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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 9, 2023

Company name: Business Engineering Corporation
 Stock exchange listing: Tokyo Stock Exchange, Prime Market
 Code number: 4828
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 Scheduled date of filing quarterly securities report: February 13, 2023
 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 Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	13,733	3.7	2,529	32.2	2,535	32.2	1,715	31.5
December 31, 2021	13,238	(1.2)	1,913	26.4	1,917	26.2	1,304	29.9

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥1,728 million [46.1%]
 Nine months ended December 31, 2021: ¥1,183 million [1.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	143.00	–
December 31, 2021	109.25	–

(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 December 31, 2022	12,380	8,657	69.9
As of March 31, 2022	11,491	7,475	65.1

(Reference) Equity: As of December 31, 2022: ¥8,657 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)				43.00	64.00

(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	18,300	3.0	3,200	32.6	3,200	31.0	2,290	39.3	190.84

(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 nine months ended December 31, 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):
December 31, 2022: 12,000,000 shares
March 31, 2022: 12,000,000 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2022: 198 shares
March 31, 2022: 134 shares
 - 3) Average number of shares during the period:
Nine months ended December 31, 2022: 11,999,843 shares
Nine months ended December 31, 2021: 11,943,051 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 nine months ended December 31, 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 remained strong.

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 nine months ended December 31, 2022 are as follows.

Orders received were ¥14,215 million (up 10.5% year on year) and net sales were ¥13,733 million (up 3.7% year on year), both hitting record-highs mainly due to increased net sales and orders received in the Solutions Business and increased license sales in the Products Business reflecting robust investments in information technology. In terms of profits, the control of the unprofitable project, improvement of project profitability, and other factors contributed to a significant improvement year on year. As a result, operating profit was ¥2,529 million (up 32.2% year on year), ordinary profit was ¥2,535 million (up 32.2% year on year), and profit attributable to owners of parent was ¥1,715 million (up 31.5% 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. Both orders received and net sales increased on the back of robust investments in information technology. Segment profit improved significantly by controlling the unprofitable project and improving project profitability. As a result, orders received for this segment were ¥9,035 million (up 12.1% year on year), net sales were ¥8,680 million (up 2.4% year on year), and segment profit was ¥1,876 million (up 78.9% 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 ¥4,927 million (up 8.0% year on year) and net sales were ¥4,759 million (up 5.5% year on year). Segment profit were ¥1,459 million (down 9.0% year on year) mainly due to strengthening of sales and development systems. Net sales of mcframe licenses reached ¥2,830 million (up 5.3% 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 ¥252 million (up 2.5% year on year), net sales were ¥292 million (up 18.2% year on year) and segment profit was ¥370 million (up 31.4% year on year) due to improvement of profitability.

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥869 million from the end of the previous fiscal year to ¥9,736 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 third quarter under review was 78.6%.

Non-current assets increased by ¥19 million from the end of the previous fiscal year to ¥2,643 million. This was mainly attributable to an increase in investments and other assets due to the fair valuation of investment securities, purchase of intangible assets, which exceeded the depreciation of intangible assets, depreciation of property, plant and equipment, which exceeded the purchase of property, plant and equipment, and a decrease in deferred tax assets.

As a result, total assets at the end of the third quarter under review increased by ¥888 million from the end of the previous fiscal year to ¥12,380 million.

(Liabilities)

Liabilities at the end of the third quarter under review decreased by ¥293 million from the end of the previous fiscal year to ¥3,722 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 third quarter under review increased by ¥1,182 million from the end of the previous fiscal year to ¥8,657 million. This was mainly attributable to an increase owing to the recording of profit attributable to owners of parent, a decrease due to dividends of surplus, and an increase in valuation difference on available-for-sale securities.

As a result, the equity ratio at the end of the third quarter under review increased by 4.8 percentage points from the end of the previous fiscal year to 69.9%.

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

In view of the operating results of the nine months ended December 31, 2022, the Company has revised the full-year financial results forecast and dividends forecast for the fiscal year ending March 31, 2023, which it announced on November 11, 2022.

For more details, please refer to "Notice on Revision to Full-Year Financial Results Forecast (upward revision) and Dividends Forecast (increase) for 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)	3Q FY03/2023 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	4,945,888	6,217,183
Notes and accounts receivable - trade, and contract assets	3,468,634	2,992,058
Work in process	7,454	6,292
Other	445,018	521,027
Total current assets	<u>8,866,995</u>	<u>9,736,561</u>
Non-current assets		
Property, plant and equipment	150,681	136,566
Intangible assets		
Software	1,320,781	1,332,919
Other	1,167	5,560
Total intangible assets	<u>1,321,949</u>	<u>1,338,480</u>
Investments and other assets		
Other	1,157,631	1,174,308
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	<u>1,152,131</u>	<u>1,168,808</u>
Total non-current assets	<u>2,624,761</u>	<u>2,643,854</u>
Total assets	<u>11,491,757</u>	<u>12,380,416</u>

	(thousands of yen)	
	FY03/2022 (As of Mar. 31, 2022)	3Q FY03/2023 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	465,861	396,339
Short-term borrowings	100,000	—
Income taxes payable	584,448	348,950
Advances received	983,064	1,135,597
Provision for bonuses	861,353	394,759
Provision for bonuses for directors (and other officers)	50,000	—
Reserve for guarantee for after-care of products	23,915	24,511
Provision for loss on orders received	16,161	—
Other	931,528	1,422,434
Total current liabilities	<u>4,016,333</u>	<u>3,722,592</u>
Total liabilities	<u>4,016,333</u>	<u>3,722,592</u>
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	6,251,448	7,421,408
Treasury shares	△156	△304
Total shareholders' equity	<u>7,514,164</u>	<u>8,683,977</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△29,590	2,955
Foreign currency translation adjustment	△9,149	△29,109
Total accumulated other comprehensive income	<u>△38,740</u>	<u>△26,153</u>
Total net assets	<u>7,475,423</u>	<u>8,657,823</u>
Total liabilities and net assets	<u>11,491,757</u>	<u>12,380,416</u>

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

(thousands of yen)

	3Q FY03/2022 (Apr. 1, 2021– Dec. 31, 2021)	3Q FY03/2023 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	13,238,138	13,733,011
Cost of sales	8,758,930	8,525,335
Gross profit	4,479,207	5,207,675
Selling, general and administrative expenses	2,565,462	2,678,525
Operating profit	1,913,744	2,529,150
Non-operating income		
Dividend income	7,022	9,964
Subsidy income	1,828	106
Other	1,194	1,585
Total non-operating income	10,045	11,656
Non-operating expenses		
Interest expenses	2,610	1,329
Foreign exchange losses	249	641
Commission expenses	3,765	3,013
Other	24	520
Total non-operating expenses	6,649	5,505
Ordinary profit	1,917,140	2,535,301
Profit before income taxes	1,917,140	2,535,301
Income taxes	612,347	819,347
Profit	1,304,792	1,715,953
Profit attributable to owners of parent	1,304,792	1,715,953

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

	(thousands of yen)	
	3Q FY03/2022 (Apr. 1, 2021– Dec. 31, 2021)	3Q FY03/2023 (Apr. 1, 2022 – Dec. 31, 2022)
Profit	1,304,792	1,715,953
Other comprehensive income		
Valuation difference on available-for-sale securities	△119,270	32,546
Foreign currency translation adjustment	△2,474	△19,959
Total other comprehensive income	△121,744	12,587
Comprehensive income	1,183,048	1,728,540
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,183,048	1,728,540
Comprehensive income attributable to non-controlling interests	—	—