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Consolidated Financial Results for the Three Months Ended August 31, 2023 [Japanese GAAP]

October 12, 2023

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 12, 2023
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, 2023 (June 1, 2023 - August 31, 2023)

(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, 2023	9,650	20.0	645	243.5	647	220.2	440	253.2
August 31, 2022	8,042	–	188	–	202	–	124	–

(Note) Comprehensive income: Three months ended August 31, 2023: ¥440 million [253.2%]
Three months ended August 31, 2022: ¥124 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 31, 2023	31.68	30.66
August 31, 2022	9.11	8.93

(Note) As quarterly consolidated financial statements were not prepared for the three months ended August 31, 2021, 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, 2023	12,058	7,656	63.5
As of May 31, 2023	12,207	7,841	64.2

(Reference) Equity: As of August 31, 2023: ¥7,653 million
As of May 31, 2023: ¥7,839 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, 2023	–	0.00	–	49.00	49.00
Fiscal year ending May 31, 2024	–				
Fiscal year ending May 31, 2024 (Forecast)		0.00	–	50.00	50.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2024 (June 1, 2023 - May 31, 2024)

(% 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	18,800	13.2	1,300	69.8	1,300	64.1	880	68.0	63.34
Full year	39,000	10.9	2,900	30.3	2,900	27.8	1,970	17.4	141.80

(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, 2023: 13,945,000 shares
As of May 31, 2023: 13,893,200 shares

2) Total number of treasury shares at the end of the period:
As of August 31, 2023: 25 shares
As of May 31, 2023: 25 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
Three months ended August 31, 2023: 13,918,038 shares
Three months ended August 31, 2022: 13,700,000 shares

* 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 the Company’s website (https://www.bewith.net/ir/). We also plan to hold a quarterly financial results briefing session (for analysts and institutional investors) on Friday, October 13, 2023.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended August 31, 2023 (the "first quarter under review"), Japan's economy saw economic growth return to pre-pandemic levels. While consumption due to inbound demand has also remained steady, the outlook remains uncertain due to factors such as concerns about the slowdown of the U.S. and European economies, rising labor costs from higher wages, exchange rate fluctuations, and soaring raw material prices.

In the contact center and business process outsourcing (BPO) industry to which the Group belongs, a shift has begun in the use of digital technology from provisional digital use, such as the development of remote work environments in the COVID-19 pandemic, to essential digital use for the purpose of improving business quality and productivity. Against this backdrop, the market size has been growing steadily due to the expansion of multiple needs, such as digitalization of business operations, rebuilding of operational systems, introduction of home-based operations, and strengthening of BCP measures.

Under such business conditions, in its Medium-Term Management Plan 2025, which covers the period until the fiscal year ending May 2026, the Group has established a vision of "a company that continues to grow healthily from roots to buds," with which it is working to achieve the following three management policies: (1) Strong growth of Omnia LINK, (2) Continued growth of distinctive contact center and BPO services, and (3) Building a management foundation that will support business growth.

During the first quarter under review, net sales increased ¥1,607 million year-on-year, mainly due to the expansion of existing projects in contact center and BPO services. The larger amount in this quarter compared to the same period last year was due in part to a temporary drop in net sales resulting from a decrease in COVID-19-related work in the same period last year. In addition, the Company is performing well compared to plan due to the favorable order situation.

Operating profit grew by ¥457 million year-on-year. In the first quarter under review, this increase was due to an increase in profits resulting from solid increase in net sales, as well as an improvement in profit margins resulting from a review of selling prices for some operations and a reduction in the ratio of temporary staffing. Compared to the initial plan as well, we are implementing investments in the new construction of the Sapporo 4th Center that had been taken into account and other investments in human capital as scheduled, making solid progress against the backdrop of favorable 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 the sale of Omnia LINK to outside customers, the number of licenses increased by 106.9% year-on-year to 2,534, an increase of 163 from the previous quarterly period. During the first quarter under review, the number of companies that began using the service reached a record high on a quarterly basis. In addition, the number of license order backlog, for which we have been preparing for delivery after receiving unofficial orders, was level with the previous quarterly period, continuing its strong performance. The annual recurring revenue (ARR: calculated by multiplying monthly recurring revenue by 12 months) from the sale of Omnia LINK to outside customers reached ¥660 million, up 152.4% year-on-year.

The number of operation booths at the end of the first quarter under review totaled 6,556 at 16 locations nationwide. The 208 drop in the number of booths compared to the previous quarterly period is a temporary decrease due to the consolidation of some offices in Sapporo following the opening of the Sapporo 4th Center on September 1, 2023. The number is expected to increase again as of September 2023. The internal share of Omnia LINK (Omnia LINK's share, as a percentage of PBX used in contact centers and BPO services) was 81.5%.

As a result of the above, net sales were ¥9,650 million (up 20.0% year-on-year), operating profit was ¥645

million (up 243.5% year-on-year), ordinary profit was ¥647 million (up 220.2% year-on-year), and profit attributable to owners of parent was ¥440 million yen (up 253.2% year-on-year).

Segment information is 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, 2023 amounted to ¥12,058 million, a decrease of ¥148 million compared with the end of the previous fiscal year. This was mainly due to a ¥662 million decrease in cash and deposits, a ¥228 million increase in accounts receivable-trade, and a ¥102 million increase in investment securities.

(Liabilities)

Total liabilities as of August 31, 2023 amounted to ¥4,401 million, an increase of ¥36 million compared with the end of the previous fiscal year. This was mainly due to a ¥148 million increase in accrued expenses, a ¥156 million increase in accrued consumption taxes, a ¥189 million decrease in income taxes payable, and a ¥135 million decrease in provision for bonuses.

(Net assets)

Total net assets as of August 31, 2023 amounted to ¥7,656 million, a decrease of ¥185 million compared with the end of the previous fiscal year. This was mainly due to a decrease in retained earnings resulting from the payment of ¥680 million in dividends of surplus, despite the recording of ¥440 million in profit attributable to owners of parent.

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

There is no change to the consolidated financial results forecast for the fiscal year ending May 31, 2024, which was announced on July 13, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of May 31, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	4,913,708	4,251,668
Accounts receivable - trade	4,050,458	4,279,294
Electronically recorded monetary claims - operating	30,413	30,884
Merchandise	30,384	10,413
Work in process	1,166	9,322
Supplies	3,903	3,903
Other	340,816	352,978
Total current assets	9,370,848	8,938,462
Non-current assets		
Property, plant and equipment	899,593	1,015,882
Intangible assets		
Goodwill	14,015	22,557
Other	309,715	382,876
Total intangible assets	323,730	405,433
Investments and other assets		
Investment securities	168,000	270,637
Leasehold and guarantee deposits	1,052,467	1,126,657
Other	392,406	300,997
Total investments and other assets	1,612,873	1,698,291
Total non-current assets	2,836,196	3,119,606
Total assets	12,207,044	12,058,068

(Thousand yen)

	As of May 31, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Short-term borrowings	5,000	—
Current portion of long-term borrowings	4,776	4,776
Accounts payable - other	843,424	803,475
Accrued expenses	1,623,176	1,771,986
Income taxes payable	368,251	178,480
Accrued consumption taxes	519,397	675,885
Provision for bonuses	304,566	168,990
Other	314,630	392,708
Total current liabilities	3,983,220	3,996,300
Non-current liabilities		
Long-term borrowings	25,511	24,317
Retirement benefit liability	5,248	5,384
Asset retirement obligations	351,171	372,196
Other	—	3,643
Total non-current liabilities	381,930	405,540
Total liabilities	4,365,150	4,401,840
Net assets		
Shareholders' equity		
Share capital	794,133	821,389
Capital surplus	897,315	924,571
Retained earnings	6,147,671	5,907,873
Treasury shares	(53)	(53)
Total shareholders' equity	7,839,066	7,653,780
Share acquisition rights	2,828	2,448
Total net assets	7,841,894	7,656,228
Total liabilities and net assets	12,207,044	12,058,068

(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	For the three months ended August 31, 2023
Net sales	8,042,879	9,650,258
Cost of sales	7,015,832	8,143,412
Gross profit	1,027,047	1,506,846
Selling, general and administrative expenses	838,996	860,923
Operating profit	188,051	645,923
Non-operating income		
Interest income	0	1
Dividend income	—	1
Subsidy income	13,715	897
Installation fee of vending machine	425	409
Other	79	365
Total non-operating income	14,220	1,673
Non-operating expenses		
Interest expenses	—	97
Loss on sale of electronically recorded monetary claims	56	60
Total non-operating expenses	56	157
Ordinary profit	202,215	647,439
Extraordinary losses		
Loss on retirement of non-current assets	25	343
Total extraordinary losses	25	343
Profit before income taxes	202,190	647,096
Income taxes - current	33,987	117,522
Income taxes - deferred	43,364	88,605
Total income taxes	77,351	206,127
Profit	124,839	440,969
Profit attributable to owners of parent	124,839	440,969

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended August 31

(Thousand yen)

	For the three months ended August 31, 2022	For the three months ended August 31, 2023
Profit	124,839	440,969
Comprehensive income	124,839	440,969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	124,839	440,969

(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.