a wide range of factors. For more details on the above forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 3.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the three months ended June 30, 2022, the Japanese economy picked up as overall corporate earnings remained high and the impact of the COVID-19 abated, while being affected by rising resource prices.

In the information service industry, customers' willingness to invest in digital transformations (DX) is robust, and investments in information technology in the manufacturing industry are expected to continue to remain strong. However, affected by the downside risks of the economy, concerns over a decline in customers' willingness to invest in information technology cannot be dispelled.

Under the 6-year management plan "Management Vision 2026" that started from the fiscal year ended March 31, 2022, the Group has worked to resolve management issues such as the promotion of DX and global expansion in the manufacturing industry, in order to support its main customers facing changes in the business environment of the manufacturing industry with products and services that leverage the strengths of the Group.

The financial results during the three months ended June 30, 2022 are as follows.

Orders received were ¥4,860 million (up 26.6% year on year), and net sales were ¥4,384 million (up 9.0% year on year), recording year-on-year increases in all segments. In terms of profits, in addition to the control of the unprofitable project and improvement of project profitability in the Solution Business, an increase in license sales in the Product Business contributed to a significant improvement year on year. As a result, operating profit was ¥844 million (up 440.4% year on year), ordinary profit was ¥852 million (up 424.4% year on year), and profit attributable to owners of parent was ¥575 million (up 426.4% year on year).

Operating results by business segment are as follows.

(i) Solutions Business

The Solutions Business mainly engages in the consulting and system construction services, which are based on ERP package products developed by other companies. We provided complex solutions that contribute to the resolution of customers' issues, and actively engaged in proposal activities based on customer needs. Orders received and sales both increased on the back of a firm conditions in the environment for orders. Segment profit also improved significantly by controlling the unprofitable project and improving project profitability. As a result, orders received were ¥2,836 million (up 29.9% year on year), net sales were ¥2,696 million (up 6.2% year on year), and segment profit was ¥565 million (compared to segment loss of ¥20 million in the three months ended June 30, 2021).

(ii) Products Business

The Products Business mainly engages in sales of the in-house developed ERP package "mcframe" series products through business partners as well as consulting and system construction services based on these products. We continued our efforts to strengthen our relationships with customers and business partners, focused on license sales, and implemented initiatives to continuously enhance brand power. License sales steadily increased, and net sales of mcframe licenses in the first quarter under review reached ¥982 million (up 15.5% year on year), setting a consecutive record. As a result of steady license sales, orders received for this segment were ¥1,930 million (up 23.0% year on year), net sales were ¥1,566 million (up 11.8% year on year) and segment profit was ¥561 million (up 18.7% year on year).

(iii) Systems Support Business

The Systems Support Business mainly engages in operation and maintenance services of systems introduced to customers, and offering proposals and additional development through these services, which is operated by Business System Service Corporation, a subsidiary of the Company. We continued to work on enhancing life cycle support for customers' systems. As a result, orders received for this segment were ¥93 million (up 9.0% year on year), net sales were ¥121 million (up 46.9% year on year) and segment profit was ¥108 million (up

20.9% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥156 million from the end of the previous fiscal year to ¥9,023 million. This was mainly attributable to an increase in cash and deposits and a decrease in notes and accounts receivable - trade, and contract assets. The ratio of current assets to total assets at the end of the first quarter under review was 77.5%.

Non-current assets decreased by ¥10 million from the end of the previous fiscal year to ¥2,614 million. This was mainly attributable to a decrease in investments and other assets due to the fair valuation of investment securities, and the purchase of intangible assets, which exceeded the depreciation of intangible assets.

As a result, total assets at the end of the first quarter under review increased by ¥145 million from the end of the previous fiscal year to ¥11,637 million.

(Liabilities)

Liabilities at the end of the first quarter under review decreased by ¥132 million from the end of the previous fiscal year to ¥3,884 million. This was mainly attributable to a decrease in provision for bonuses and an increase in advances received.

(Net assets)

Net assets at the end of the first quarter under review increased by ¥277 million from the end of the previous fiscal year to ¥7,753 million. This was mainly attributable to an increase owing to the recording of profit attributable to owners of parent and a decrease due to dividends of surplus.

As a result, the equity ratio at the end of the first quarter under review increased by 1.5 percentage points from the end of the previous fiscal year to 66.6%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

In view of the operating results of the three months ended June 30, 2022, the Company has raised its profit forecasts from the previous financial results forecast for the first half of the fiscal year ending March 31, 2023, which it announced on May 12, 2022.

The full-year financial results forecast for the fiscal year ending March 31, 2023 announced on May 12, 2022 remains unchanged.

For more details, please refer to “Notice on Revision to Financial Results Forecast for the First Half of the Fiscal Year Ending March 31, 2023,” which was also disclosed today.

2.Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheet

	(thousands of yen)	
	FY03/2022 (As of Mar. 31, 2022)	1Q FY03/2023 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	4,945,888	5,111,058
Notes and accounts receivable - trade, and contract assets	3,468,634	3,294,786
Work in process	7,454	12,637
Other	445,018	605,070
Total current assets	8,866,995	9,023,552
Non-current assets		
Property, plant and equipment	150,681	149,192
Intangible assets		
Software	1,320,781	1,324,446
Other	1,167	1,132
Total intangible assets	1,321,949	1,325,578
Investments and other assets		
Other	1,157,631	1,144,768
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,152,131	1,139,268
Total non-current assets	2,624,761	2,614,038
Total assets	11,491,757	11,637,590

	(thousands of yen)	
	FY03/2022 (As of Mar. 31, 2022)	1Q FY03/2023 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	465,861	424,462
Short-term borrowings	100,000	—
Income taxes payable	584,448	253,246
Advances received	983,064	1,501,365
Provision for bonuses	861,353	229,054
Provision for bonuses for directors (and other officers)	50,000	—
Reserve for guarantee for after-care of products	23,915	24,362
Provision for loss on orders received	16,161	—
Other	931,528	1,451,809
Total current liabilities	4,016,333	3,884,300
Total liabilities	4,016,333	3,884,300
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	6,251,448	6,533,371
Treasury shares	△156	△156
Total shareholders' equity	7,514,164	7,796,088
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△29,590	△28,691
Foreign currency translation adjustment	△9,149	△14,106
Total accumulated other comprehensive income	△38,740	△42,798
Total net assets	7,475,423	7,753,290
Total liabilities and net assets	11,491,757	11,637,590

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
Consolidated Quarterly Statement of Income(For the Three-month Period)

(thousands of yen)

	1Q FY03/2022 (Apr. 1, 2021 – Jun. 30, 2021)	1Q FY03/2023 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	4,021,514	4,384,309
Cost of sales	2,955,960	2,625,339
Gross profit	1,065,554	1,758,969
Selling, general and administrative expenses	909,272	914,424
Operating profit	156,282	844,545
Non-operating income		
Dividend income	7,022	9,159
Subsidy income	1,828	—
Other	521	999
Total non-operating income	9,372	10,159
Non-operating expenses		
Interest expenses	550	634
Commission expenses	1,371	997
Foreign exchange losses	1,107	23
Other	8	247
Total non-operating expenses	3,037	1,902
Ordinary profit	162,617	852,802
Profit before income taxes	162,617	852,802
Income taxes	53,212	276,882
Profit	109,404	575,920
Profit attributable to owners of parent	109,404	575,920

Consolidated Quarterly Statement of Comprehensive Income(For the Three-month Period)

(thousands of yen)

	1Q FY03/2022 (Apr. 1, 2021 – Jun. 30, 2021)	1Q FY03/2023 (Apr. 1, 2022 – Jun. 30 2022)
Profit	109,404	575,920
Other comprehensive income		
Valuation difference on available-for-sale securities	△33,899	898
Foreign currency translation adjustment	△2,048	△4,956
Total other comprehensive income	△35,948	△4,057
Comprehensive income	73,456	571,862
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	73,456	571,862
Comprehensive income attributable to non-controlling interests	—	—