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



November 10, 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: November 14, 2023

Scheduled date of commencing dividend payments: December 4, 2023

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, 2023 (April 1, 2023 to September 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	%
Six months ended September 30, 2023	9,808	10.7	2,114	31.0	2,126	31.2	1,443	32.4
Six months ended September 30, 2022	8,859	0.1	1,614	39.9	1,620	39.7	1,090	38.0

(Note) Comprehensive income: Six months ended September 30, 2023: ¥1,503 million [39.5%]

Six months ended September 30, 2022: ¥1,077 million [50.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	120.38	—
Six months ended September 30, 2022	90.91	—

(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 September 30, 2023	14,567	10,194	70.0
As of March 31, 2023	13,408	9,287	69.3

(Reference) Equity: As of September 30, 2023: ¥10,194 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
Fiscal year ended March 31, 2023	Yen –	Yen 21.00	Yen –	Yen 43.00	Yen 64.00
Fiscal year ending March 31, 2024	–	32.00			
Fiscal year ending March 31, 2024 (Forecast)			–	44.00	76.00

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

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)

	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	19,000	2.7	3,800	17.1	3,800	16.9	2,550	9.5	212.78

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

*** Notes:**

(1) Changes in significant subsidiaries during the six months ended September 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):

September 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:

September 30, 2023: 25,598 shares

March 31, 2023: 198 shares

3) Average number of shares during the period:

Six months ended September 30, 2023: 11,994,058 shares

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

(Note)1. 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.

2. “Total number of treasury shares at the end of the period” and “Average number of shares during the period” are calculated by including the Company’s shares held by stock grant trust for directors in the treasury shares that are deductible.

* 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, 2023, the Japanese economy gradually recovered as overall corporate earnings remained high, although the country was affected by a slowdown in the pace of overseas economic recovery.

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.

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. With the partial revision to the plan in November 2023, the Group has also been working to contribute to sustainability.

The financial results during the six months ended September 30, 2023 are as follows.

Reflecting growth supported by robust investments in information technology during the six months ended September 30, 2023, orders received were ¥9,820 million (up 7.2% year on year) and net sales were ¥9,808 million (up 10.7% year on year), both hitting a record high. In addition, thanks to robust license sales, sales of mcframe licenses were ¥2,132 million (up 9.8% 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 in addition to profit growth from increased net sales, operating profit was ¥2,114 million (up 31.0% year on year), ordinary profit was ¥2,126 million (up 31.2% year on year), and profit attributable to owners of parent was ¥1,443 million (up 32.4% year on year), achieving record-highs in each profit indicator for six consecutive quarters.

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 six months ended September 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. As orders and sales grew on the back of robust investments in information technology during the six months ended September 30, 2023, orders received for this segment were ¥6,576 million (up 9.1% year on year), and net sales were ¥6,541 million (up 12.8% year on year). Segment profit was ¥1,677 million (up 41.4% year on year) due to the improvement of project profitability in addition to profit growth from increased net sales.

(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 ¥3,035 million (up 3.3% year on year), net sales were ¥3,070 million (up 7.9% year on year), and segment profit was ¥1,012 million (up 5.9% 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 ¥208 million (up 8.1% year on year), net sales were ¥196 million (down 9.1% year on year) and segment profit was ¥277 million (up 29.4% year on year).

(2) Explanation of Financial Position

(i) Analysis of Financial Position

(Assets)

Current assets increased by ¥826 million from the end of the previous fiscal year to ¥11,648 million. This was mainly attributable to an increase in cash and deposits and an increase 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 80.0%.

Non-current assets increased by ¥332 million from the end of the previous fiscal year to ¥2,919 million. This was mainly attributable to an increase due to purchase 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 second quarter under review increased by ¥1,159 million from the end of the previous fiscal year to ¥14,567 million.

(Liabilities)

Liabilities at the end of the second quarter under review increased by ¥252 million from the end of the previous fiscal year to ¥4,373 million. This was mainly attributable to an increase in advances received and a decrease in short-term borrowings.

(Net assets)

Net assets at the end of the second quarter under review increased by ¥906 million from the end of the previous fiscal year to ¥10,194 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 a decrease due to purchase of treasury shares.

As a result, the equity ratio at the end of the second quarter under review increased by 0.7 percentage points from the end of the previous fiscal year to 70.0%.

(ii) Analysis of Status of Cash Flows

Cash and cash equivalents at the end of the second quarter under review increased by ¥552 million from the end of the previous fiscal year to ¥7,519 million.

(Cash flows from operating activities)

Cash flows provided by operating activities during the six months ended September 30, 2023 increased by ¥215 million from the same period of the previous year to ¥1,874 million. This was mainly attributable to the recording of profit before income taxes of ¥2,126 million as well as income taxes paid of ¥364 million, depreciation of ¥352 million, an increase in advances received of ¥342 million and an increase in trade receivables of ¥285 million.

(Cash flows from investing activities)

Cash flows used in investing activities during the six months ended September 30, 2023 increased by ¥290 million from the same period of the previous year to ¥616 million. This was mainly attributable to purchase of tangible and intangible assets (including developmental investment in “mcframe,” an in-house developed ERP package), and purchase of investment securities.

(Cash flows from financing activities)

Cash flows used in financing activities during the six months ended September 30, 2023 increased by ¥302 million from the same period of the previous year to ¥695 million. This was 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, 2023, the Company has revised the full-year financial results forecast and dividends forecast for the fiscal year ending March 31, 2024, which it announced on May 12, 2023.

For more details, please refer to “Notice on Revision to Full-Year Financial Results Forecast (upward revision) for the Fiscal Year Ending March 31, 2024” and “Notice on Change to Shareholders Return Policy (dividend policy), Revision to Dividends Forecast (increase), and Dividend of Surplus (interim dividend),” which were also disclosed today.

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

	(thousands of yen)	
	FY03/2023 (As of Mar. 31, 2023)	2Q FY03/2024 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	6,966,947	7,519,145
Notes and accounts receivable - trade, and contract assets	3,261,012	3,546,475
Work in process	2,487	3,484
Other	591,179	579,216
Total current assets	10,821,627	11,648,320
Non-current assets		
Property, plant and equipment	130,885	122,513
Intangible assets		
Software	1,341,840	1,476,206
Other	5,524	5,453
Total intangible assets	1,347,364	1,481,659
Investments and other assets		
Other	1,114,287	1,320,866
Allowance for doubtful accounts	5,499	5,499
Total investments and other assets	1,108,787	1,315,366
Total non-current assets	2,587,038	2,919,540
Total assets	13,408,665	14,567,861

	(thousands of yen)	
	FY03/2023 (As of Mar. 31, 2023)	2Q FY03/2024 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	498,809	476,810
Short-term borrowings	100,000	—
Income taxes payable	406,246	732,168
Advances received	1,128,019	1,470,955
Provision for bonuses	693,722	641,662
Provision for bonuses for directors (and other officers)	80,000	—
Reserve for guarantee for after-care of products	22,507	23,697
Provision for loss on orders received	23,334	—
Other	1,168,783	1,028,390
Total current liabilities	<u>4,121,422</u>	<u>4,373,684</u>
Total liabilities	<u>4,121,422</u>	<u>4,373,684</u>
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	8,033,699	8,961,557
Treasury shares	304	80,986
Total shareholders' equity	<u>9,296,267</u>	<u>10,143,444</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,979	81,744
Foreign currency translation adjustment	21,005	31,012
Total accumulated other comprehensive income	<u>9,025</u>	<u>50,731</u>
Total net assets	<u>9,287,242</u>	<u>10,194,176</u>
Total liabilities and net assets	<u>13,408,665</u>	<u>14,567,861</u>

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

(thousands of yen)

	2Q FY03/2023 (Apr. 1, 2022 – Sep. 30, 2022)	2Q FY03/2024 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	8,859,143	9,808,401
Cost of sales	5,442,275	5,748,249
Gross profit	3,416,868	4,060,152
Selling, general and administrative expenses	1,801,991	1,945,187
Operating profit	1,614,877	2,114,964
Non-operating income		
Dividend income	9,964	14,588
Subsidy income	—	250
Other	1,311	438
Total non-operating income	11,276	15,277
Non-operating expenses		
Interest expenses	2,664	1,228
Foreign exchange losses	630	332
Commission expenses	2,005	2,002
Other	247	526
Total non-operating expenses	5,547	4,090
Ordinary profit	1,620,606	2,126,150
Profit before income taxes	1,620,606	2,126,150
Income taxes	529,674	682,300
Profit	1,090,931	1,443,850
Profit attributable to owners of parent	1,090,931	1,443,850

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

(thousands of yen)

	2Q FY03/2023 (Apr. 1, 2022 – Sep. 30, 2022)	2Q FY03/2024 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	1,090,931	1,443,850
Other comprehensive income		
Valuation difference on available-for-sale securities	1,296	69,764
Foreign currency translation adjustment	14,487	10,007
Total other comprehensive income	13,191	59,757
Comprehensive income	1,077,740	1,503,607
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,077,740	1,503,607
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Quarterly Statement of Cash Flows

	(thousands of yen)	
	2Q FY03/2023 (Apr. 1, 2022 – Sep. 30, 2022)	2Q FY03/2024 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	1,620,606	2,126,150
Depreciation	344,540	352,447
Increase (decrease) in provision for bonuses	189,621	52,060
Increase (decrease) in provision for bonuses for directors (and other officers)	50,000	80,000
Increase (decrease) in reserve for guarantee for after-care of products	95	1,190
Increase (decrease) in provision for loss on orders received	16,161	23,334
Interest and dividend income	9,978	14,589
Interest expenses	2,664	1,228
Foreign exchange losses (gains)	630	332
Decrease (increase) in trade receivables	363,522	285,462
Decrease (increase) in inventories	62,320	996
Decrease (increase) in advance payments to suppliers	139,099	5,000
Increase (decrease) in trade payables	18,824	33,891
Increase (decrease) in advances received	358,987	342,936
Other, net	28,991	181,427
Subtotal	<u>2,233,840</u>	<u>2,225,306</u>
Interest and dividends received	9,978	14,589
Interest paid	2,640	1,204
Income taxes paid	582,290	364,180
Net cash provided by (used in) operating activities	<u>1,658,888</u>	<u>1,874,510</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	25,202	16,735
Purchase of investment securities	—	137,694
Purchase of intangible assets	317,050	461,697
Other, net	16,320	208
Net cash provided by (used in) investing activities	<u>325,932</u>	<u>616,336</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100,000	100,000
Purchase of treasury shares	79	80,682
Dividends paid	293,269	515,286
Net cash provided by (used in) financing activities	<u>393,348</u>	<u>695,968</u>
Effect of exchange rate change on cash and cash equivalents	14,487	10,007
Net increase (decrease) in cash and cash equivalents	<u>925,120</u>	<u>552,197</u>
Cash and cash equivalents at beginning of period	4,945,888	6,966,947
Cash and cash equivalents at end of period	<u>5,871,008</u>	<u>7,519,145</u>