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

November 12, 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/
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Scheduled date of filing semi-annual securities report: November 14, 2024
Scheduled date of commencing dividend payments: December 3, 2024
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 Six Months Ended September 30, 2024 (April 1, 2024 to September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	10,092	2.9	2,417	14.3	2,430	14.3	1,658	14.8
September 30, 2023	9,808	10.7	2,114	31.0	2,126	31.2	1,443	32.4

(Note) Comprehensive income: Six months ended September 30, 2024: ¥1,665 million [10.8%]
Six months ended September 30, 2023: ¥1,503 million [39.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	138.46	–
September 30, 2023	120.38	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	16,558	12,064	72.9
As of March 31, 2024	15,718	10,950	69.7

(Reference) Equity: As of September 30, 2024: ¥12,064 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	–	42.00			
Fiscal year ending March 31, 2025 (Forecast)			–	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)

	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
Full year	20,500	5.2	4,300	10.7	4,300	10.9	2,900	10.4	242.18

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: None
New subsidiaries: – Excluded subsidiaries: –

(2) Accounting policies adopted specially for the preparation of semi-annual 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):
September 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:
September 30, 2024: 25,668 shares
March 31, 2024: 25,644 shares
3) Average number of shares during the period:
Six months ended September 30, 2024: 11,974,353 shares
Six months ended September 30, 2023: 11,994,058 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.

* These semi-annual financial results are outside the scope of 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 Semi-annual Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information" on page 4.

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1. Qualitative Information on Semi-annual Financial Results for the Period under Review

(1) Explanation of Operating Results

During the six months ended September 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 are expected to remain 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 six months ended September 30, 2024 are as follows.

Orders received were ¥10,142 million (up 3.3% year on year) and net sales were ¥10,092 million (up 2.9% year on year), both of which represent another set of record highs, mainly attributable to an increase in license sales in the Products Business amid robust investments in information technology. In addition, owing to robust license sales, sales of mcframe licenses were ¥2,594 million (up 21.6% 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, operating profit was ¥2,417 million (up 14.3% year on year), ordinary profit was ¥2,430 million (up 14.3% year on year), and profit attributable to owners of parent was ¥1,658 million (up 14.8% year on year), achieving semi-annual record-highs in each profit indicator for the seventh 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 were ¥6,453 million (down 1.9% year on year), and net sales were ¥6,340 million (down 3.1% year on year), resulting from delayed progress in order receipt. Segment profit was ¥1,645 million (down 1.9% year on year) due to decreased net sales, despite the improvement of project profitability.

(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 ¥3,443 million (up 13.5% year on year), net sales were ¥3,463 million (up 12.8% year on year), and segment profit was ¥1,447 million (up 43.0% 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 ¥244 million (up 17.2% year on year), net sales were ¥287 million (up 46.3% year on year), and segment profit was ¥252 million (down 8.7% year on year).

(2) Explanation of Financial Position

(i) Analysis of Financial Position

(Assets)

Current assets increased by ¥631 million from the end of the previous fiscal year to ¥13,214 million. This was mainly attributable to increases in cash and deposits as well as notes and accounts receivable - trade, and contract assets. The ratio of current assets to total assets at the end of the second quarter under review was 79.8%.

Non-current assets increased by ¥209 million from the end of the previous fiscal year to ¥3,344 million. This was mainly attributable to purchase of intangible assets, which exceeded the depreciation of intangible assets, and an increase in investments and other assets due to the fair market valuation of investment securities.

As a result, total assets at the end of the second quarter under review increased by ¥840 million from the end of the previous fiscal year to ¥16,558 million.

(Liabilities)

Liabilities at the end of the second quarter under review decreased by ¥273 million from the end of the previous fiscal year to ¥4,494 million. This was mainly attributable to an increase in advances received and decreases in income taxes payable, provision for bonuses, and short-term borrowings.

(Net assets)

Net assets at the end of the second quarter under review increased by ¥1,113 million from the end of the previous fiscal year to ¥12,064 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 second quarter under review increased by 3.2 percentage points from the end of the previous fiscal year to 72.9%.

(ii) Analysis of Status of Cash Flows

Cash and cash equivalents at the end of the second quarter under review increased by ¥376 million from the end of the previous fiscal year to ¥8,758 million.

(Cash flows from operating activities)

Cash flows provided by operating activities during the six months ended September 30, 2024 decreased by ¥202 million from the same period of the previous year to ¥1,672 million. This was mainly attributable to the recording of profit before income taxes of ¥2,430 million as well as income taxes paid of ¥911 million, depreciation of ¥397 million, an increase in advances received of ¥368 million, and an increase in trade receivables of ¥251 million.

(Cash flows from investing activities)

Cash flows used in investing activities during the six months ended September 30, 2024 increased by ¥4 million from the same period of the previous year to ¥621 million. This was mainly attributable to purchase of property, plant and equipment and intangible assets (including developmental investment in "mcframe," an in-house developed ERP package).

(Cash flows from financing activities)

Cash flows used in financing activities during the six months ended September 30, 2024 decreased by ¥40 million from the same period of the previous year to ¥655 million. This was mainly attributable to expenditure arising from the payment of dividends and a net decrease in short-term borrowings.

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

In view of the operating results of the six months ended September 30, 2024, the Company has revised the full-year financial results forecast for the fiscal year ending March 31, 2025, which it announced on May 10, 2024.

For more details, please refer to "Notice on Revision to Full-Year Financial Results Forecast (upward revision) for the Fiscal Year Ending March 31, 2025," which was also disclosed today.

2. Consolidated Semi-annual Financial Statements
(1) Consolidated Semi-annual Balance Sheet

（thousands of yen）

	FY03/2024 (As of Mar. 31, 2024)	2Q FY03/2025 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	8,381,943	8,758,467
Notes and accounts receivable - trade, and contract assets	3,526,528	3,777,748
Work in process	9,228	12,825
Other	665,546	665,383
Total current assets	12,583,247	13,214,424
Non-current assets		
Property, plant and equipment	169,920	160,730
Intangible assets		
Software	1,622,421	1,759,412
Other	4,969	4,672
Total intangible assets	1,627,390	1,764,085
Investments and other assets		
Investment securities	538,888	581,422
Leasehold deposits	298,661	298,630
Deferred tax assets	375,263	365,612
Other	130,449	179,171
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,337,762	1,419,336
Total non-current assets	3,135,073	3,344,151
Total assets	15,718,321	16,558,576

（thousands of yen）

	FY03/2024 (As of Mar. 31, 2024)	2Q FY03/2025 (As of Sep. 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	422,634	365,627
Short-term borrowings	100,000	―
Accrued expenses	535,416	519,352
Income taxes payable	969,646	825,647
Advances received	1,312,757	1,681,631
Provision for bonuses	784,470	660,981
Provision for bonuses for directors (and other officers)	47,900	―
Reserve for guarantee for after-care of products	18,942	19,144
Other	560,749	396,198
Total current liabilities	4,752,518	4,468,582
Non-current liabilities		
Provision for share awards for directors (and other officers)	15,387	25,897
Total non-current liabilities	15,387	25,897
Total liabilities	4,767,906	4,494,479
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	9,759,510	10,865,524
Treasury shares	△81,175	△81,277
Total shareholders' equity	10,941,208	12,047,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,643	64,663
Foreign currency translation adjustment	△28,437	△47,686
Total accumulated other comprehensive income	9,206	16,976
Total net assets	10,950,415	12,064,097
Total liabilities and net assets	15,718,321	16,558,576

(2) Consolidated Semi-annual Statements of Income and Comprehensive Income
Consolidated Semi-annual Statement of Income(For the Six-month Period)

（thousands of yen）

	2Q FY03/2024 (Apr. 1, 2023 – Sep. 30, 2023)	2Q FY03/2025 (Apr. 1, 2024 – Sep. 30, 2024)
Net sales	9,808,401	10,092,399
Cost of sales	5,748,249	5,557,499
Gross profit	4,060,152	4,534,899
Selling, general and administrative expenses	1,945,187	2,117,799
Operating profit	2,114,964	2,417,099
Non-operating income		
Dividend income	14,588	22,564
Subsidy income	250	1,100
Other	438	663
Total non-operating income	15,277	24,328
Non-operating expenses		
Interest expenses	1,228	1,484
Foreign exchange losses	332	2,211
Commission expenses	2,002	5,010
Other	526	2,007
Total non-operating expenses	4,090	10,714
Ordinary profit	2,126,150	2,430,713
Profit before income taxes	2,126,150	2,430,713
Income taxes	682,300	772,710
Profit	1,443,850	1,658,003
Profit attributable to owners of parent	1,443,850	1,658,003

Consolidated Semi-annual Statement of Comprehensive Income(For the Six-month Period)

（thousands of yen）

	2Q FY03/2024 (Apr. 1, 2023 – Sep. 30, 2023)	2Q FY03/2025 (Apr. 1, 2024 – Sep. 30, 2024)
Profit	1,443,850	1,658,003
Other comprehensive income		
Valuation difference on available-for-sale securities	69,764	27,019
Foreign currency translation adjustment	△10,007	△19,249
Total other comprehensive income	59,757	7,769
Comprehensive income	1,503,607	1,665,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,503,607	1,665,773
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Semi-annual Statement of Cash Flows

（thousands of yen）

	2Q FY03/2024 (Apr. 1, 2023 – Sep. 30, 2023)	2Q FY03/2025 (Apr. 1, 2024 – Sep. 30, 2024)
Cash flows from operating activities		
Profit before income taxes	2,126,150	2,430,713
Depreciation	352,447	397,231
Increase (decrease) in provision for bonuses	△52,060	△123,489
Increase (decrease) in provision for bonuses for directors (and other officers)	△80,000	△47,900
Increase (decrease) in reserve for guarantee for after-care of products	1,190	201
Increase (decrease) in provision for loss on orders received	△23,334	―
Interest and dividend income	△14,589	△22,569
Interest expenses	1,228	1,484
Foreign exchange losses (gains)	332	2,211
Decrease (increase) in trade receivables	△285,462	△251,219
Decrease (increase) in inventories	△996	△3,596
Decrease (increase) in advance payments to suppliers	5,000	13,532
Increase (decrease) in trade payables	33,891	△162,020
Increase (decrease) in advances received	342,936	368,873
Other, net	△181,427	△41,125
Subtotal	2,225,306	2,562,327
Interest and dividends received	14,589	22,569
Interest paid	△1,204	△1,465
Income taxes paid	△364,180	△911,093
Net cash provided by (used in) operating activities	1,874,510	1,672,337
Cash flows from investing activities		
Purchase of property, plant and equipment	△16,735	△52,110
Purchase of investment securities	△137,694	―
Purchase of intangible assets	△461,697	△512,493
Other, net	△208	△56,605
Net cash provided by (used in) investing activities	△616,336	△621,209
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△100,000	△100,000
Purchase of treasury shares	△80,682	△102
Dividends paid	△515,286	△550,765
Other, net	―	△4,487
Net cash provided by (used in) financing activities	△695,968	△655,355
Effect of exchange rate change on cash and cash equivalents	△10,007	△19,249
Net increase (decrease) in cash and cash equivalents	552,197	376,523
Cash and cash equivalents at beginning of period	6,966,947	8,381,943
Cash and cash equivalents at end of period	7,519,145	8,758,467