

Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



November 5, 2020

Company name: Business Engineering Corporation

Stock exchange listing: Tokyo Stock Exchange, First Section

Code number: 4828

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Scheduled date of filing quarterly securities report: November 10, 2020

Scheduled date of commencing dividend payments: December 2, 2020

Availability of supplementary briefing materials on quarterly financial results: Available

Schedule of quarterly 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, 2020 (April 1, 2020 to September 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2020	8,983	3.4	1,249	32.2	1,255	32.0	831	40.0
September 30, 2019	8,684	21.2	945	79.5	951	82.6	594	76.4

(Note) Comprehensive income: Six months ended September 30, 2020: ¥1,107 million [102.7%]

Six months ended September 30, 2019: ¥546 million [55.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	140.85	—
September 30, 2019	101.24	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	9,445	6,021	63.7
As of March 31, 2020	8,593	5,033	58.6

(Reference) Equity: As of September 30, 2020: ¥6,021 million

As of March 31, 2020: ¥5,033 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, 2020	—	19.00	—	26.00	45.00
Fiscal year ending March 31, 2021	—	22.00			
Fiscal year ending March 31, 2021 (Forecast)			—	23.00	45.00

(Note) Revision to the most recently announced dividends forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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
Full year	17,000	(4.1)	1,600	1.7	1,600	1.4	980	14.9
								165.81

(Note) Revision to the most recently announced financial results forecast: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2020: No

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

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: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(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, 2020: 6,000,000 shares

March 31, 2020: 6,000,000 shares

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

September 30, 2020: 85,904 shares

March 31, 2020: 104,690 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 5,904,655 shares

Six months ended September 30, 2019: 5,867,891 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 the Employee Stock Ownership Plan Trust in the treasury shares that are deductible.

* These quarterly financial results are outside the scope of quarterly 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 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 six months ended September 30, 2020, the Japanese economy gradually recovered as economic activities were resumed, despite the persisting harsh conditions caused by the impact of the COVID-19 outbreak both in Japan and overseas, and the worsening of corporate earnings.

In the information services industry, while customers' needs for strategic use of IT were high, their motivation for investment in information technology remained unclear.

Under these circumstances, through the provision of consulting services, software products, system construction, operation and maintenance services, cloud services and such, our group companies strove to provide solutions with high added value, which contribute to customers' digital transformations (DX) and the resolution of their management issues.

Regarding operating results for the six months ended September 30, 2020, orders received were ¥9,178 million (up 6.3% year on year), and net sales were ¥8,983 million (up 3.4% year on year). In terms of profit, operating profit was ¥1,249 million (up 32.2% year on year), ordinary profit was ¥1,255 million (up 32.0% year on year), and profit attributable to owners of parent was ¥831 million (up 40.0% year on year).

Operating results by business segment are as follows.

(i) Solutions Business

For 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. As a result, orders received for this segment were ¥6,747 million (up 21.0% year on year), and net sales were ¥6,069 million (up 7.0% year on year).

(ii) Products Business

For our in-house developed ERP package "mcframe," 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, orders received for this segment were ¥2,277 million (down 20.6% year on year), and net sales were ¥2,736 million (down 1.7% year on year). Net sales of licenses were ¥1,539 million (up 8.0% year on year).

(iii) Systems Support Business

For the systems support business run by the Business System Service Corporation, which includes operation and maintenance services, we continued to work on enhancing life cycle support for systems. As a result, orders received for this segment were ¥152 million (down 18.7% year on year), and net sales were ¥176 million (down 21.6% year on year).

(2) Explanation of Financial Position

(i) Analysis of Financial Position

(Assets)

Current assets increased by ¥549 million from the end of the previous fiscal year to ¥6,717 million. This is mainly attributable to increases in cash and deposits, notes and accounts receivable – trade, and work in process. The ratio of current assets to total assets at the end of the second quarter under review was 71.1%.

Non-current assets increased by ¥302 million from the end of the previous fiscal year to ¥2,727 million. This is mainly attributable to an increase in investments and other assets due to the fair valuation of investment securities, and the purchase of intangible assets, which exceeded the depreciation of intangible assets.

As a result, total assets at the end of the second quarter under review increased by ¥852 million from the end of the previous fiscal year to ¥9,445 million.

(Liabilities)

Liabilities at the end of the second quarter under review decreased by ¥135 million from the end of the previous fiscal year to ¥3,424 million. This is mainly attributable to an increase in advances received, a decrease in short-term borrowings, and a decrease in provision for bonuses.

(Net assets)

Net assets at the end of the second quarter under review increased by ¥988 million from the end of the previous fiscal year to ¥6,021 million. This is mainly attributable to an increase owing to the recording of profit attributable to owners of parent, an increase in valuation difference on available-for-sale securities, 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 5.1 points from the end of the previous fiscal year to 63.7%.

(ii) Analysis of Status of Cash Flows

Cash and cash equivalents at the end of the second quarter under review increased by ¥330 million from the end of the previous fiscal year to ¥2,489 million.

(Cash flows from operating activities)

Cash flows provided by operating activities during the six months ended September 30, 2020 decreased by ¥872 million from the same period of the previous year to ¥933 million. This is mainly attributable to the recording of ¥1,255 million in profit before income taxes and ¥352 million in depreciation, as well as an increase of ¥218 million in advances received, which offset the ¥339 million in income taxes paid, an increase of ¥136 million in trade receivables, an increase of ¥134 million in inventories, and a decrease of ¥98 million in provision for bonuses.

(Cash flows from investing activities)

Cash flows used in investing activities during the six months ended September 30, 2020 increased by ¥22 million from the same period of the previous year to ¥376 million. This is mainly attributable to expenditure arising from the purchase of property, plant and equipment and the purchase of 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, 2020 decreased by ¥157 million from the same period of the previous year to ¥227 million. This is mainly attributable to a net decrease in short-term borrowings, and expenditure arising from the payment of dividends.

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

No revisions have been made to the forecasted figures in the Consolidated Financial Results Forecast announced on May 14, 2020.

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

	(thousands of yen)	
	FY03/2020 (As of Mar. 31, 2020)	2Q FY03/2021 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	2,159,577	2,489,768
Notes and accounts receivable - trade	3,233,222	3,369,740
Work in process	288,986	423,266
Other	486,744	435,198
Total current assets	6,168,530	6,717,975
Non-current assets		
Property, plant and equipment	142,626	136,311
Intangible assets		
Software	1,225,005	1,262,578
Other	3,282	2,705
Total intangible assets	1,228,288	1,265,284
Investments and other assets		
Other	1,059,592	1,331,821
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,054,092	1,326,321
Total non-current assets	2,425,006	2,727,917
Total assets	8,593,537	9,445,892

	(thousands of yen)	
	FY03/2020 (As of Mar. 31, 2020)	2Q FY03/2021 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	550,956	507,435
Short-term borrowings	100,000	—
Current portion of long-term borrowings	7,910	—
Income taxes payable	373,805	455,370
Advances received	709,753	928,658
Provision for bonuses	679,520	581,193
Provision for bonuses for directors (and other officers)	35,000	—
Reserve for guarantee for after-care of products	17,145	29,638
Other	1,086,225	922,035
Total current liabilities	3,560,317	3,424,332
Total liabilities	3,560,317	3,424,332
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	448,901	448,901
Retained earnings	4,096,154	4,774,043
Treasury shares	△185,386	△151,192
Total shareholders' equity	5,057,269	5,769,352
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△19,717	256,022
Foreign currency translation adjustment	△4,332	△3,814
Total accumulated other comprehensive income	△24,050	252,208
Total net assets	5,033,219	6,021,560
Total liabilities and net assets	8,593,537	9,445,892

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

(thousands of yen)

	2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019)	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	8,684,673	8,983,041
Cost of sales	5,934,076	6,017,504
Gross profit	2,750,597	2,965,537
Selling, general and administrative expenses	1,805,596	1,716,120
Operating profit	945,000	1,249,416
Non-operating income		
Dividend income	7,241	6,361
Subsidy income	—	1,963
Other	318	739
Total non-operating income	7,560	9,065
Non-operating expenses		
Interest expenses	1,284	1,587
Foreign exchange losses	192	1,354
Other	17	405
Total non-operating expenses	1,494	3,347
Ordinary profit	951,066	1,255,134
Profit before income taxes	951,066	1,255,134
Income taxes	357,030	423,447
Profit	594,036	831,687
Profit attributable to owners of parent	594,036	831,687

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

	(thousands of yen)	
	2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019)	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	594,036	831,687
Other comprehensive income		
Valuation difference on available-for-sale securities	△46,050	275,739
Foreign currency translation adjustment	△1,395	518
Total other comprehensive income	△47,445	276,258
Comprehensive income	546,590	1,107,945
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	546,590	1,107,945
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Quarterly Statement of Cash Flows

	(thousands of yen)	
	2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019)	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	951,066	1,255,134
Depreciation	447,951	352,523
Increase (decrease) in provision for bonuses	△52,795	△98,327
Increase (decrease) in provision for bonuses for directors (and other officers)	△45,000	△35,000
Increase (decrease) in reserve for guarantee for after-care of products	△4,091	12,492
Increase (decrease) in provision for loss on order received	△14,025	—
Interest and dividend income	△7,415	△6,582
Interest expenses	1,284	1,587
Foreign exchange losses (gains)	192	1,354
Decrease (increase) in trade receivables	840,012	△136,519
Decrease (increase) in inventories	259,957	△134,280
Decrease (increase) in advance payments - trade	△227	29,028
Increase (decrease) in trade payables	△110,864	△112,761
Increase (decrease) in advances received	△97,528	218,494
Other, net	△31,168	△79,460
Subtotal	2,137,348	1,267,683
Interest and dividends received	7,417	5,812
Interest paid	△1,249	△683
Income taxes paid	△337,566	△339,114
Net cash provided by (used in) operating activities	1,805,949	933,698
Cash flows from investing activities		
Purchase of property, plant and equipment	△17,512	△10,157
Purchase of intangible assets	△337,286	△364,044
Other, net	871	△2,575
Net cash provided by (used in) investing activities	△353,927	△376,777
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△200,000	△100,000
Repayments of long-term borrowings	△47,067	△7,910
Purchase of treasury shares	△55	△317
Proceeds from disposal of treasury shares	39,076	34,511
Dividends paid	△176,764	△153,531
Net cash provided by (used in) financing activities	△384,811	△227,247
Effect of exchange rate change on cash and cash equivalents	△1,395	518
Net increase (decrease) in cash and cash equivalents	1,065,816	330,191
Cash and cash equivalents at beginning of period	1,261,244	2,159,577
Cash and cash equivalents at end of period	2,327,060	2,489,768