Q2 Fiscal Year 2024 (Interim Period) Financial Results Briefing Materials

November 12, 2024
Business Engineering Corporation

B-EN-G
Business Engineering for Growth

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Note: Fiscal Year 2024 or FY2024 represents the fiscal year ending March 31, 2025.

Today’s Agenda

1. About the Company
2. Summary of Q2 FY2024 (Interim Period) Financial Results
3. Full-Year Earnings Forecast for FY2024
4. Strategies in the Management Vision 2026

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1. About the Company

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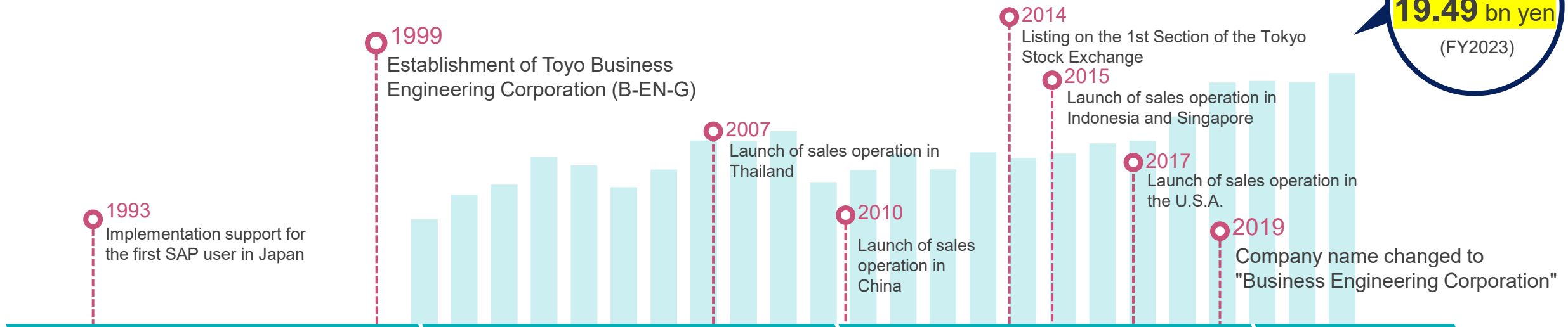
History

Providing "IT for Manufacturing"
by leveraging our extensive knowledge of the manufacturing industry
for over 20 years since the Company's establishment.

Consolidated Net Sales
19.49 bn yen
(FY2023)



1991 Launch of ERP business (First SAP partner in Japan)

1993 Implementation support for the first SAP user in Japan

1996 MCFrame (in-house developed package) released

1999 Establishment of Toyo Business Engineering Corporation (B-EN-G)

2007 Launch of sales operation in Thailand

2007 A.S.I.A. business acquired

2010 Launch of sales operation in China

2014 Listing on the 1st Section of the Tokyo Stock Exchange

2015 Launch of sales operation in Indonesia and Singapore

2016 mcframe brand integrated
Launch of "mcframe IoT" series

2017 Launch of sales operation in the U.S.A.

2017 Launch of "mcframe 7"

2019 Company name changed to "Business Engineering Corporation"

Business locations : (Domestic) Tokyo Head Office, Kansai Branch, Chubu Office (Overseas) Thailand, China, Singapore, Indonesia, U.S.A.	Capital : 697.6 million yen Number of employees : 721 (consolidated, as of Sep. 2024)

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B-EN-G's Business | Three Business Segments

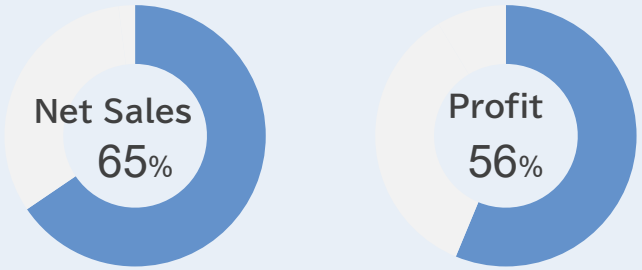
Expanding business in three segments to realize "IT for Manufacturing"

Solutions Business

SI business based on SAP and other third-party package products

SAP Gold Partner / DELMIA / Apriso / Informatica / Business b-ridge

Ratio to total segments*



System integration based on extensive knowledge of and experience in the manufacturing industry

Products Business

Development, sales, and implementation business of in-house developed packages mainly for the "mcframe" series

mcframe / mcframe GA / mcframe IoT / GLASIAOUS / mcframe X

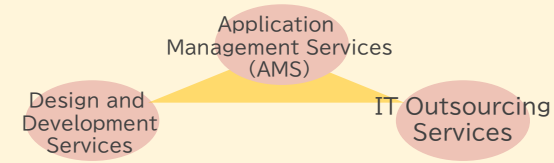
Ratio to total segments*



Highly profitable license sales, developed in-house with know-how cultivated over many years

Systems Support Business

Post-system introduction operation and maintenance services and system development



Ratio to total segments*



Operation and maintenance services to utilize system after delivery

*Both figures for FY2023

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B-EN-G's Business | Solutions Business

Promoting our solution-centric business focused on ERP and core systems combined with peripheral products; realizing "DX for Manufacturing"

Industry-specific Solutions

Leveraging our expertise in the pharmaceutical and medical device industries to provide solutions to industry-specific challenges

PASX NuGenesis LAB MANAGEMENT SYSTEM

Data Management

Establishing foundations for harnessing data, and providing data interconnection, management, and integration

Informatica

Data Analysis

Analyzing data stored in systems to derive solutions to challenges

sas

ERP Core System

A system that centrally manages corporate resources and supports management

SAP Gold Partner

SCM Strategy and Planning Solutions

Support for formulating supply chain strategies and plans

AnaplanLOGIS PLANNING FOR EFFICIENCY

IoT

Digitizing production site experience for creating smart factories reducing human intervention

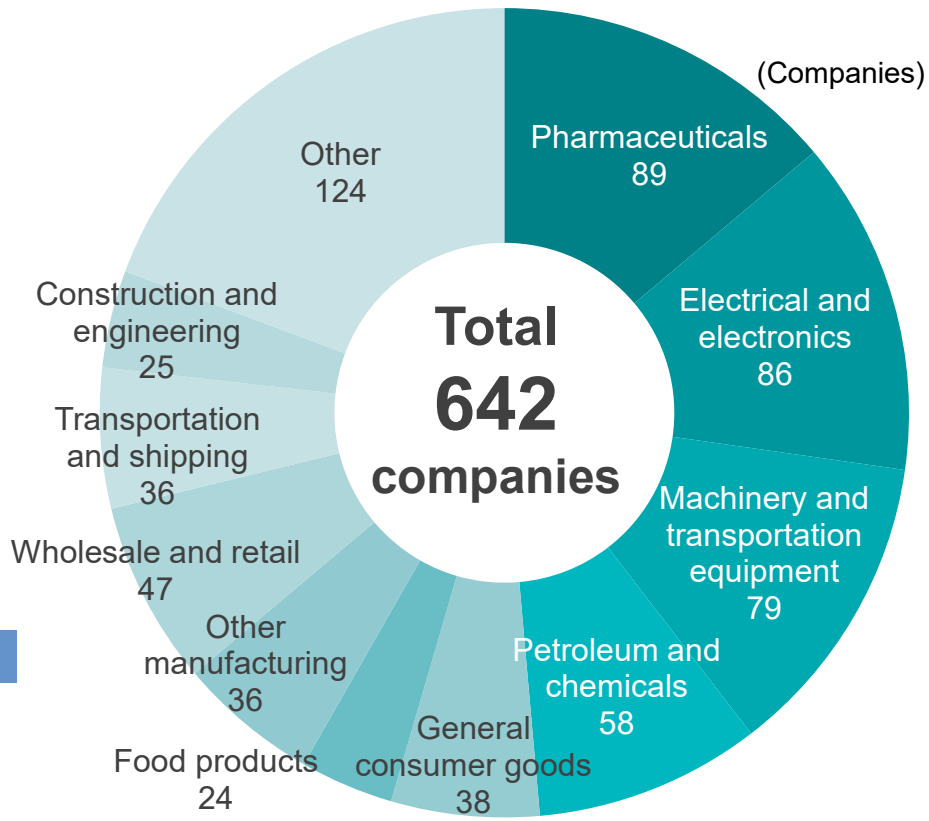
mcframe IoT

Manufacturing Execution Systems (MES)

Support for managing manufacturing execution based on production plans

Apriso PASX

User companies by industry (as of September 30, 2024)



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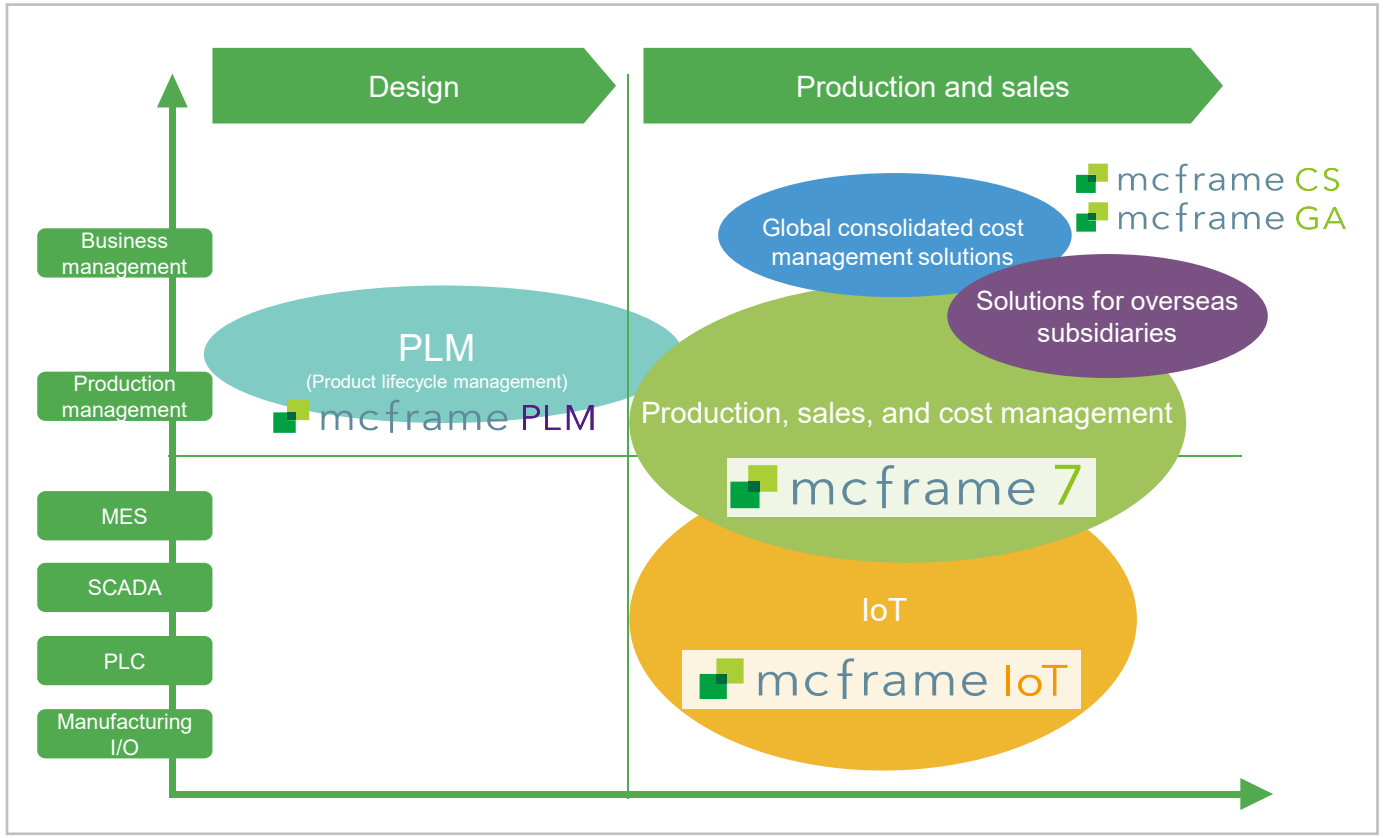
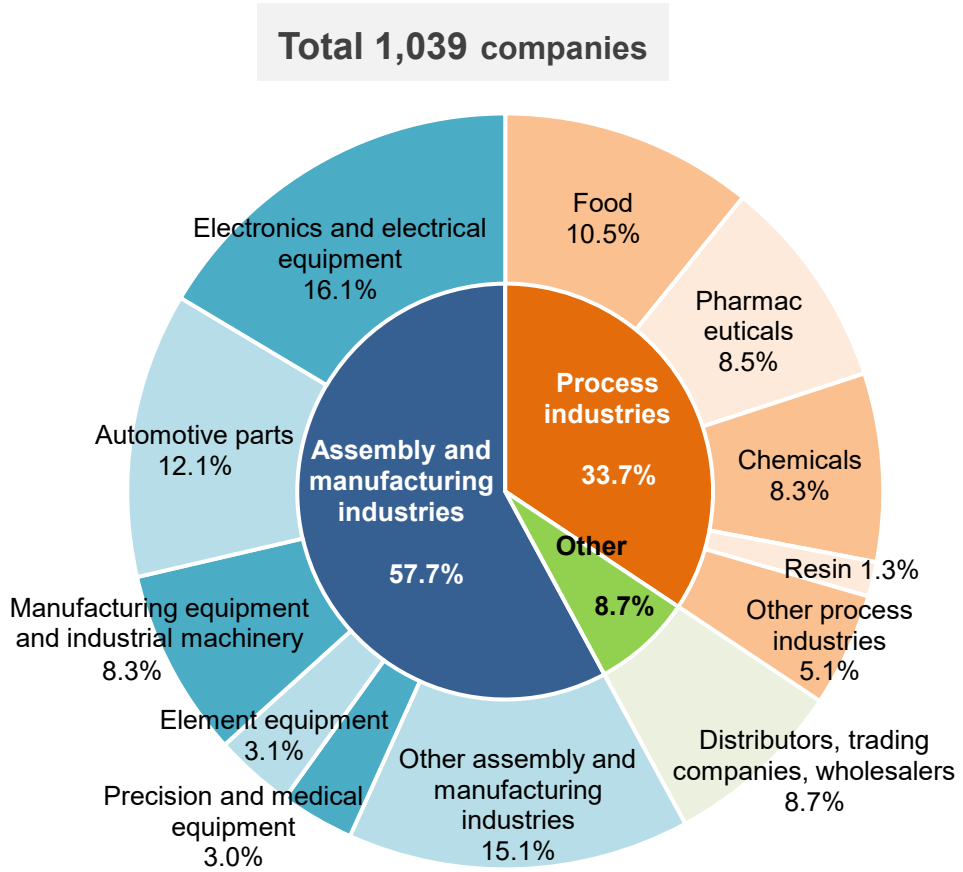
B-EN-G's Business | Products Business

Realization of "Monozukuri* Digitalization" that integrates the engineering chain and the supply chain centered on the "mcframe" solution for the manufacturing industry.
*Monozukuri: manufacturing in Japanese



User companies by industry (as of September 30, 2024)



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2. Summary of Q2 FY2024 (Interim Period) Financial Results

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Key Points of Q2 FY2024 (Interim Period) Financial Results

Business Environment

- Moderate economic recovery in Japan, with improved corporate earnings and maintained positive business sentiment, despite some weakness
- Strong manufacturer investments in information technology amid rising DX needs

Summary of Financial Results

- Net sales
- Operating profit
- Ordinary profit
- Interim net profit

} Consecutive record highs
Record highs for 7th consecutive interim period

- Interim dividend — 42 yen per share

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Summary of Profit and Loss (YoY)

(Million yen)	1H FY2024	1H FY2023	Change (Change %)
Net sales	10,092	9,808	+283 (+2.9%)
Gross profit	4,534	4,060	+474
Gross profit margin	(44.9%)	(41.4%)	(+11.7%)
Operating profit	2,417	2,114	+302
Operating profit margin	(23.9%)	(21.6%)	(+14.3%)
Ordinary profit	2,430	2,126	+304
Ordinary profit margin	(24.1%)	(21.7%)	(+14.3%)
Interim net profit	1,658	1,443	+214
Interim profit margin	(16.4%)	(14.7%)	(+14.8%)
Orders received	10,142	9,820	+321 (+3.3%)

Growth in both sales and profits, with profits notably exceeding previous year's figures

Note: All amounts in this material are rounded down to the nearest million yen. "Profit attributable to owners of parent (Interim profit)" is presented as "Net profit (Interim net profit)."

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Summary of Profit and Loss (Versus Earnings Forecast Announced in May)

(Million yen)	1H FY2024	Earnings Forecast (May 2024)	Difference (%)
Net sales	10,092	10,300	-207 (-2.0%)
Gross profit	4,534	4,250	+284
Gross profit margin	(44.9%)	(41.3%)	(+6.7%)
Operating profit	2,417	2,150	+267
Operating profit margin	(23.9%)	(20.9%)	(+12.4%)
Ordinary profit	2,430	2,150	+280
Ordinary profit margin	(24.1%)	(20.9%)	(+13.1%)
Interim net profit	1,658	1,470	+188
Interim profit margin	(16.4%)	(14.3%)	(+12.8%)
Orders received	10,142	10,500	-357 (-3.4%)

Below plan figures, partly due to some delays in Solutions Business orders

Significantly over plan figures

- **Solutions Business: Improved project profitability**
- **Products Business: Significant growth in license sales**

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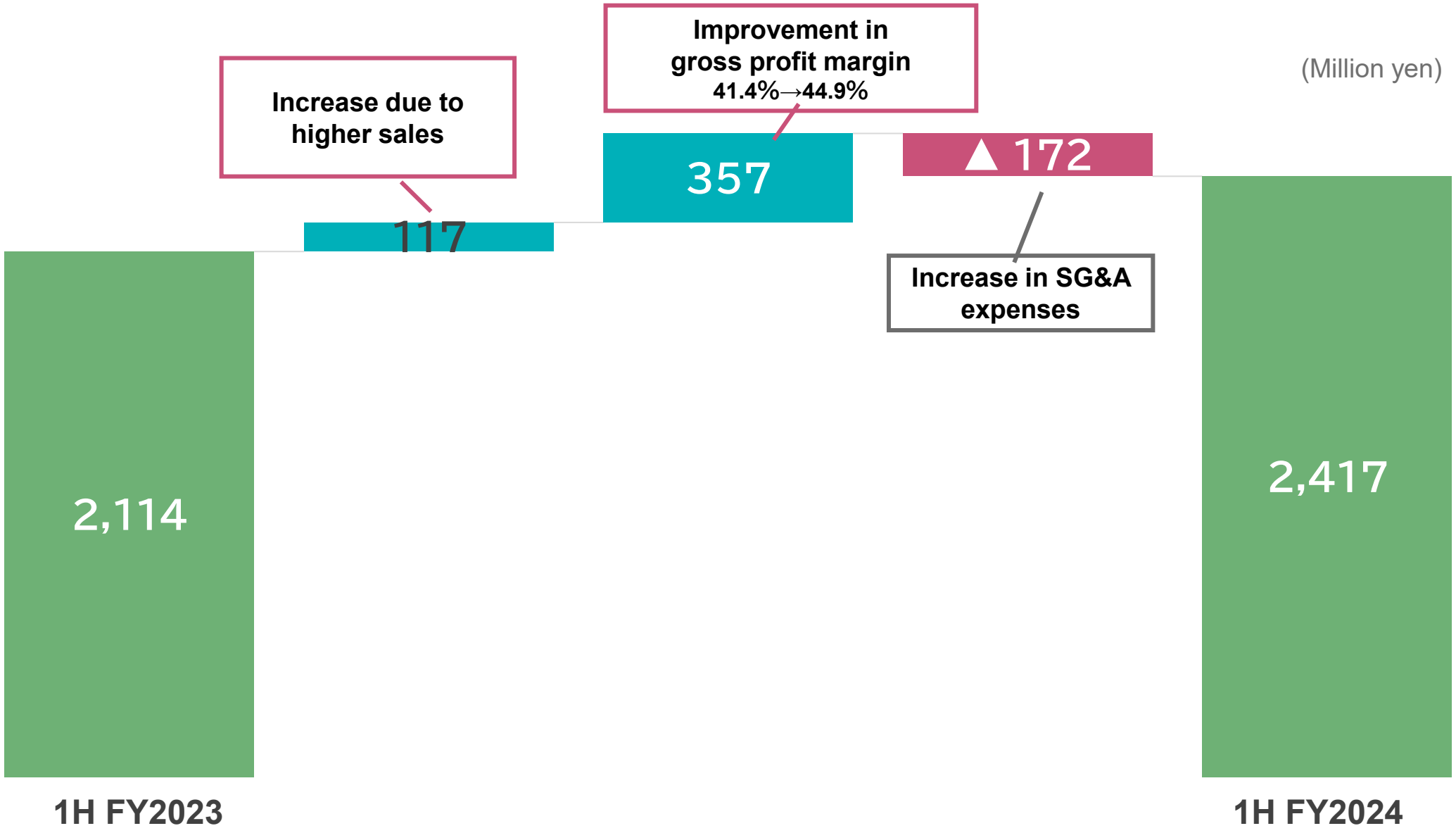
Analysis of Changes in Operating Profit (YoY)



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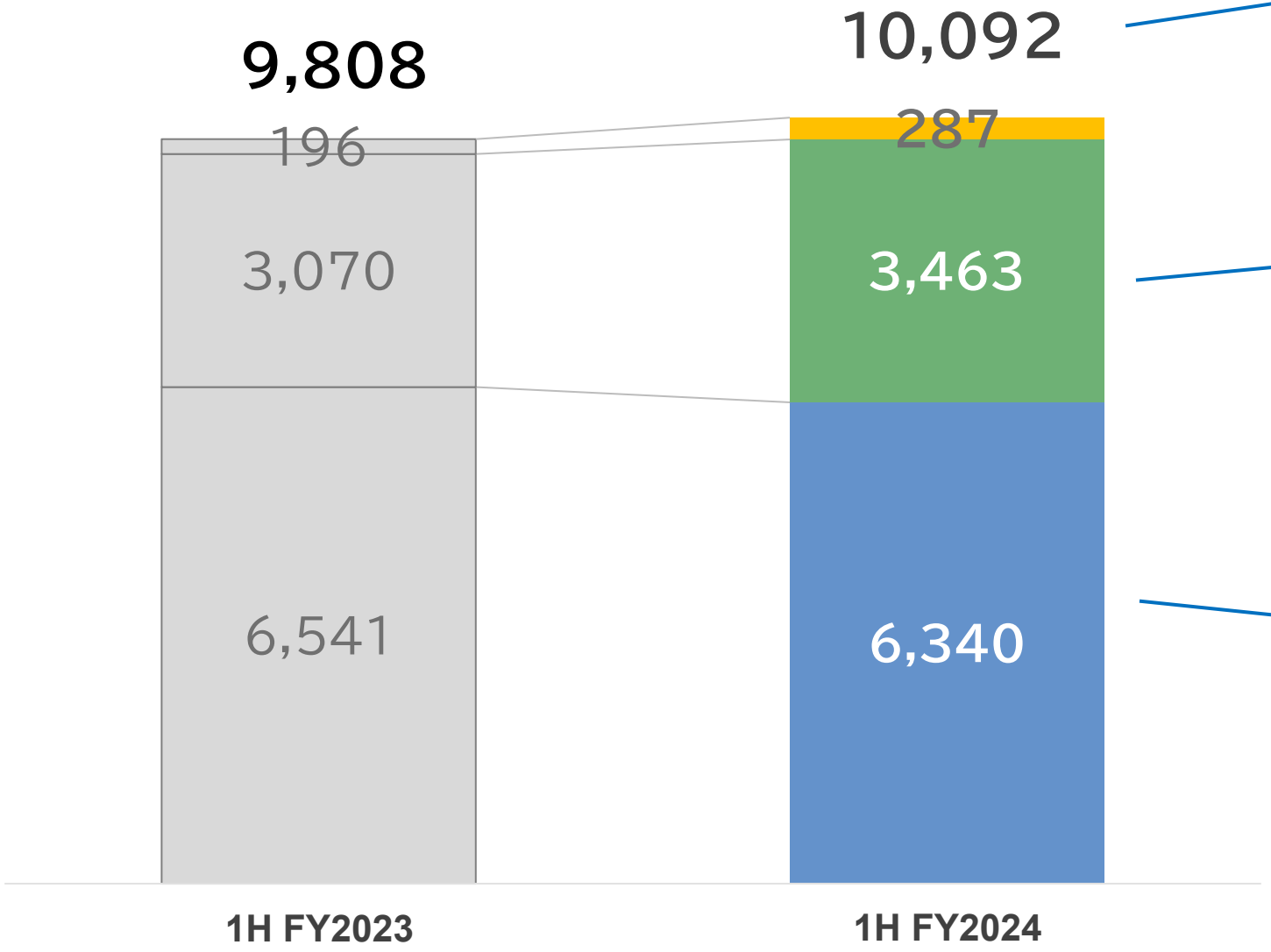
Summary of First Half Net Sales (YoY)

(Million yen)



Record high net sales, +2.9% YoY overall

Products Business
+12.8%
From growth in license sales

Solutions Business
-3.1%
From delays in some order progress

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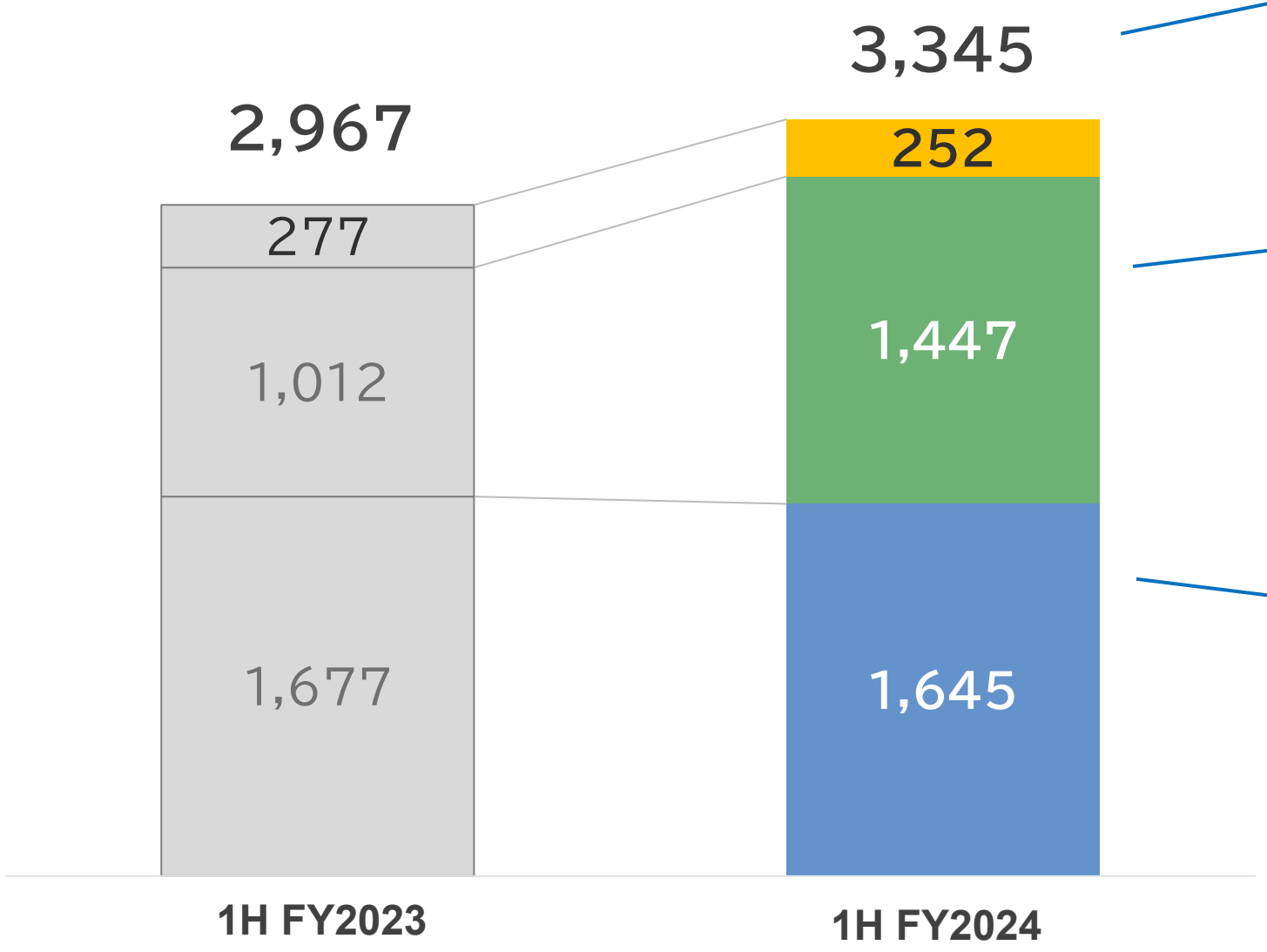
Summary of Profit by Segment (YoY)

(Million yen)



Record high net sales for 7th consecutive period, +12.8% YoY overall

Products Business
+43.0%
From significant growth in the strong license sales area

Solutions Business
-1.9%
Despite greater project profitability, fell slightly short due to reduced sales

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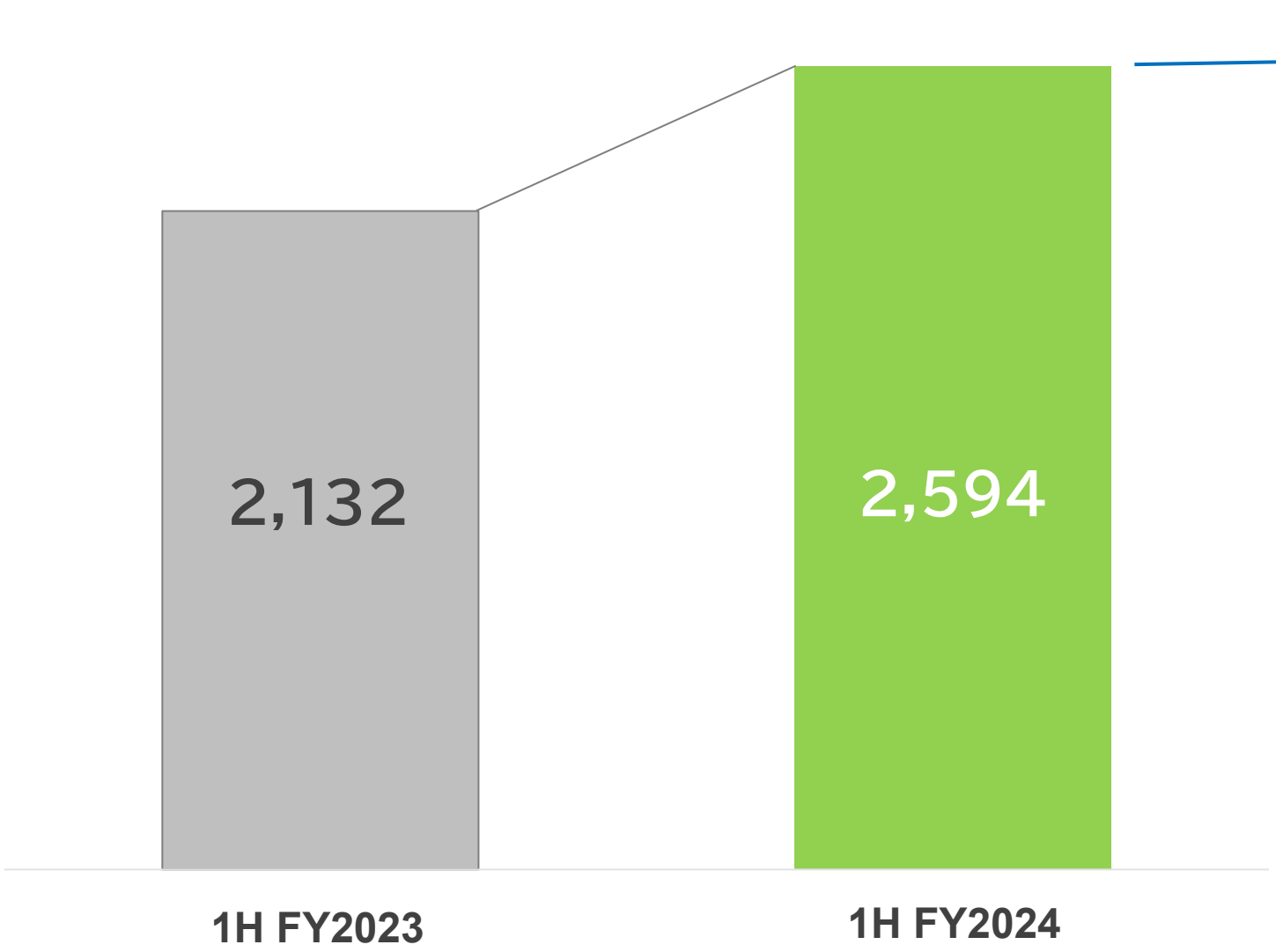
Summary of 1H License Sales (YoY)

(Million yen)



+21.6% YoY
Significant growth and consecutive record highs

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Summary of Balance Sheet (YoY) | Assets

(Million yen)	End of 1H FY2024 (September 30, 2024)	End of FY2023 (March 31, 2024)	Change
Cash and deposits	8,758	8,381	+376
Notes and accounts receivable - trade, and contract assets	3,777	3,526	+251
Work in process	12	9	+3
Other current assets	665	665	-0
Total current assets	**13,214**	**12,583**	**+631**
(component ratio)	**(79.8%)**	**(80.1%)**	
Property, plant and equipment	160	169	-9
Intangible assets	1,764	1,627	+136
Investments and other assets	1,419	1,337	+81
Total non-current assets	**3,344**	**3,135**	**+209**
(component ratio)	**(20.2%)**	**(19.9%)**	
Total assets	**16,558**	**15,718**	**+840**
(component ratio)	**(100.0%)**	**(100.0%)**	

Increase in software

Investment in Vietnamese partner company

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Summary of Balance Sheet (YoY) | Liabilities and Net Assets

(Million yen)	End of 1H FY2024 (September 30, 2024)	End of FY2023 (March 31, 2024)	Change
Outstanding account	1,027	1,229	-201
Short-term borrowings	-	100	-100
Other current liabilities	3,441	3,423	＋17
Total current liabilities	**4,468**	**4,752**	**-283**
Allowance for officers' stock benefits	25	15	+10
Total fixed liabilities	**25**	**15**	**+10**
Total liabilities	**4,494**	**4,767**	**-273**
(component ratio)	**(27.1%)**	**(30.3%)**	
Share capital	697	697	-
Capital surplus	565	565	-
Retained earnings	10,865	9,759	＋1,106
Treasury shares	-81	-81	-0
Accumulated other comprehensive income	16	9	＋7
Total net assets	**12,064**	**10,950**	**＋1,113**
(component ratio)	**(72.9%)**	**(69.7%)**	
Total liabilities and net assets	**16,558**	**15,718**	**＋840**
(component ratio)	**(100.0%)**	**(100.0%)**	

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Summary of Cash Flows (YoY)

(Million yen)	1H FY2024	1H FY2023	Change
Cash flows from operating activities	1,672	1,874	-202
Cash flows from investing activities	-621	-616	-4
Cash flows from financing activities	-655	-695	40
Effect of exchange rate changes on cash and cash equivalents	-19	-10	-9
Net increase (decrease) in cash and cash equivalents	376	552	-175
Cash and cash equivalents at beginning of year	8,381	6,966	＋1,414
Cash and cash equivalents at end of year	8,758	7,519	＋1,239

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3. Full-Year Earnings Forecast for FY2024

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Key Points of FY2024 Earnings Forecast / Dividend Forecast

Business Environment

With strong needs for DX, IT investments in the manufacturing industry are expected to remain strong

Earnings Forecast

- Profit forecast revised up: Operating profit 4.2 ⇒ 4.3 bil. yen
- Net sales: To mark record highs for the 3rd consecutive year

- Operating profit
- Ordinary profit
- Net profit

} Record highs are expected for the 9th consecutive year

Dividend Forecast

Annual dividend: 84 yen per share (+6 yen year on year)

10th consecutive year of increasing dividends, expected to mark record highs

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Forecast of Profit and Loss (Versus Earnings Forecast Announced in May)

(Million yen)	FY2024 Forecast	Earnings Forecast (May 2024)	Difference (%)
Net sales	20,500	20,500	0 (+0.0%)
Gross profit	8,700	8,400	＋300
Gross profit margin	(42.4%)	(41.0%)	(+3.6%)
Operating profit	4,300	4,200	＋100
Operating profit margin	(21.0%)	(20.5%)	(+2.4%)
Ordinary profit	4,300	4,200	＋100
Ordinary profit margin	(21.0%)	(20.5%)	(+2.4%)
Net profit	2,900	2,850	＋50
Profit margin	(14.1%)	(13.9%)	(+1.8%)
Orders received	21,000	21,000	0 (+0.0%)
Dividends (non-consolidated)	84.0 yen	84.0 yen	＋0.0
ROE	24.4%	24.0%	(＋0.4%)

Despite slight delays vs. the 1H plan, order receipt recovery is expected to generally bring back in line with plans

Expected to exceed the plan due to increased gross profit in 1H

Operating profit to exceed plans despite increased SG&A due to stronger sales promotions and office environment improvements

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Forecast of Profit and Loss (YoY)

(Million yen)	FY2024 Forecast	FY2023 Results	Change (Change %)
Net sales	**20,500**	19,493	+1,006 (+5.2%)
Gross profit	**8,700**	7,852	+847
Gross profit margin	(42.4%)	(40.3%)	(+10.8%)
Operating profit	**4,300**	3,885	+414
Operating profit margin	(21.0%)	(19.9%)	(+10.7%)
Ordinary profit	**4,300**	3,877	+422
Ordinary profit margin	(21.0%)	(19.9%)	(+10.9%)
Net profit	**2,900**	2,625	+274
Profit margin	(14.1%)	(13.5%)	(+10.4%)
Orders received	**21,000**	19,955	+1,044 (+5.2%)
Dividends (non-consolidated)	**84.0 yen**	78.0 yen	+6.0
ROE	**24.4%**	25.9%	(-1.5%)

Expecting higher sales and profits. Net sales and orders received to exceed 20 bil. yen for the first time. Steady progress expected toward FY2026 targets*

Note: Target values based on Nov. 12, 2023 announcement of revised Management Vision 2026 (Targets: Net sales of 22 bil. yen, operating profit of 4.8 bil. yen)

Securing a degree of higher operating profit while still expanding growth investments

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Allocation of Management Resources (FY2024)

Allocating management resources to the following areas to achieve quantitative management targets and desired medium- to long-term capital efficiency

		(Planned investments: FY2024 to FY2026)
Investment in software, R&D, and business development	• Supporting shift of existing products to SaaS • Building new products/services to drive DX for transformation (e.g., data-centric business) • Next-generation technology surveys Accelerating investment in mcframe X	**3.5 to 4.5 bil. yen** Of which, FY2024 = **1.3** bil. yen
Investment in human resources	• Establishing of systems aimed at strengthening education and human resources • Expanding systems to improve employee engagement and facilitate diverse work styles • Revising salary levels • Strengthening recruitment strategies Increasing hiring headcount / Enhancing employee education Revising salary levels/supplementing cost of living increases	**2.0 to 2.5 bil. yen*** Of which, FY2024 = **0.6** bil. yen
Investment in business foundations	• Developing a foundation for SaaS business promotion • Internal digital transformation to support new business • Investing to advance sustainability • Improving working environments Improving working environments (expanding office floor space/renovating offices)	**0.6 to 1.0 bil. yen** Of which, FY2024 = **0.3** bil. yen
Investment in M&A	• M&A investments for business expansion/collaboration • M&A investments for new business creation	

*Investment in human resources is calculated as the portion of increased personnel expenses (amount exceeding the FY2023 value) plus total education expenses

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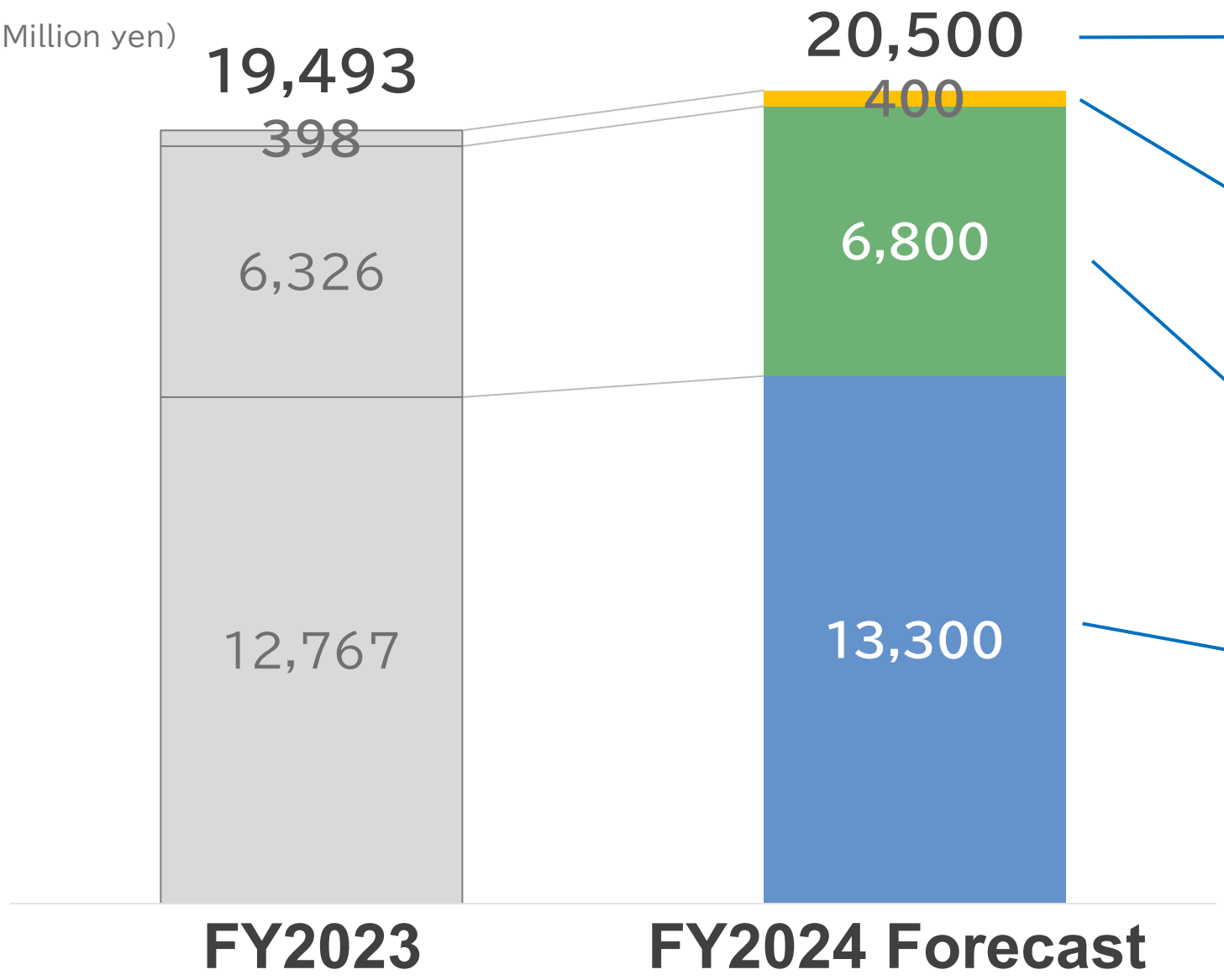
Forecast of Net Sales (YoY)

(Million yen)



Overall YoY +5.2%

Systems Support Business +0.4%

Products Business +7.5%
From growth in license sales

Solutions Business ＋4.2%
From acquisition of new orders

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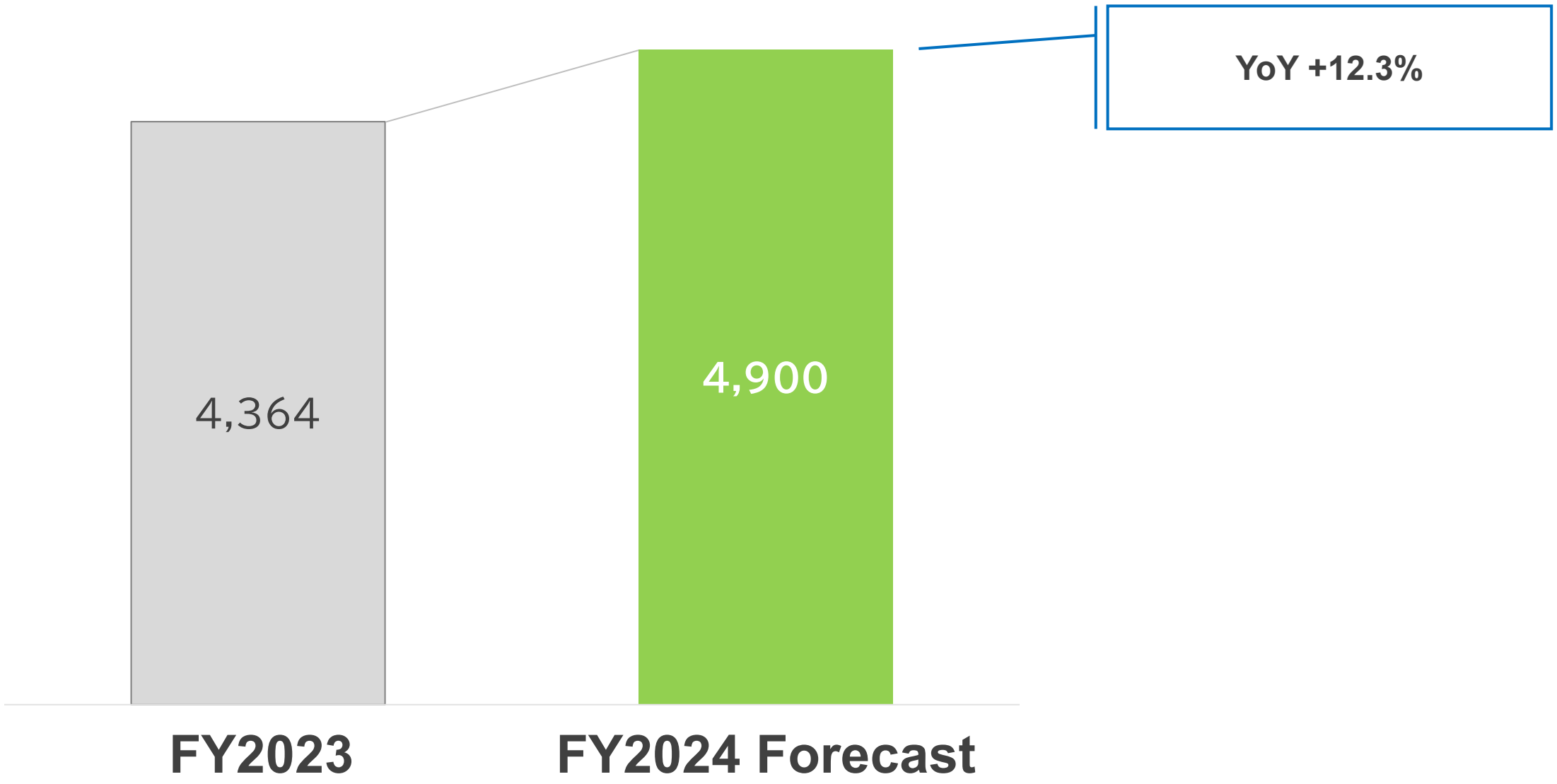
Forecast of Sales of mcframe License (YoY)

(Million yen)



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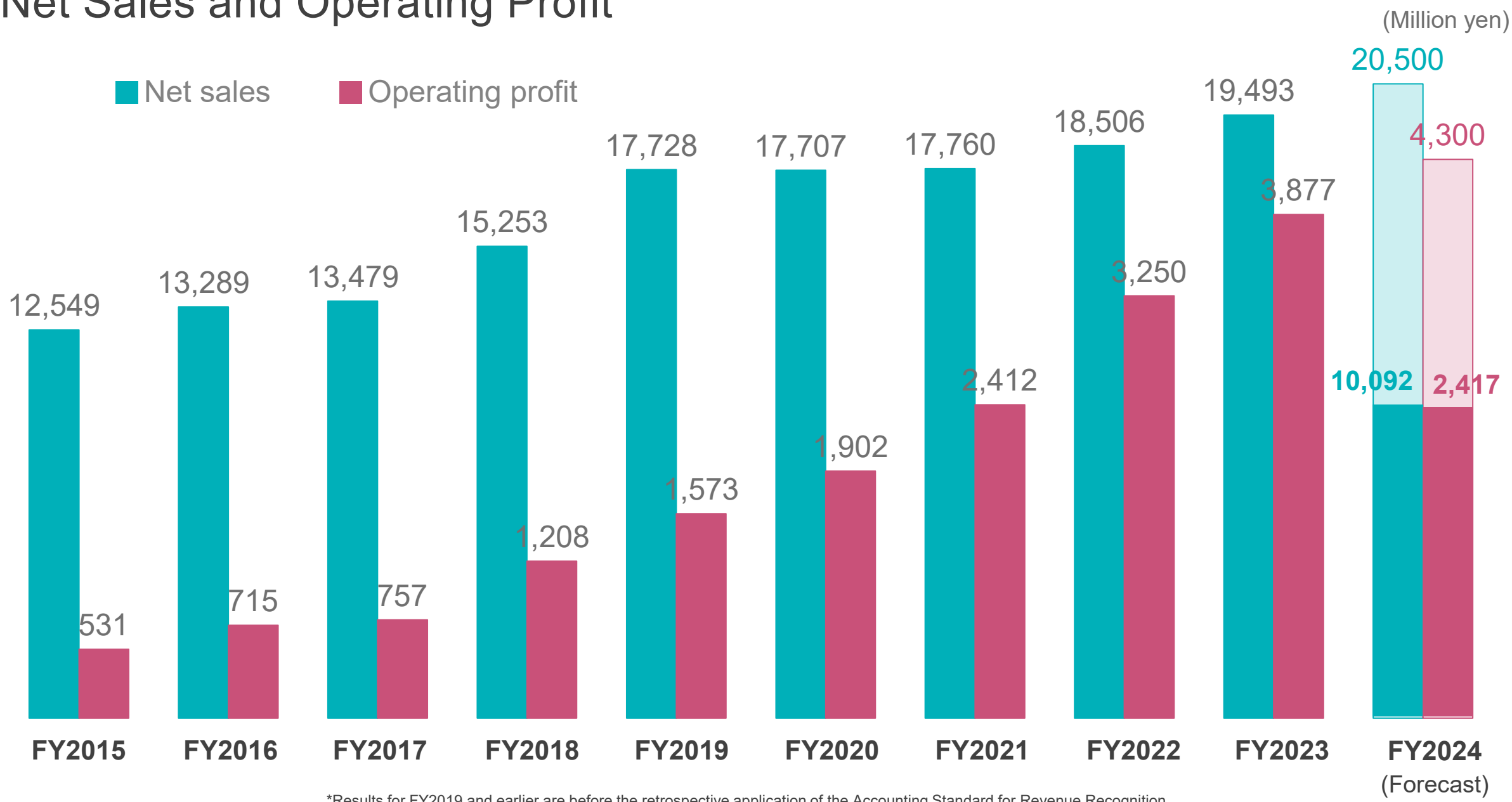
Net Sales and Operating Profit



*Results for FY2019 and earlier are before the retrospective application of the Accounting Standard for Revenue Recognition.

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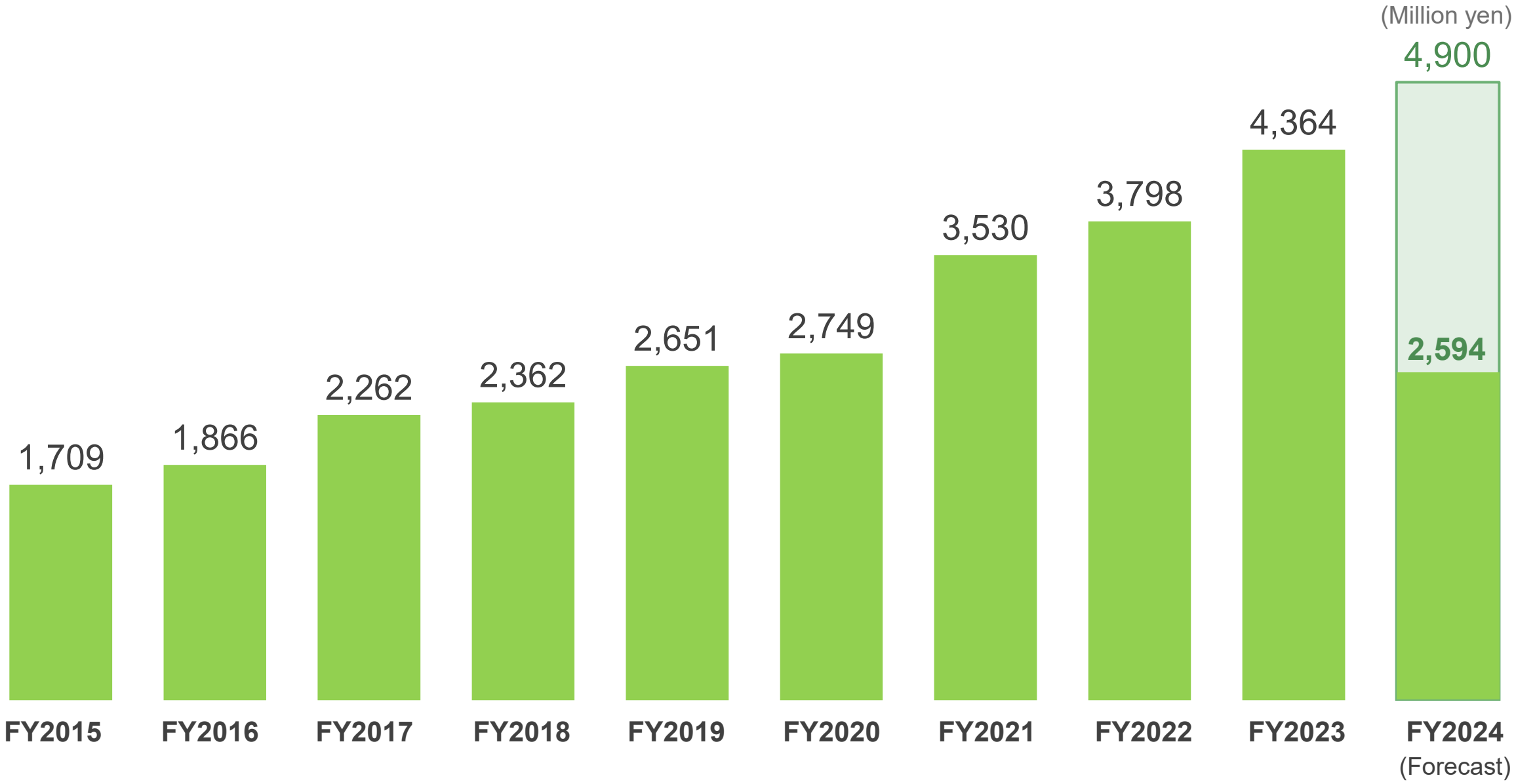
Sales of mcframe Licenses



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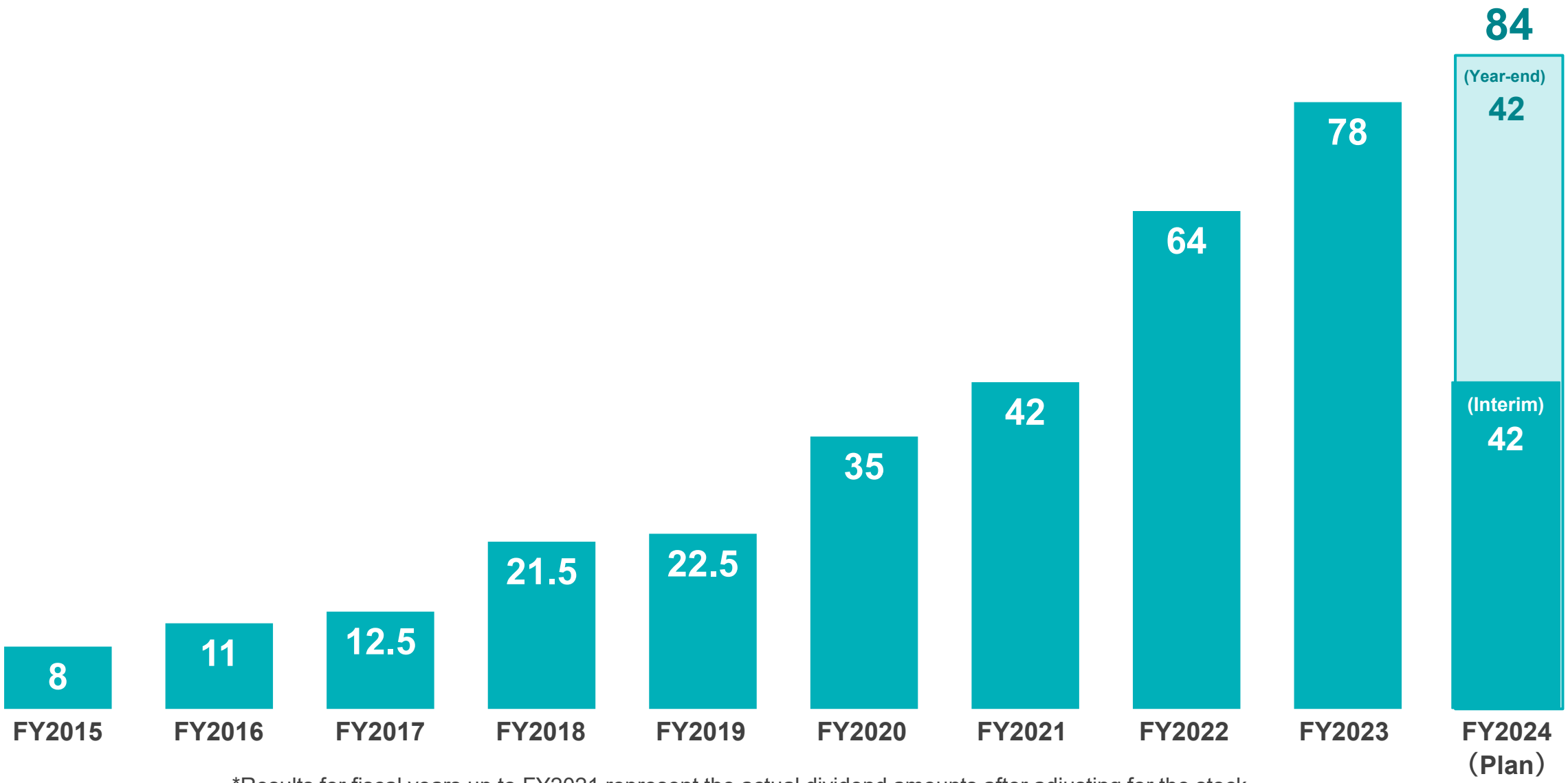
Dividends (Annual Dividends Per Share)



*Results for fiscal years up to FY2021 represent the actual dividend amounts after adjusting for the stock split dated June 1, 2022.

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4. Strategies in the Management Vision 2026

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Changes in Environment × Strengths of B-EN-G = Strategy for 2026

Developing products and services that leverage our strengths in response to changes in the environment

Changes in the environment			
Digital transformation	**Innovation of business models in manufacturing**	**Globalization**	**Bringing about a sustainable society (Sustainability)**

×

B-EN-G's strengths			
Achievements in IT support services in manufacturing industry	Further evolution of in-house software functionality and performance	Relationships of trust with customers	Achievements in global development

(1) Deepen "Monozukuri Digitalization*"

We will promote DX for efficient operations with Monozukuri Digitalization*, and strive to provide optimal products and services.

(2) Evolve into "DX for innovation**"

While supporting innovation in business models for customers, we will work on our own business innovation through creation of new types of business.

(3) Expansion of global support

We continuously reinforce global development for the Japanese manufacturing industry to expand our own businesses.

(4) Contribute to sustainability

We will help realize a sustainable society by leveraging our strengths to solve social issues.

*Monozukuri Digitalization: To realize efficiency by digitalizing operations related to "Monozukuri (manufacturing in Japanese)," leading to business innovation.

**DX: Digital transformation

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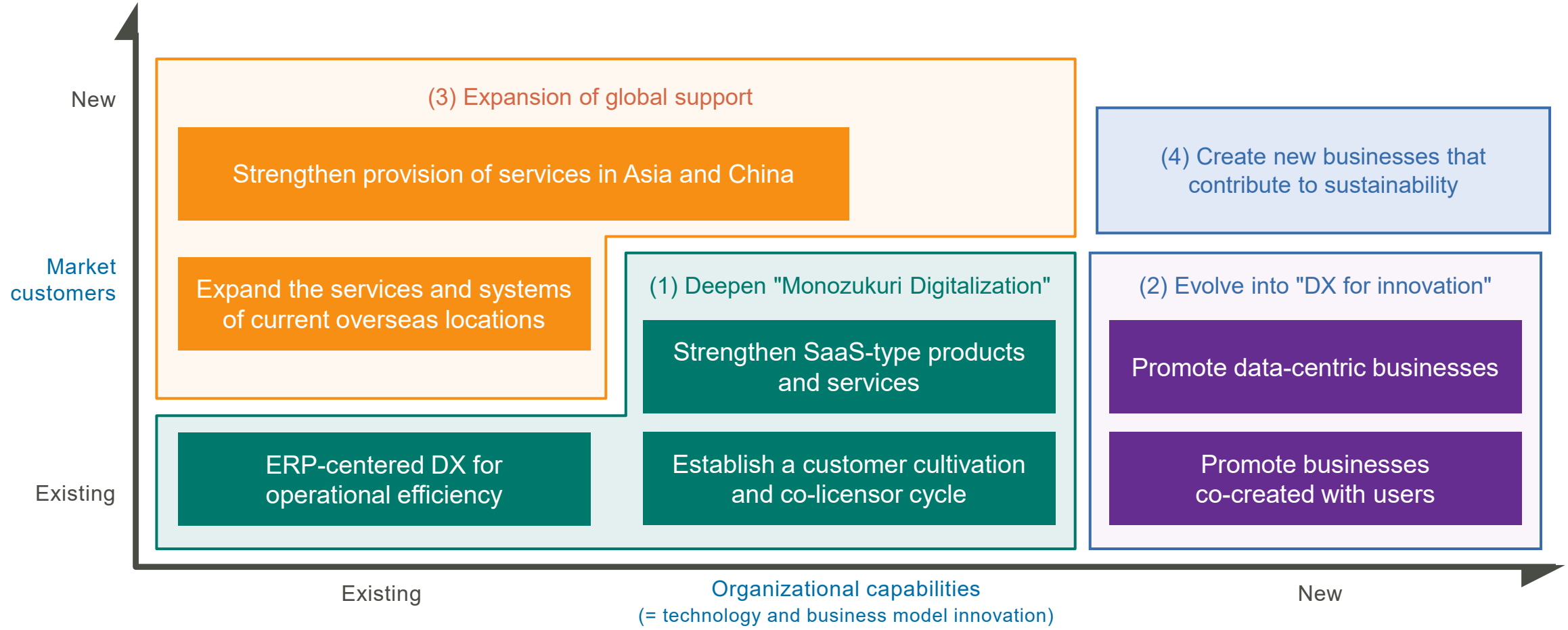
Evolution of B-EN-G's Business Fields (Business Portfolio)

We will continuously evolve from our existing businesses into new business fields and aim for the next stage of growth.



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Key Topics During FY2024 1H

Business-Related

- Received Microsoft Japan Partner of the Year award in recognition for GLASIAOUS Copilot, which utilizes ChatGPT
- 2024 Japan AWS Top Engineers: B-EN-G employee selected as one of the top AWS experts in Japan
- mcframe X: Multiple project launches (first adoption in Japan and overseas, respectively)

Investments for Growth

- mcframe X feature update: No-code development platform Developer Platform released, AI chat implemented
- B-SERV Akita Branch opened and location agreements signed with Akita Prefecture and the City of Akita

Building Management Foundations

- Published the Integrated Report
- Updated the recruitment website
- Promotion of sustainability: Provided support activities locally after the Noto Peninsula earthquake, signed the UN Global Compact and registered as a participating company
- Selected for the JPX-Nikkei Mid and Small Cap Index for 2024

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Key Topics During FY2024 1H

Awarded Microsoft Japan Partner of the Year



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Key Topics During FY2024 1H

Business System Services signed location agreements with Akita Prefecture and the City of Akita



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Key Topics During FY2024 1H

Provided support after the Noto Peninsula earthquake（Participated in partner client support activities）











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Key Topics During FY2024 1H

Published the Integrated Report, updated the recruitment website, selected for the JPX-Nikkei Mid and Small Cap Index for 2024





JPX-NIKKEI Mid Small
2024年度選定

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Basic Capital Policy

ROE	**10%+ or more** Target: Given cost of capital, achieve ROE exceeding 10% in the medium to long term
Shareholder return	**Pay progressive dividends at payout ratio of 35% or more** Basic policy to pay progressive dividends* with a consolidated dividend payout ratio exceeding 35% over the medium to long term *Progressive dividend: Consistently maintaining or increasing dividend levels, without reducing dividends, over the long term
Basic capital policy	At B-EN-G, we believe that sustainable growth is necessary to enhance shareholder value over the medium to long term. Therefore, our basic policy is to maintain an appropriate level of shareholders' equity to ensure a sound financial base that enables us to invest for growth and provides risk tolerance. We consider return on equity (ROE) a key management indicator and have announced targets for this indicator with the aim of effectively utilize shareholders' equity and to return profits to shareholders while comprehensively incorporating financial soundness and other factors. Our policy is to return profits to shareholders through the payment of dividends in comprehensive consideration of outlooks for our business environment and business performance, as well as our financial position and other factors. It is also our basic policy to provide a progressive dividend with a consolidated dividend payout ratio exceeding 35% over the medium to long term. Dividends are to be paid twice annually, with one interim dividend and one year-end dividend.

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Management Vision 2026 Targets

(Consolidated)	FY2020 Results	FY2026 Targets	
		Before revision	After revision
Net sales	17.7 bil. yen	22.0 bil. yen	22.0 bil. yen
Operating profit	1.9 bil. yen	3.2 bil. yen	4.8 bil. yen
Current net profit	1.28 bil. yen	2.11 bil. yen	3.2 bil. yen

Note: Figures for FY2020 are after retrospective application of the Accounting Standard for Revenue Recognition.

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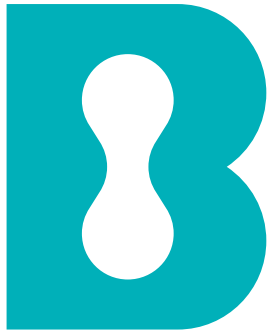

B-EN-G

Business Engineering for Growth

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