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Consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]



February 4, 2021

Company name: Business Engineering Corporation

Stock exchange listing: Tokyo Stock Exchange, First Section

Code number: 4828

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

Representative: Masakazu Haneda, President & CEO

Contact: Shigeaki Betsunou, Managing Director and Division General Manager, Corporate Administration & Planning Div.

Phone: +81-3-3510-1600

Scheduled date of filing quarterly securities report: February 9, 2021

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, 2020 (April 1, 2020 to December 31, 2020)

(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, 2020	13,286	0.2	1,646	25.1	1,651	24.9	1,093	50.9
December 31, 2019	13,255	21.1	1,316	60.0	1,322	61.9	724	37.2

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥1,253 million [56.7%]
Nine months ended December 31, 2019: ¥799 million [72.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	185.07	–
December 31, 2019	123.37	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	9,482	6,039	63.7
As of March 31, 2020	8,593	5,033	58.6

(Reference) Equity: As of December 31, 2020: ¥6,039 million
As of March 31, 2020: ¥5,033 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, 2020	–	19.00	–	26.00	45.00
Fiscal year ending March 31, 2021	–	22.00	–		
Fiscal year ending March 31, 2021 (Forecast)				48.00	70.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	17,800	0.4	2,000	27.1	2,000	26.8	1,350	58.2	228.20

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2020: 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, 2020: 6,000,000 shares

March 31, 2020: 6,000,000 shares

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

December 31, 2020: 84,843 shares

March 31, 2020: 104,690 shares

3) Average number of shares during the period:

Nine months ended December 31, 2020: 5,908,068 shares

Nine months ended December 31, 2019: 5,872,581 shares

(Note) “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 the Employee Stock Ownership Plan Trust 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 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, 2020, the Japanese economy was on a recovery track, as corporate earnings and business sentiment moved from a significant deterioration to a gradual improvement, despite the persisting harsh conditions caused by the impact of the COVID-19 outbreak both in Japan and overseas.

In the information services industry, in spite of a resurgence of COVID-19 infections, customers' motivation for investment in digital transformations (DX) was robust.

Under these circumstances, through the provision of consulting services, software products, system construction, operation and maintenance services, cloud services and such, our group companies strove to provide solutions with high added value, which contribute to customers' digital transformations (DX) and the resolution of their management issues.

Regarding operating results for the nine months ended December 31, 2020, all five items of orders received, net sales, operating profit, ordinary profit and profit attributable to owners of parent achieved record-high figures in the nine-month period for the third year in a row.

Regarding orders and sales, owing to robust orders in the solutions business and strong sales of licenses in the products business, orders received were ¥13,611 million (up 3.9% year on year), and net sales were ¥13,286 million (up 0.2% year on year). In terms of profit, owing to contribution mainly from license sales in the products business and productivity improvements in the systems support business, operating profit was ¥1,646 million (up 25.1% year on year), ordinary profit was ¥1,651 million (up 24.9% year on year), and profit attributable to owners of parent was ¥1,093 million (up 50.9% year on year).

Operating results by business segment are as follows.

(i) Solutions Business

For 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 a result, orders received for this segment were ¥9,718 million (up 15.4% year on year), and net sales were ¥9,034 million (up 2.4% year on year).

(ii) Products Business

For our in-house developed ERP package "mcframe," 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, orders received for this segment were ¥3,659 million (down 16.2% year on year), and net sales were ¥3,977 million (down 2.8% year on year). Net sales of licenses were ¥2,157 million (up 4.8% year on year), representing a record high in the nine-month period for consecutive years in a row.

(iii) Systems Support Business

For the systems support business run by the Business System Service Corporation, which includes operation and maintenance services, we continued to work on enhancing life cycle support for systems. As a result, orders received for this segment were ¥233 million (down 24.5% year on year), and net sales were ¥275 million (down 19.5% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥699 million from the end of the previous fiscal year to ¥6,868 million. This is

mainly attributable to an increase in cash and deposits, and a decrease in notes and accounts receivable – trade. The ratio of current assets to total assets at the end of the third quarter under review was 72.4%.

Non-current assets increased by ¥188 million from the end of the previous fiscal year to ¥2,613 million. This is mainly attributable to an increase 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 third quarter under review increased by ¥888 million from the end of the previous fiscal year to ¥9,482 million.

(Liabilities)

Liabilities at the end of the third quarter under review decreased by ¥117 million from the end of the previous fiscal year to ¥3,443 million. This is mainly attributable to a decrease in provision for bonuses and an increase in notes and accounts payable - trade.

(Net assets)

Net assets at the end of the third quarter under review increased by ¥1,005 million from the end of the previous fiscal year to ¥6,039 million. This is 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 5.1 points from the end of the previous fiscal year to 63.7%.

(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, 2020, the financial results forecast announced on May 14, 2020 has been revised. Net sales are expected to be at a record high for the third year in a row, while operating profit, ordinary profit and profit attributable to owners of parent are expected to achieve record-high profit levels for the fifth year in a row.

Furthermore, based on the financial results forecast for the full year, the forecast of the year-end dividend for the fiscal year ending March 31, 2021 of 23 yen per share has been revised up by 25 yen to 48 yen per share. As a result, the annual dividend for the fiscal year ending March 31, 2021 will be 70 yen per share (annual dividend of 45 yen per share for the fiscal year ended March 31, 2020), representing an increase in the dividend amount for the sixth year in a row, and the highest amount to date.

For more details, please refer to “Notice of Revision (Upward Revision) to Full-Year (Consolidated and Non-Consolidated) Financial Results Forecast for Fiscal Year Ending March 31, 2021” and “Notice of Revision (Increased Dividend) to Dividends Forecast for Fiscal Year Ending March 31, 2021,” which were also disclosed today.

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

	(thousands of yen)	
	FY03/2020 (As of Mar. 31, 2020)	3Q FY03/2021 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	2,159,577	3,308,244
Notes and accounts receivable - trade	3,233,222	2,642,438
Work in process	288,986	564,289
Other	486,744	353,196
Total current assets	<u>6,168,530</u>	<u>6,868,167</u>
Non-current assets		
Property, plant and equipment	142,626	132,471
Intangible assets		
Software	1,225,005	1,275,168
Other	3,282	2,405
Total intangible assets	<u>1,228,288</u>	<u>1,277,573</u>
Investments and other assets		
Other	1,059,592	1,209,413
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	<u>1,054,092</u>	<u>1,203,913</u>
Total non-current assets	<u>2,425,006</u>	<u>2,613,959</u>
Total assets	<u>8,593,537</u>	<u>9,482,126</u>

	(thousands of yen)	
	FY03/2020 (As of Mar. 31, 2020)	3Q FY03/2021 (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	550,956	703,731
Short-term borrowings	100,000	—
Current portion of long-term borrowings	7,910	—
Income taxes payable	373,805	317,637
Advances received	709,753	809,314
Provision for bonuses	679,520	328,052
Provision for bonuses for directors (and other officers)	35,000	—
Reserve for guarantee for after-care of products	17,145	17,267
Other	1,086,225	1,267,032
Total current liabilities	<u>3,560,317</u>	<u>3,443,037</u>
Total liabilities	<u>3,560,317</u>	<u>3,443,037</u>
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	448,901	448,901
Retained earnings	4,096,154	4,905,635
Treasury shares	△185,386	△149,339
Total shareholders' equity	<u>5,057,269</u>	<u>5,902,797</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△19,717	140,008
Foreign currency translation adjustment	△4,332	△3,716
Total accumulated other comprehensive income	<u>△24,050</u>	<u>136,291</u>
Total net assets	<u>5,033,219</u>	<u>6,039,089</u>
Total liabilities and net assets	<u>8,593,537</u>	<u>9,482,126</u>

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

(thousands of yen)

	3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)	3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	13,255,267	13,286,559
Cost of sales	9,207,883	9,070,487
Gross profit	4,047,383	4,216,071
Selling, general and administrative expenses	2,731,163	2,569,325
Operating profit	1,316,219	1,646,745
Non-operating income		
Dividend income	7,241	6,361
Subsidy income	—	2,507
Other	733	1,161
Total non-operating income	7,975	10,031
Non-operating expenses		
Interest expenses	1,428	1,942
Foreign exchange losses	259	2,744
Other	118	464
Total non-operating expenses	1,806	5,151
Ordinary profit	1,322,388	1,651,626
Extraordinary losses		
Loss on sales of investment securities	297	—
Loss on valuation of investment securities	147,247	—
Total extraordinary losses	147,544	—
Profit before income taxes	1,174,843	1,651,626
Income taxes	450,329	558,213
Profit	724,513	1,093,412
Profit attributable to owners of parent	724,513	1,093,412

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

(thousands of yen)

	3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)	3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 2020)
Profit	724,513	1,093,412
Other comprehensive income		
Valuation difference on available-for-sale securities	76,688	159,725
Foreign currency translation adjustment	△1,318	616
Total other comprehensive income	75,370	160,341
Comprehensive income	799,883	1,253,754
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	799,883	1,253,754
Comprehensive income attributable to non-controlling interests	—	—