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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 4, 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: August 8, 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 Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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, 2023	4,703	7.3	1,000	18.5	1,011	18.6	684	18.9
June 30, 2022	4,384	9.0	844	440.4	852	424.4	575	426.4

(Note) Comprehensive income: Three months ended June 30, 2023: ¥767 million [34.2%]

Three months ended June 30, 2022: ¥571 million [678.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	57.08	–
June 30, 2022	47.99	–

(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, 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	13,637	9,538	69.9
As of March 31, 2023	13,408	9,287	69.3

(Reference) Equity: As of June 30, 2023: ¥9,538 million

As of March 31, 2023: ¥9,287 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, 2023	–	21.00	–	43.00	64.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		32.00	–	32.00	64.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	9,550	7.8	1,850	14.6	1,850	14.2	1,260	15.5	105.00
Full year	18,800	1.6	3,450	6.3	3,450	6.1	2,330	0.1	194.17

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

*** Notes:**

(1) Changes in significant subsidiaries during the three months ended June 30, 2023: 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, 2023: 12,000,000 shares

March 31, 2023: 12,000,000 shares

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

June 30, 2023: 198 shares

March 31, 2023: 198 shares

3) Average number of shares during the period:

Three months ended June 30, 2023: 11,999,802 shares

Three months ended June 30, 2022: 11,999,866 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, 2023.

* 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, 2023, the Japanese economy gradually recovered as overall corporate earnings remained high, 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 remain strong. However, it remains difficult to dispel concerns over a decline in customers' willingness to invest in information technology due to the impact of downside risks to the economy.

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, 2023 are as follows.

Orders received were ¥4,894 million (up 0.7% year on year) and net sales were ¥4,703 million (up 7.3% year on year), both reflecting robust investments in information technology, with net sales hitting a record high. In addition, sales of mcframe licenses were ¥1,082 million (up 10.2% year on year), setting a consecutive record high. In terms of profits, owing to factors such as the improvement of project profitability and growth in license sales, operating profit was ¥1,000 million (up 18.5% year on year), ordinary profit was ¥1,011 million (up 18.6% year on year), and profit attributable to owners of parent was ¥684 million (up 18.9% year on year), with each of the profit indicators setting a consecutive record high.

Operating results by business segment are as follows.

The Group implemented organizational changes on April 1, 2023, and has transferred some projects from the Products Business to the Solutions Business. For comparison and analysis with the three months ended June 30, 2022, we used figures after retrospective application of the organizational changes.

(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. On the back of robust investments in information technology, orders received for this segment were ¥3,124 million (up 0.7% year on year), and net sales were ¥3,052 million (up 6.3% year on year). Segment profit was ¥739 million (up 24.3% year on year) due to the improvement of project profitability.

(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, license sales remained robust. Orders received for this segment were ¥1,654 million (down 0.6% year on year), net sales were ¥1,544 million (up 11.2% year on year), and segment profit was ¥562 million (up 7.6% 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. This business segment 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 ¥115 million (up 22.9% year on year), net sales were ¥105 million (down 12.9% year on year) and segment profit was ¥149 million (up 37.2% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥32 million from the end of the previous fiscal year to ¥10,789 million. This was mainly attributable to a decrease in cash and deposits. The ratio of current assets to total assets at the end of the first quarter under review was 79.1%.

Non-current assets increased by ¥260 million from the end of the previous fiscal year to ¥2,847 million. This was mainly attributable to an increase due to purchase of investment securities, an increase in investments and other assets due in part to an increase in the fair market valuation of investment securities, and 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 ¥228 million from the end of the previous fiscal year to ¥13,637 million.

(Liabilities)

Liabilities at the end of the first quarter under review decreased by ¥23 million from the end of the previous fiscal year to ¥4,098 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 first quarter under review increased by ¥251 million from the end of the previous fiscal year to ¥9,538 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 0.6 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 three months ended June 30, 2023, the Company has revised upward its financial results forecast for the first half of the fiscal year ending March 31, 2024, which it announced on May 12, 2023.

The full-year financial results forecast for the fiscal year ending March 31, 2024 announced on May 12, 2023 remains unchanged.

For more details, please refer to "Notice on Revision to Financial Results Forecast (upward revision) for the First Half of the Fiscal Year Ending March 31, 2024," which was also disclosed today.

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

	(thousands of yen)	
	FY03/2023 (As of Mar. 31, 2023)	1Q FY03/2024 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	6,966,947	6,889,820
Notes and accounts receivable - trade, and contract assets	3,261,012	3,222,401
Work in process	2,487	17,097
Other	591,179	660,207
Total current assets	10,821,627	10,789,527
Non-current assets		
Property, plant and equipment	130,885	121,966
Intangible assets		
Software	1,341,840	1,392,236
Other	5,524	5,489
Total intangible assets	1,347,364	1,397,725
Investments and other assets		
Other	1,114,287	1,333,540
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,108,787	1,328,040
Total non-current assets	2,587,038	2,847,731
Total assets	13,408,665	13,637,259

	(thousands of yen)	
	FY03/2023 (As of Mar. 31, 2023)	1Q FY03/2024 (As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	498,809	429,805
Short-term borrowings	100,000	—
Income taxes payable	406,246	351,286
Advances received	1,128,019	1,694,130
Provision for bonuses	693,722	246,931
Provision for bonuses for directors (and other officers)	80,000	—
Reserve for guarantee for after-care of products	22,507	22,910
Provision for loss on orders received	23,334	6,163
Other	1,168,783	1,347,110
Total current liabilities	<u>4,121,422</u>	<u>4,098,338</u>
Total liabilities	<u>4,121,422</u>	<u>4,098,338</u>
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	8,033,699	8,202,625
Treasury shares	△304	△304
Total shareholders' equity	<u>9,296,267</u>	<u>9,465,194</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,979	95,408
Foreign currency translation adjustment	△21,005	△21,681
Total accumulated other comprehensive income	<u>△9,025</u>	<u>73,726</u>
Total net assets	<u>9,287,242</u>	<u>9,538,920</u>
Total liabilities and net assets	<u>13,408,665</u>	<u>13,637,259</u>

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

(thousands of yen)

	1Q FY03/2023 (Apr. 1, 2022 – Jun. 30, 2022)	1Q FY03/2024 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	4,384,309	4,703,821
Cost of sales	2,625,339	2,713,870
Gross profit	1,758,969	1,989,950
Selling, general and administrative expenses	914,424	988,988
Operating profit	844,545	1,000,962
Non-operating income		
Dividend income	9,159	12,242
Other	999	—
Total non-operating income	10,159	12,242
Non-operating expenses		
Interest expenses	634	108
Foreign exchange losses	23	273
Commission expenses	997	995
Other	247	203
Total non-operating expenses	1,902	1,581
Ordinary profit	852,802	1,011,623
Profit before income taxes	852,802	1,011,623
Income taxes	276,882	326,705
Profit	575,920	684,917
Profit attributable to owners of parent	575,920	684,917

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

(thousands of yen)

	1Q FY03/2023 (Apr. 1, 2022 – Jun. 30, 2022)	1Q FY03/2024 (Apr. 1, 2023 – Jun. 30, 2023)
Profit	575,920	684,917
Other comprehensive income		
Valuation difference on available-for-sale securities	898	83,428
Foreign currency translation adjustment	△4,956	△676
Total other comprehensive income	△4,057	82,752
Comprehensive income	571,862	767,669
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	571,862	767,669
Comprehensive income attributable to non-controlling interests	—	—