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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 2, 2024

Company name: Business Engineering Corporation
Stock exchange listing: Tokyo Stock Exchange, Prime Market
Code number: 4828
URL: https://www.b-en-g.co.jp/
Representative: Masakazu Haneda, President & CEO
Contact: Shigeaki Betsunou, Senior Managing Director and Division General Manager, Corporate Administration & Planning Div.
Phone: +81-3-3510-1600
Scheduled date of commencing dividend payments: –
Availability of supplementary briefing materials on financial results: Available
Schedule of financial results briefing session: Scheduled (for securities analysts)

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (% 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	%
June 30, 2024	5,042	7.2	1,167	16.7	1,183	17.0	803	17.3
June 30, 2023	4,703	7.3	1,000	18.5	1,011	18.6	684	18.9

(Note) Comprehensive income: Three months ended June 30, 2024: ¥844 million [10.0%]
Three months ended June 30, 2023: ¥767 million [34.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	67.07	–
June 30, 2023	57.08	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	15,827	11,242	71.0
As of March 31, 2024	15,718	10,950	69.7

(Reference) Equity: As of June 30, 2024: ¥11,242 million
As of March 31, 2024: ¥10,950 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, 2024	–	32.00	–	46.00	78.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		42.00	–	42.00	84.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% represent changes from the previous fiscal year for full year, and on a year-on-year basis for quarterly results)

	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	10,300	5.0	2,150	1.7	2,150	1.1	1,470	1.8	122.76
Full year	20,500	5.2	4,200	8.1	4,200	8.3	2,850	8.5	238.01

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: None
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: 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):
June 30, 2024: 12,000,000 shares
March 31, 2024: 12,000,000 shares
2) Total number of treasury shares at the end of the period:
June 30, 2024: 25,644 shares
March 31, 2024: 25,644 shares
3) Average number of shares during the period:
Three months ended June 30, 2024: 11,974,356 shares
Three months ended June 30, 2023: 11,999,802 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 stock grant trust for directors in the treasury shares that are deductible.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 three months ended June 30, 2024, the Japanese economy gradually recovered as corporate earnings improved and business sentiment remained at a favorable level, although the country saw some signs of weakness.

In the information service industry, customers' willingness to invest in digital transformations (DX) is robust, and investments in information technology in the manufacturing industry remained strong.

In such a business environment, under the management plan "Management Vision 2026 Revised Version" for the six years through the fiscal year ending March 31, 2027, the Group has worked to resolve management issues such as the promotion of DX and global expansion in the manufacturing industry, in order to support its main customers facing changes in the business environment of the manufacturing industry with products and services that leverage the strengths of the Group. At the same time, the Group has been working to contribute to sustainability.

The financial results during the three months ended June 30, 2024 are as follows.

Orders received were ¥4,674 million (down 4.5% year on year) and net sales were ¥5,042 million (up 7.2% year on year). Reflecting growth supported by robust investments in information technology, net sales set another record high, mainly owing to increased sales in the Solutions Business and increased license sales in the Products Business. In addition, owing to robust license sales, sales of mcframe licenses were ¥1,320 million (up 22.0% year on year), also setting another record high. In terms of profits, primarily owing to factors such as the improvement of project profitability in the Solutions Business and growth in license sales in the Products Business, in addition to profit growth from increased net sales, operating profit was ¥1,167 million (up 16.7% year on year), ordinary profit was ¥1,183 million (up 17.0% year on year), and profit attributable to owners of parent was ¥803 million (up 17.3% year on year), achieving quarterly record-highs in each profit indicator for the third consecutive year.

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 for this segment were ¥2,775 million (down 11.1% year on year), and net sales were ¥3,170 million (up 3.8% year on year). Net sales increased on the back of robust investments in information technology. Segment profit was ¥796 million (up 7.7% year on year) due to the improvement of project profitability in addition to profit growth from increased net sales.

(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, license sales remained robust. Orders received for this segment were ¥1,753 million (up 6.0% year on year), net sales were ¥1,729 million (up 11.9% year on year), and segment profit was ¥729 million (up 29.6% year on year).

(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. This business segment 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 for this segment were ¥145 million (up 26.2% year on year), net sales were ¥142 million (up 35.0% year on year) and segment profit was ¥129 million (down 13.6% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets decreased by ¥1 million from the end of the previous fiscal year to ¥12,581 million. This was mainly attributable to a decrease in cash and deposits. The ratio of current assets to total assets at the end of the first quarter under review was 79.5%.

Non-current assets increased by ¥110 million from the end of the previous fiscal year to ¥3,245 million. This was mainly attributable to purchase of intangible assets, which exceeded the depreciation of intangible assets, and an increase in the fair market valuation of investment securities.

As a result, total assets at the end of the first quarter under review increased by ¥109 million from the end of the previous fiscal year to ¥15,827 million.

(Liabilities)

Liabilities at the end of the first quarter under review decreased by ¥183 million from the end of the previous fiscal year to ¥4,584 million. This was mainly attributable to an increase in advances received and a decrease in income taxes payable.

(Net assets)

Net assets at the end of the first quarter under review increased by ¥292 million from the end of the previous fiscal year to ¥11,242 million. This was mainly attributable to an increase owing to the recording of profit attributable to owners of parent and a decrease due to dividends of surplus.

As a result, the equity ratio at the end of the first quarter under review increased by 1.3 percentage points from the end of the previous fiscal year to 71.0%.

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

The full-year financial results forecast for the fiscal year ending March 31, 2025 announced on May 10, 2024 remains unchanged.

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

（thousands of yen）

	FY03/2024 (As of Mar. 31, 2024)	1Q FY03/2025 (As of Jun. 30, 2024)
Assets		
Current assets		
Cash and deposits	8,381,943	8,354,751
Notes and accounts receivable - trade, and contract assets	3,526,528	3,388,240
Work in process	9,228	20,991
Other	665,546	817,787
Total current assets	12,583,247	12,581,770
Non-current assets		
Property, plant and equipment	169,920	170,241
Intangible assets		
Software	1,622,421	1,682,721
Other	4,969	4,821
Total intangible assets	1,627,390	1,687,542
Investments and other assets		
Investment securities	538,888	599,369
Leasehold deposits	298,661	298,649
Deferred tax assets	375,263	365,695
Other	130,449	129,685
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,337,762	1,387,899
Total non-current assets	3,135,073	3,245,683
Total assets	15,718,321	15,827,454

（thousands of yen）

	FY03/2024 (As of Mar. 31, 2024)	1Q FY03/2025 (As of Jun. 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	422,634	443,112
Short-term borrowings	100,000	―
Accrued expenses	535,416	694,486
Income taxes payable	969,646	406,840
Advances received	1,312,757	2,012,415
Provision for bonuses	784,470	254,042
Provision for bonuses for directors (and other officers)	47,900	―
Reserve for guarantee for after-care of products	18,942	19,244
Other	560,749	733,904
Total current liabilities	4,752,518	4,564,046
Non-current liabilities		
Provision for share awards for directors (and other officers)	15,387	20,526
Total non-current liabilities	15,387	20,526
Total liabilities	4,767,906	4,584,573
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	9,759,510	10,010,595
Treasury shares	△81,175	△81,175
Total shareholders' equity	10,941,208	11,192,293
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,643	88,549
Foreign currency translation adjustment	△28,437	△37,961
Total accumulated other comprehensive income	9,206	50,588
Total net assets	10,950,415	11,242,881
Total liabilities and net assets	15,718,321	15,827,454

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

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

（thousands of yen）

	1Q FY03/2024 (Apr. 1, 2023 – Jun. 30, 2023)	1Q FY03/2025 (Apr. 1, 2024 – Jun. 30, 2024)
Net sales	4,703,821	5,042,829
Cost of sales	2,713,870	2,821,156
Gross profit	1,989,950	2,221,673
Selling, general and administrative expenses	988,988	1,053,823
Operating profit	1,000,962	1,167,849
Non-operating income		
Dividend income	12,242	18,888
Subsidy income	—	1,100
Other	—	318
Total non-operating income	12,242	20,307
Non-operating expenses		
Interest expenses	108	115
Foreign exchange losses	273	446
Commission expenses	995	2,491
Miscellaneous expenses	203	1,893
Total non-operating expenses	1,581	4,946
Ordinary profit	1,011,623	1,183,210
Profit before income taxes	1,011,623	1,183,210
Income taxes	326,705	380,137
Profit	684,917	803,073
Profit attributable to owners of parent	684,917	803,073

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

（thousands of yen）

	1Q FY03/2024 (Apr. 1, 2023 – Jun. 30, 2023)	1Q FY03/2025 (Apr. 1, 2024 – Jun. 30, 2024)
Profit	684,917	803,073
Other comprehensive income		
Valuation difference on available-for-sale securities	83,428	50,906
Foreign currency translation adjustment	△676	△9,524
Total other comprehensive income	82,752	41,381
Comprehensive income	767,669	844,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	767,669	844,454
Comprehensive income attributable to non-controlling interests	―	―