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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 11, 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: November 14, 2022

Scheduled date of commencing dividend payments: December 2, 2022

Availability of supplementary briefing materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 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	%
Six months ended September 30, 2022	8,859	0.1	1,614	39.9	1,620	39.7	1,090	38.0
September 30, 2021	8,850	(1.5)	1,154	1.5	1,160	1.5	790	4.5

(Note) Comprehensive income: Six months ended September 30, 2022: ¥1,077 million [50.0%]
Six months ended September 30, 2021: ¥718 million [(30.4%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	90.91	—
September 30, 2021	66.30	—

(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 September 30, 2022	12,235	8,259	67.5
As of March 31, 2022	11,491	7,475	65.1

(Reference) Equity: As of September 30, 2022: ¥8,259 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	–	21.00			
Fiscal year ending March 31, 2023 (Forecast)			–	39.00	60.00

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

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)

	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
Full year	17,900	0.8	3,000	24.3	3,000	22.8	2,100	27.8	175.00

(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 six months ended September 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):

September 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:

September 30, 2022: 169 shares

March 31, 2022: 134 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 11,999,850 shares

Six months ended September 30, 2021: 11,923,778 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 4.

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

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the Japanese economy picked up as overall corporate earnings remained high and efforts were made to balance measures to control COVID-19 with economic activities, although the country was 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 six months ended September 30, 2022 are as follows.

Orders received were ¥9,160 million (up 8.4% year on year) and net sales were ¥8,859 million (up 0.1% year on year), reflecting robust investments in information technology. In terms of profits, in addition to the control of the unprofitable project and improvement of project profitability in the Solutions Business, an increase in license sales in the Products Business and improvement of profitability in the Systems Support Business contributed to a significant improvement year on year. As a result, operating profit was ¥1,614 million (up 39.9% year on year), ordinary profit was ¥1,620 million (up 39.7% year on year), and profit attributable to owners of parent was ¥1,090 million (up 38.0% year on year), achieving record-highs in each profit indicator for five consecutive quarters.

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 increased on the back of robust investments in information technology, although net sales decreased due to a reactionary decline from large-scale projects in the six months ended September 30, 2021. Segment profit improved significantly by controlling the unprofitable project and improving project profitability. As a result, orders received for this segment were ¥5,650 million (up 7.4% year on year), net sales were ¥5,419 million (down 4.2% year on year), and segment profit was ¥1,103 million (up 106.7% year on year).

(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. As a result of steady license sales, orders received for this segment were ¥3,316 million (up 9.9% year on year) and net sales were ¥3,223 million (up 6.8% year on year). Segment profit decreased year on year to ¥1,062 million (down 4.7% year on year) due to an increase in selling expenses from intensified sales activities. Net sales of mcframe licenses reached ¥1,942 million (up 3.4% year on year), setting a consecutive record.

(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 ¥193 million (up 14.4% year on year), net sales were ¥216 million (up 21.2% year on year) and segment profit was ¥214 million (up 14.6% year on year).

(2) Explanation of Financial Position

(i) Analysis of Financial Position

(Assets)

Current assets increased by ¥771 million from the end of the previous fiscal year to ¥9,638 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 second quarter under review was 78.8%.

Non-current assets decreased by ¥26 million from the end of the previous fiscal year to ¥2,597 million. This is mainly attributable to depreciation of property, plant and equipment and intangible assets exceeding purchase of property, plant and equipment and intangible assets, as well as a decrease in investments and other assets due to liquidation of subsidiaries and associates.

As a result, total assets at the end of the second quarter under review increased by ¥744 million from the end of the previous fiscal year to ¥12,235 million.

(Liabilities)

Liabilities at the end of the second quarter under review decreased by ¥39 million from the end of the previous fiscal year to ¥3,976 million. This was mainly attributable to an increase in advances received, a decrease in provision for bonuses, and a decrease in short-term borrowings.

(Net assets)

Net assets at the end of the second quarter under review increased by ¥783 million from the end of the previous fiscal year to ¥8,259 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 second quarter under review increased by 2.4 percentage points from the end of the previous fiscal year to 67.5%.

(ii) Analysis of Status of Cash Flows

Cash and cash equivalents at the end of the second quarter under review increased by ¥925 million from the end of the previous fiscal year to ¥5,871 million.

(Cash flows from operating activities)

Cash flows provided by operating activities during the six months ended September 30, 2022 increased by ¥1,534 million from the same period of the previous year to ¥1,658 million. This is mainly attributable to the recording of profit before income taxes of ¥1,620 million as well as a decrease in trade receivables of ¥363 million and an increase in advances received of ¥358 million, which exceeded the sum of income taxes paid of ¥582 million and a decrease in provision for bonuses of ¥189 million.

(Cash flows from investing activities)

Cash flows used in investing activities during the six months ended September 30, 2022 decreased by ¥96 million from the same period of the previous year to ¥325 million. This is mainly attributable to purchase of property, plant and equipment and intangible assets (including developmental investment in "mcframe," an in-house developed ERP package).

(Cash flows from financing activities)

Cash flows used in financing activities during the six months ended September 30, 2022 decreased by ¥187 million from the same period of the previous year to ¥393 million. This is mainly attributable to expenditure arising from the payment of dividends and a net decrease in short-term borrowings.

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

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

For more details, please refer to “Notice on Revision to Full-Year Financial Results Forecast and Dividends Forecast (increase) for Fiscal Year Ending March 31, 2023, and Dividends of Surplus (interim dividend)” 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)	2Q FY03/2023 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	4,945,888	5,871,008
Notes and accounts receivable - trade, and contract assets	3,468,634	3,105,111
Work in process	7,454	69,775
Other	445,018	592,190
Total current assets	8,866,995	9,638,085
Non-current assets		
Property, plant and equipment	150,681	142,676
Intangible assets		
Software	1,320,781	1,316,161
Other	1,167	1,096
Total intangible assets	1,321,949	1,317,257
Investments and other assets		
Other	1,157,631	1,143,432
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,152,131	1,137,932
Total non-current assets	2,624,761	2,597,867
Total assets	11,491,757	12,235,952

	(thousands of yen)	
	FY03/2022 (As of Mar. 31, 2022)	2Q FY03/2023 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	465,861	453,460
Short-term borrowings	100,000	—
Income taxes payable	584,448	526,388
Advances received	983,064	1,342,052
Provision for bonuses	861,353	671,731
Provision for bonuses for directors (and other officers)	50,000	—
Reserve for guarantee for after-care of products	23,915	23,819
Provision for loss on orders received	16,161	—
Other	931,528	959,411
Total current liabilities	<u>4,016,333</u>	<u>3,976,864</u>
Total liabilities	<u>4,016,333</u>	<u>3,976,864</u>
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	6,251,448	7,048,382
Treasury shares	△156	△235
Total shareholders' equity	<u>7,514,164</u>	<u>8,311,020</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△29,590	△28,294
Foreign currency translation adjustment	△9,149	△23,637
Total accumulated other comprehensive income	<u>△38,740</u>	<u>△51,931</u>
Total net assets	<u>7,475,423</u>	<u>8,259,088</u>
Total liabilities and net assets	<u>11,491,757</u>	<u>12,235,952</u>

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

(thousands of yen)

	2Q FY03/2022 (Apr. 1, 2021– Sep. 30, 2021)	2Q FY03/2023 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	8,850,834	8,859,143
Cost of sales	5,948,238	5,442,275
Gross profit	2,902,596	3,416,868
Selling, general and administrative expenses	1,748,078	1,801,991
Operating profit	1,154,517	1,614,877
Non-operating income		
Dividend income	7,022	9,964
Foreign exchange gains	533	—
Subsidy income	1,828	—
Other	970	1,311
Total non-operating income	10,354	11,276
Non-operating expenses		
Interest expenses	2,074	2,664
Foreign exchange losses	—	630
Commission expenses	2,757	2,005
Other	17	247
Total non-operating expenses	4,849	5,547
Ordinary profit	1,160,023	1,620,606
Profit before income taxes	1,160,023	1,620,606
Income taxes	369,445	529,674
Profit	790,577	1,090,931
Profit attributable to owners of parent	790,577	1,090,931

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

(thousands of yen)

	2Q FY03/2022 (Apr. 1, 2021 – Sep. 30, 2021)	2Q FY03/2023 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	790,577	1,090,931
Other comprehensive income		
Valuation difference on available-for-sale securities	△68,492	1,296
Foreign currency translation adjustment	△3,609	△14,487
Total other comprehensive income	△72,101	△13,191
Comprehensive income	718,475	1,077,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	718,475	1,077,740
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Quarterly Statement of Cash Flows

	(thousands of yen)	
	2Q FY03/2022 (Apr. 1, 2021 – Sep. 30, 2021)	2Q FY03/2023 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	1,160,023	1,620,606
Depreciation	339,721	344,540
Increase (decrease) in provision for bonuses	△12,808	△189,621
Increase (decrease) in provision for bonuses for directors (and other officers)	△35,000	△50,000
Increase (decrease) in reserve for guarantee for after-care of products	△104	△95
Increase (decrease) in provision for loss on orders received	77,924	△16,161
Interest and dividend income	△7,195	△9,978
Interest expenses	2,074	2,664
Foreign exchange losses (gains)	△533	630
Decrease (increase) in trade receivables	△837,605	363,522
Decrease (increase) in inventories	56,708	△62,320
Decrease (increase) in advance payments to suppliers	△14,473	△139,099
Increase (decrease) in trade payables	△371,727	△18,824
Increase (decrease) in advances received	158,788	358,987
Other, net	△29,585	28,991
Subtotal	486,206	2,233,840
Interest and dividends received	7,196	9,978
Interest paid	△2,002	△2,640
Income taxes paid	△367,329	△582,290
Net cash provided by (used in) operating activities	124,072	1,658,888
Cash flows from investing activities		
Purchase of property, plant and equipment	△55,485	△25,202
Purchase of intangible assets	△367,269	△317,050
Other, net	387	16,320
Net cash provided by (used in) investing activities	△422,367	△325,932
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△300,000	△100,000
Repayments of long-term borrowings	△116,804	—
Purchase of treasury shares	—	△79
Proceeds from disposal of treasury shares	123,845	—
Dividends paid	△287,970	△293,269
Net cash provided by (used in) financing activities	△580,930	△393,348
Effect of exchange rate change on cash and cash equivalents	△3,609	△14,487
Net increase (decrease) in cash and cash equivalents	△882,835	925,120
Cash and cash equivalents at beginning of period	4,078,245	4,945,888
Cash and cash equivalents at end of period	3,195,410	5,871,008