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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]



February 10, 2022

Company name: Business Engineering Corporation

Stock exchange listing: Tokyo Stock Exchange, First Section

Code number: 4828

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

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Scheduled date of filing quarterly securities report: February 14, 2022

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, 2021 (April 1, 2021 to December 31, 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	%
Nine months ended December 31, 2021	13,238	(1.2)	1,913	26.4	1,917	26.2	1,304	29.9
December 31, 2020	13,405	–	1,514	–	1,519	–	1,004	–

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥1,185 million [1.5%]
Nine months ended December 31, 2020: ¥1,165 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	218.50	–
December 31, 2020	170.06	–

(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 nine months ended December 31, 2020 indicate amounts after retrospective application of the said accounting standard, etc. Accordingly, year-on-year percentage changes for the nine months ended December 31, 2020 are not provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	10,435	7,168	68.7
As of March 31, 2021	10,481	6,312	60.2

(Reference) Equity: As of December 31, 2021: ¥7,168 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	22.00	—	48.00	70.00
Fiscal year ending March 31, 2022	—	35.00	—		
Fiscal year ending March 31, 2022 (Forecast)				49.00	84.00

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

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
	17,500	(1.2)	2,400	26.1	2,400	26.6	1,630	26.5	272.64

(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 nine months ended December 31, 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):

December 31, 2021: 6,000,000 shares

March 31, 2021: 6,000,000 shares

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

December 31, 2021: 67 shares

March 31, 2021: 56,443 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 5,971,525 shares

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

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 nine months ended December 31, 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 nine months ended December 31, 2021, it became clear that 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 nine months ended December 31, 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 ¥12,866 million (down 5.5% year on year), and net sales were ¥13,238 million (down 1.2% 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 ¥1,913 million (up 26.4% year on year), ordinary profit was ¥1,917 million (up 26.2% year on year), and profit attributable to owners of parent was ¥1,304 million (up 29.9% 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 nine months ended December 31, 2020. Segment profit decreased due to the unprofitable project. As a result, orders received were ¥8,057 million (down 17.1% year on year), net sales were ¥8,479 million (down 8.9% year on year), and segment profit was ¥1,048 million (down 31.9% 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, orders received were ¥4,562 million (up 24.7% year on year), net sales were ¥4,511 million (up 18.9% year on year), and segment profit was ¥1,603 million (up 65.4% 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 third quarter under review reached ¥2,688 million (up 31.9% 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 ¥246 million (up 5.7% year on year), net sales were ¥247 million (down 18.4% year on year), and segment profit was ¥281 million (up 27.2% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased by ¥21 million from the end of the previous fiscal year to ¥7,797 million. This is mainly attributable to an increase in notes and accounts receivable - trade, and contract assets, and decreases in cash and deposits, and in work in process. The ratio of current assets to total assets at the end of the third quarter under review was 74.7%.

Non-current assets decreased by ¥67 million from the end of the previous fiscal year to ¥2,638 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 third quarter under review decreased by ¥45 million from the end of the previous fiscal year to ¥10,435 million.

(Liabilities)

Liabilities at the end of the third quarter under review decreased by ¥901 million from the end of the previous fiscal year to ¥3,266 million. This is mainly attributable to decreases in provision for bonuses, in notes and accounts payable – trade, and in short-term borrowings.

(Net assets)

Net assets at the end of the third quarter under review increased by ¥855 million from the end of the previous fiscal year to ¥7,168 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, an increase due to disposal of treasury shares by the Employee Stock Ownership Plan Trust, and a decrease 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 8.5 points from the end of the previous fiscal year to 68.7%.

(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, 2021, the financial results forecast announced on November 12, 2021 has been revised. Operating profit, ordinary profit and profit attributable to owners of parent are expected to achieve record-high profit levels for the sixth 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, 2022 of ¥35 per share has been revised up by ¥14 to ¥49 per share. As a result, the annual dividend for the fiscal year ending March 31, 2022 will be ¥84 per share (annual dividend of ¥70 per share for the fiscal year ended March 31, 2021), representing an increase in the dividend amount for the seventh year in a row, and the highest amount to date.

For more details, please refer to “Notice on Revision to Full-Year Financial Results Forecast and Dividends Forecast (increase) for Fiscal Year Ending March 31, 2022,” which was also disclosed today.

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

	(thousands of yen)	
	FY03/2021 (As of Mar. 31, 2021)	3Q FY03/2022 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	4,078,245	3,933,705
Notes and accounts receivable - trade, and contract assets	3,171,851	3,464,522
Work in process	67,903	4,855
Other	457,808	394,247
Total current assets	<u>7,775,808</u>	<u>7,797,330</u>
Non-current assets		
Property, plant and equipment	158,170	147,296
Intangible assets		
Software	1,296,673	1,362,266
Other	2,104	1,203
Total intangible assets	<u>1,298,778</u>	<u>1,363,470</u>
Investments and other assets		
Other	1,253,981	1,132,915
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	<u>1,248,481</u>	<u>1,127,415</u>
Total non-current assets	<u>2,705,430</u>	<u>2,638,182</u>
Total assets	<u>10,481,238</u>	<u>10,435,513</u>

	(thousands of yen)	
	FY03/2021 (As of Mar. 31, 2021)	3Q FY03/2022 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	661,376	354,880
Short-term borrowings	300,000	—
Current portion of long-term borrowings	—	53,974
Income taxes payable	401,760	322,244
Advances received	958,688	960,722
Provision for bonuses	594,114	223,741
Provision for bonuses for directors (and other officers)	35,000	—
Reserve for guarantee for after-care of products	16,584	16,552
Provision for loss on order received	13,329	105,824
Other	1,016,840	1,229,056
Total current liabilities	3,997,693	3,266,998
Non-current liabilities		
Long-term borrowings	170,779	—
Total non-current liabilities	170,779	—
Total liabilities	4,168,472	3,266,998
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	5,105,777	5,912,573
Treasury shares	△170,854	△156
Total shareholders' equity	6,197,795	7,175,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	119,572	302
Foreign currency translation adjustment	△4,602	△7,076
Total accumulated other comprehensive income	114,969	△6,774
Total net assets	6,312,765	7,168,515
Total liabilities and net assets	10,481,238	10,435,513

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

(thousands of yen)

	3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 2020)	3Q FY03/2022 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	13,405,133	13,238,138
Cost of sales	9,321,511	8,758,930
Gross profit	4,083,622	4,479,207
Selling, general and administrative expenses	2,569,325	2,565,462
Operating profit	1,514,296	1,913,744
Non-operating income		
Dividend income	6,361	7,022
Subsidy income	2,507	1,828
Other	1,161	1,194
Total non-operating income	10,031	10,045
Non-operating expenses		
Interest expenses	1,942	2,610
Foreign exchange losses	2,744	249
Commission expenses	—	3,765
Other	464	24
Total non-operating expenses	5,151	6,649
Ordinary profit	1,519,176	1,917,140
Profit before income taxes	1,519,176	1,917,140
Income taxes	514,451	612,347
Profit	1,004,725	1,304,792
Profit attributable to owners of parent	1,004,725	1,304,792

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

(thousands of yen)

	3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 2020)	3Q FY03/2022 (Apr. 1, 2021 – Dec. 31, 2021)
Profit	1,004,725	1,304,792
Other comprehensive income		
Valuation difference on available-for-sale securities	159,725	△119,270
Foreign currency translation adjustment	616	△2,474
Total other comprehensive income	160,341	△121,744
Comprehensive income	1,165,067	1,183,048
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,165,067	1,183,048
Comprehensive income attributable to non-controlling interests	—	—