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Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]



November 12, 2021

Company name: Business Engineering Corporation
 Stock exchange listing: Tokyo Stock Exchange, First Section
 Code number: 4828
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 Scheduled date of filing quarterly securities report: November 12, 2021
 Scheduled date of commencing dividend payments: December 2, 2021
 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, 2021 (April 1, 2021 to September 30, 2021)

(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, 2021	8,850	(1.5)	1,154	1.5	1,160	1.5	790	4.5
September 30, 2020	8,981	—	1,137	—	1,142	—	756	—

(Note) Comprehensive income: Six months ended September 30, 2021: ¥718 million [(30.4%)]
 Six months ended September 30, 2020: ¥1,032 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	132.61	—
September 30, 2020	128.10	—

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted from the beginning of the first quarter under review, and figures for the six months ended September 30, 2020 indicate amounts after retrospective application of the said accounting standard, etc. Accordingly, year-on-year percentage changes for the six months ended September 30, 2020 are not provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	10,374	6,867	66.2
As of March 31, 2021	10,481	6,312	60.2

(Reference) Equity: As of September 30, 2021: ¥6,867 million
 As of March 31, 2021: ¥6,312 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen —	Yen 22.00	Yen —	Yen 48.00	Yen 70.00
Fiscal year ending March 31, 2022	—	35.00			
Fiscal year ending March 31, 2022 (Forecast)			—	35.00	70.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	16,800	(5.1)	2,100	10.4	2,100	10.8	1,400	8.6	234.17

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

From the beginning of the fiscal year ending March 31, 2022, the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. is applied, and the consolidated financial results forecast above indicates amounts after application of the said accounting standard, etc. Changes from the previous fiscal year is calculated based on comparison with the figures for the fiscal year ended March 31, 2021 after retrospective application of the said accounting standard, etc.

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021: 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: Yes

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, 2021: 6,000,000 shares

March 31, 2021: 6,000,000 shares

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

September 30, 2021: 15,543 shares

March 31, 2021: 56,443 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 5,961,889 shares

Six months ended September 30, 2020: 5,904,655 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 4.

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

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted from the beginning of the first quarter. Accordingly, figures for the six months ended September 30, 2020, and the previous fiscal year are those after retrospective application of the said accounting standard, etc. Comparison and analysis have been made based on the figures for the previous corresponding period and the previous fiscal year after retrospective application.

(1) Explanation of Operating Results

During the six months ended September 30, 2021, the Japanese economy picked up on the back of a trend of overall continuing improvement in corporate earnings and business sentiment, while there were concerns about the impact of the COVID-19, global supply constraints, and others.

In the information services 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, with the economy showing downside risks, 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 ending March 31, 2022, the Group is working to resolve management issues such as the promotion of DX and global expansion in the manufacturing industry, in order to support the changing business environment facing companies in the manufacturing industry, our main customers, with products and services that leverage the strengths of the Group.

During the six months ended September 30, 2021, orders received and net sales fell year on year due to a decrease in the Solutions Business despite an increase in the Products Business. Orders received were ¥8,450 million (down 7.9% year on year), and net sales were ¥8,850 million (down 1.5% year on year). In terms of profit, despite the unprofitable project in the Solutions Business, the Products Business saw significant growth in license sales and the Systems Support Business became more profitable. As a result mainly of these factors, operating profit was ¥1,154 million (up 1.5% year on year), ordinary profit was ¥1,160 million (up 1.5% year on year), and profit attributable to owners of parent was ¥790 million (up 4.5% year on year), achieving record-highs in each profit indicator for four 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 and net sales decreased due to a reactionary decline from large-scale projects in the six months ended September 30, 2020. Segment profit decreased due to the unprofitable project. As a result, orders received were ¥5,262 million (down 22.0% year on year), net sales were ¥5,655 million (down 8.9% year on year), and segment profit was ¥533 million (down 50.6% 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, orders received were ¥3,018 million (up 32.5% year on year), net sales were ¥3,016 million (up 16.4% year on year), and segment profit was ¥1,114 million (up 59.1% year on year). As we have worked on increasing the number of business partners and strengthening our relationships with them over the long term, license sales significantly grew against the backdrop of robust software investment trend, and net sales of mcframe licenses in the second quarter under review reached ¥1,879 million (up 31.4% year on year), marking a new record high.

(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 were ¥168 million (up 10.5% year on year), net sales were ¥178 million (down 2.2% year on year), and segment profit was ¥186 million (up 44.7% year on year).

(2) Explanation of Financial Position

(i) Analysis of Financial Position

(Assets)

Current assets decreased by ¥84 million from the end of the previous fiscal year to ¥7,691 million. This is mainly attributable to a decrease 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 74.1%.

Non-current assets decreased by ¥22 million from the end of the previous fiscal year to ¥2,683 million. This is mainly attributable to a decrease 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 second quarter under review decreased by ¥106 million from the end of the previous fiscal year to ¥10,374 million.

(Liabilities)

Liabilities at the end of the second quarter under review decreased by ¥660 million from the end of the previous fiscal year to ¥3,507 million. This is mainly attributable to a decrease in short-term borrowings and a decrease in notes and accounts payable - trade.

(Net assets)

Net assets at the end of the second quarter under review increased by ¥554 million from the end of the previous fiscal year to ¥6,867 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 due to disposal of treasury shares by the Employee Stock Ownership Plan Trust.

As a result, the equity ratio at the end of the second quarter under review increased by 6.0 points from the end of the previous fiscal year to 66.2%.

(ii) Analysis of Status of Cash Flows

Cash and cash equivalents at the end of the second quarter under review decreased by ¥882 million from the end of the previous fiscal year to ¥3,195 million.

(Cash flows from operating activities)

Cash flows provided by operating activities during the six months ended September 30, 2021 decreased by ¥809 million from the same period of the previous year to ¥124 million. This is mainly attributable to the recording of profit before income taxes of ¥1,160 million as well as depreciation of ¥339 million and an increase in advances received of ¥158 million, which exceeded the sum of an increase in trade receivables of ¥837 million, a decrease in trade payables of ¥371 million, and income taxes paid of ¥367 million.

(Cash flows from investing activities)

Cash flows used in investing activities during the six months ended September 30, 2021 increased by ¥45 million from the same period of the previous year to ¥422 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, 2021 increased by ¥353 million from the same period of the previous year to ¥580 million. This is mainly attributable to a net decrease in short-term borrowings and expenditure arising from the payment of dividends.

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

We will revise the consolidated financial results forecast and non-consolidated financial results forecast for the fiscal year ending March 31, 2022, which were announced on May 13, 2021, as follows.

For the consolidated financial results forecast, net sales are expected to decrease by ¥1,100 million from the previous forecast because the Solutions Business received less project orders in the first half of the fiscal year than projected, for which net sales were expected to be recorded in the second half of the fiscal year. On the profit front, no revision is made as financial results of the Products Business are expected to exceed the targets due to favorable license sales and those of the Systems Support Business are also forecast to be higher than planned, despite those of the Solutions Business are forecast to fall below the targets.

For the non-consolidated financial results forecast, net sales are expected to decrease by ¥1,100 million from the previous forecast for the same reason mentioned above. On the profit front, although financial results of the Products Business will exceed the targets due to favorable license sales, those of the Solutions Business are forecast to fall below the targets. As a result, we estimate that ordinary profit and profit will decrease by ¥60 million and ¥40 million, respectively, from the previous forecast.

Revision to the Financial Results Forecast for the Fiscal Year Ending March 31, 2022

1) Consolidated Financial Results Forecast

	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
Previous forecast (A)	17,900	2,100	2,100	1,400	234.19
Revised forecast (B)	16,800	2,100	2,100	1,400	234.17
Difference (B-A)	(1,100)	-	-	-	
Difference (%)	(6.1%)	-	-	-	
(Reference) Results for the fiscal year ended March 31, 2021	17,707	1,902	1,895	1,288	217.88

2) Non-consolidated Financial Results Forecast

	Net sales	Ordinary profit	Profit	Basic earnings per share
	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	17,500	1,800	1,200	200.74
Revised forecast (B)	16,400	1,740	1,160	194.03
Difference (B-A)	(1,100)	(60)	(40)	
Difference (%)	(6.3%)	(3.3%)	(3.3%)	
(Reference) Results for the fiscal year ended March 31, 2021	17,305	1,589	1,088	184.06

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

	(thousands of yen)	
	FY03/2021 (As of Mar. 31, 2021)	2Q FY03/2022 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	4,078,245	3,195,410
Notes and accounts receivable - trade, and contract assets	3,171,851	4,009,456
Work in process	67,903	11,194
Other	457,808	475,680
Total current assets	<u>7,775,808</u>	<u>7,691,741</u>
Non-current assets		
Property, plant and equipment	158,170	155,730
Intangible assets		
Software	1,296,673	1,345,780
Other	2,104	1,504
Total intangible assets	<u>1,298,778</u>	<u>1,347,284</u>
Investments and other assets		
Other	1,253,981	1,185,727
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	<u>1,248,481</u>	<u>1,180,227</u>
Total non-current assets	<u>2,705,430</u>	<u>2,683,241</u>
Total assets	<u>10,481,238</u>	<u>10,374,982</u>

	(thousands of yen)	
	FY03/2021 (As of Mar. 31, 2021)	2Q FY03/2022 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	661,376	376,183
Short-term borrowings	300,000	—
Current portion of long-term borrowings	—	53,974
Income taxes payable	401,760	407,251
Advances received	958,688	1,117,476
Provision for bonuses	594,114	581,306
Provision for bonuses for directors (and other officers)	35,000	—
Reserve for guarantee for after-care of products	16,584	16,479
Provision for loss on order received	13,329	91,253
Other	1,016,840	863,968
Total current liabilities	3,997,693	3,507,893
Non-current liabilities		
Long-term borrowings	170,779	—
Total non-current liabilities	170,779	—
Total liabilities	4,168,472	3,507,893
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	5,105,777	5,608,356
Treasury shares	△170,854	△47,009
Total shareholders' equity	6,197,795	6,824,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	119,572	51,080
Foreign currency translation adjustment	△4,602	△8,211
Total accumulated other comprehensive income	114,969	42,868
Total net assets	6,312,765	6,867,088
Total liabilities and net assets	10,481,238	10,374,982

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

(thousands of yen)

	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)	2Q FY03/2022 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	8,981,424	8,850,834
Cost of sales	6,128,131	5,948,238
Gross profit	2,853,293	2,902,596
Selling, general and administrative expenses	1,716,120	1,748,078
Operating profit	1,137,172	1,154,517
Non-operating income		
Dividend income	6,361	7,022
Foreign exchange gains	—	533
Subsidy income	1,963	1,828
Other	739	970
Total non-operating income	9,065	10,354
Non-operating expenses		
Interest expenses	1,587	2,074
Foreign exchange losses	1,354	—
Commission expenses	—	2,757
Other	405	17
Total non-operating expenses	3,347	4,849
Ordinary profit	1,142,890	1,160,023
Profit before income taxes	1,142,890	1,160,023
Income taxes	386,478	369,445
Profit	756,412	790,577
Profit attributable to owners of parent	756,412	790,577

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

(thousands of yen)

	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)	2Q FY03/2022 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	756,412	790,577
Other comprehensive income		
Valuation difference on available-for-sale securities	275,739	△68,492
Foreign currency translation adjustment	518	△3,609
Total other comprehensive income	276,258	△72,101
Comprehensive income	1,032,670	718,475
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,032,670	718,475
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Quarterly Statement of Cash Flows

(thousands of yen)

	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)	2Q FY03/2022 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	1,142,890	1,160,023
Depreciation	352,523	339,721
Increase (decrease) in provision for bonuses	△98,327	△12,808
Increase (decrease) in provision for bonuses for directors (and other officers)	△35,000	△35,000
Increase (decrease) in reserve for guarantee for after-care of products	12,492	△104
Increase (decrease) in provision for loss on order received	—	77,924
Interest and dividend income	△6,582	△7,195
Interest expenses	1,587	2,074
Foreign exchange losses (gains)	1,354	△533
Decrease (increase) in trade receivables	△257,878	△837,605
Decrease (increase) in inventories	2,567	56,708
Decrease (increase) in advance payments to suppliers	623	△14,473
Increase (decrease) in trade payables	△112,761	△371,727
Increase (decrease) in advances received	343,586	158,788
Other, net	△79,393	△29,585
Subtotal	1,267,683	486,206
Interest and dividends received	5,812	7,196
Interest paid	△683	△2,002
Income taxes paid	△339,114	△367,329
Net cash provided by (used in) operating activities	933,698	124,072
Cash flows from investing activities		
Purchase of property, plant and equipment	△10,157	△55,485
Purchase of intangible assets	△364,044	△367,269
Other, net	△2,575	387
Net cash provided by (used in) investing activities	△376,777	△422,367
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△100,000	△300,000
Repayments of long-term borrowings	△7,910	△116,804
Purchase of treasury shares	△317	—
Proceeds from disposal of treasury shares	34,511	123,845
Dividends paid	△153,531	△287,970
Net cash provided by (used in) financing activities	△227,247	△580,930
Effect of exchange rate change on cash and cash equivalents	518	△3,609
Net increase (decrease) in cash and cash equivalents	330,191	△882,835
Cash and cash equivalents at beginning of period	2,159,577	4,078,245
Cash and cash equivalents at end of period	2,489,768	3,195,410