Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Three Months Ended August 31, 2022 [Japanese GAAP]

October 13, 2022

Company name: Bewith, Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9216
URL: https://www.bewith.net/
Representative: Koichi Morimoto, President and CEO
Contact: Kenji Ijima, Executive Vice President and Member of the Board
Phone: +81-3-6631-6005
Scheduled date of filing quarterly securities report: October 13, 2022
Scheduled date of commencing dividend payments: –
Availability of supplementary explanatory materials on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended August 31, 2022 (June 1, 2022 - August 31, 2022)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2022	8,042	–	188	–	202	–	124	–
August 31, 2021	–	–	–	–	–	–	–	–

(Note) Comprehensive income: Three months ended August 31, 2022: ¥124 million [–%]
Three months ended August 31, 2021: ¥ – million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 31, 2022	9.11	8.93
August 31, 2021	–	–

(Note) As quarterly consolidated financial statements were not prepared for the three months ended August 31, 2021, figures for that period and year-on-year percentage changes for the three months ended August 31, 2022 have not been provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2022	9,770	6,086	62.2
As of May 31, 2022	10,490	6,605	62.9

(Reference) Equity: As of August 31, 2022: ¥6,081 million
As of May 31, 2022: ¥6,600 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2022	–	0.00	–	47.00	47.00
Fiscal year ending May 31, 2023	–				
Fiscal year ending May 31, 2023 (Forecast)		0.00	–	49.00	49.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2023 (June 1, 2022 - May 31, 2023)

(% indicates changes from the previous corresponding period.)

	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	17,400	10.2	1,090	(14.9)	1,090	(16.1)	750	(11.7)	54.75
Full year	36,200	11.7	2,840	10.7	2,840	9.6	1,950	9.7	142.34

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – ( ), Excluded: – ( )

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards and other regulations: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):

As of August 31, 2022:	13,700,000 shares
As of May 31, 2022:	13,700,000 shares

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

As of August 31, 2022:	– shares
As of May 31, 2022:	– shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended August 31, 2022:	13,700,000 shares
Three months ended August 31, 2021:	– shares

(Note) As quarterly consolidated financial statements were not prepared for the three months ended August 31, 2021, the average number of shares outstanding during that period has not been provided.

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The forward-looking statements contained in this document, including financial results forecasts, are based on the information currently available to the Company and certain assumptions considered reasonable. Actual financial results, etc. may differ significantly from them due to wide-ranging factors. For the assumptions that form the basis for financial results forecasts, etc., please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments.

(How to obtain supplementary explanatory materials on quarterly financial results)

Supplementary explanatory materials on quarterly financial results will be disclosed on TDnet on the same day, as well as on the Company’s website. We also plan to hold a quarterly financial results briefing session (for analysts and institutional investors) on Thursday, October 13, 2022.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results 2
(1) Explanation of Operating Results 2
(2) Explanation of Financial Position 3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information 3

2. Quarterly Consolidated Financial Statements and Principal Notes 4
(1) Quarterly Consolidated Balance Sheets 4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income 6
(3) Notes to Quarterly Consolidated Financial Statements 8
(Notes on going concern assumption) 8
(Notes in case of significant changes in shareholders' equity) 8
(Significant subsequent events) 8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the three months ended August 31, 2022 (the "first quarter under review") showed signs of picking up with the easing of COVID-19-related movement restrictions. However, the future outlook remained uncertain due to factors including the weak yen, resource price trends, and geopolitical risks such as the situation in Ukraine and China's zero-COVID policy.

In the contact center and business process outsourcing (BPO) industry to which the Group belongs, the market size has been growing steadily due to increases in multiple needs, including the digitalization of business operations, rebuilding of operational systems, expansion of work-from-home operations, and the reinforcement of BCP measures, against a backdrop of social changes including changes in work styles at companies, consumer behavior, and lifestyle patterns.

Under such business conditions, in its Medium-Term Management Plan 2022, which covers the period until the fiscal year ending May 31, 2023, the Group has established a vision of "a company that continues to grow healthily from roots to buds" and declared its aim of achieving growth from both its existing business (the roots) of "contact centers and BPO services" and its new businesses (the buds) of "development and sale of the Cloud PBX*, Omnia LINK, and other systems." To achieve this vision, we have been making ongoing efforts based on the following five initiatives: (1) ongoing value enhancement of its businesses (roots), (2) development of next-generation businesses (buds), (3) strengthening of business foundations, (4) diversity & inclusion, and (5) promotion of ESG-oriented management.

* PBX: Private Branch eXchange

In the first quarter under review, net sales grew year-on-year due to an increase in the continuing operations of newly contracted contact centers and BPO services. Nevertheless, we fell short of our plan as the volume of COVID-19-related work shrank at a faster pace than we expected, and there was a time lag in replacing projects to those responding to private-sector and other demand.

Operating profit decreased by ¥463 million year-on-year. In the first quarter under review, we had previously forecast a decrease in profit due to investments that included development expenses for growth, opening of Yokohama 4th Center, expected incurrence of size-based business taxes due to our listing, and other factors. In addition, we have been seeing some delays in achieving the plan because of the aforementioned progress in net sales.

We will continue to strive to achieve the full-year plan by steadily acquiring new customers and providing high value-added services.

Regarding sale of Omnia LINK to outside customers, the number of license sold was 1,225, a 45% increase year-on-year, and an increase by 172 licenses from the previous quarterly period. In addition, the number of license order backlogs, for which we have been preparing for delivery after receiving unofficial orders, was level with the previous quarterly period, continuing its strong performance.

As a result of these initiatives, in August 2022, the number of operation booths reached 6,694 in 16 locations nationwide, and the number of license for the use of Omnia LINK for contact centers and BPO services reached 2,418, for a share of 72.2% (Omnia LINK's share, as a percentage of PBX used in contact centers and BPO services). Annual recurring revenue (ARR: calculated by multiplying monthly recurring revenue by 12 months) from the sale of Omnia LINK to outside customers reached ¥260 million, up 32% year-on-year.

As a result of the above, net sales was ¥8,042,879 thousand, operating profit was ¥188,051 thousand, ordinary profit was ¥202,215 thousand, and profit attributable to owners of parent was ¥124,839 thousand.

Segment information has been omitted as the contact center and BPO business is the Group's sole segment.

(2) Explanation of Financial Position

(Assets)

Total assets as of August 31, 2022 amounted to ¥9,770,608 thousand, a decrease of ¥720,084 thousand compared with the end of the previous fiscal year. This was mainly attributable to an increase of ¥208,850 thousand in accounts receivable - trade, and a decrease of ¥1,071,626 thousand in cash and deposits due to dividends paid, income taxes payable, and payment of bonuses.

(Liabilities)

Total liabilities as of August 31, 2022 amounted to ¥3,683,896 thousand, a decrease of ¥201,022 thousand compared with the end of the previous fiscal year. This was mainly attributable to a decrease of ¥186,173 thousand in income taxes payable and a decrease of ¥193,748 thousand in provision for bonuses.

(Net assets)

Total net assets as of August 31, 2022 amounted to ¥6,086,712 thousand, a decrease of ¥519,062 thousand compared with the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings due to dividends of surplus of ¥643,900 thousand, despite the recording of ¥124,839 thousand in profit attributable to owners of parent.

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

No revisions have been made to the consolidated financial results forecast for the fiscal year ending May 31, 2023 announced on July 14, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of May 31, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	4,429,714	3,358,088
Accounts receivable - trade	3,400,917	3,609,767
Electronically recorded monetary claims - operating	33,234	35,611
Merchandise	1,785	6,524
Work in process	—	5,222
Supplies	6,039	3,804
Other	299,213	321,817
Total current assets	8,170,902	7,340,833
Non-current assets		
Property, plant and equipment	814,628	921,371
Intangible assets		
Goodwill	7,058	5,645
Other	160,016	207,520
Total intangible assets	167,074	213,165
Investments and other assets		
Leasehold and guarantee deposits	1,038,127	1,038,087
Other	299,961	257,152
Total investments and other assets	1,338,088	1,295,239
Total non-current assets	2,319,790	2,429,775
Total assets	10,490,692	9,770,608

(Thousand yen)

	As of May 31, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - other	792,586	815,811
Accrued expenses	1,340,371	1,402,466
Income taxes payable	266,851	80,678
Accrued consumption taxes	566,505	543,501
Provision for bonuses	351,979	158,231
Other	251,787	335,557
Total current liabilities	3,570,079	3,336,244
Non-current liabilities		
Asset retirement obligations	314,839	347,652
Total non-current liabilities	314,839	347,652
Total liabilities	3,884,918	3,683,896
Net assets		
Shareholders' equity		
Share capital	692,200	692,200
Capital surplus	795,382	795,382
Retained earnings	5,113,392	4,594,330
Total shareholders' equity	6,600,974	6,081,912
Share acquisition rights	4,800	4,800
Total net assets	6,605,774	6,086,712
Total liabilities and net assets	10,490,692	9,770,608

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended August 31

(Thousand yen)

	For the three months ended August 31, 2022
Net sales	8,042,879
Cost of sales	7,015,832
Gross profit	1,027,047
Selling, general and administrative expenses	838,996
Operating profit	188,051
Non-operating income	
Interest income	0
Subsidy income	13,715
Other	504
Total non-operating income	14,220
Non-operating expenses	
Loss on sale of electronically recorded monetary claims	56
Total non-operating expenses	56
Ordinary profit	202,215
Extraordinary losses	
Loss on retirement of non-current assets	25
Total extraordinary losses	25
Profit before income taxes	202,190
Income taxes - current	33,987
Income taxes - deferred	43,364
Total income taxes	77,351
Profit	124,839
Profit attributable to owners of parent	124,839

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended August 31

(Thousand yen)

	For the three months ended August 31, 2022
Profit	124,839
Comprehensive income	124,839
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	124,839

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Significant subsequent events)

(Business combination through acquisition)

At its Board of Directors meeting held on September 22, 2022, the Company resolved to acquire 60% stake in Doinet Co., Ltd. ("Doinet") and make it a subsidiary. The Company entered into a share transfer agreement on September 30, 2022 and acquired Doinet's shares on October 1, 2022.

1. Outline of the business combination

1) Name of acquired company and details of its business

Name of acquired company: Doinet Co., Ltd.

Details of its business: System development (app, software)
Website production (homepage, online shops, landing page)
Product sales (IoT products, recycled PCs, LINE WORKS, Ever note)
"Grants/subsidies" diagnosis service / online marketing

2) Major reason for the business combination

The Group established "Digital Labo Nagasaki" on April 1, 2022, and has worked to solve regional issues by using digital technology in cooperation with local IT companies, municipalities, universities, and others.

Doinet, shares of which we recently acquired, is a Nagasaki-based IT company. With its strengths in development and human resource development, Doinet is one of the companies that have contributed to the development of Nagasaki's IT industry. By incorporating Doinet's development capability and human resources into our Group through this business combination, we believe that we can create synergies with Doinet through mutual complementation with "Digital Labo Nagasaki" and realize more sophisticated "contact centers and BPO services," thereby contributing to regional development and maximization of the Group's corporate value through the use of digital technology.

3) Date of business combination

October 1, 2022

4) Legal form of business combination

Share acquisition in consideration for cash

5) Name of the company after the combination

Unchanged

6) Ratio of voting rights acquired

60.0%

7) Primary basis for determining the acquirer

It is based on the fact that the Company acquired shares in consideration for cash.

2. Acquisition cost of the acquired company and related details of each class of consideration

Since the consideration is paid to an individual, the acquisition cost is not disclosed upon request from the individual. The acquisition cost was determined by taking into account third-party valuation results of share value.

3. Major acquisition-related costs

To be determined.

4. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

To be determined.

5. Assets acquired and liabilities assumed at the acquisition date

To be determined.