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Consolidated Financial Results for the Nine Months Ended February 28, 2022 [Japanese GAAP]



April 13, 2022

Company name: Bewith, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9216
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 Scheduled date of filing quarterly securities report: April 13, 2022
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended February 28, 2022 (June 1, 2021 - February 28, 2022)

(1) Consolidated Operating Results (Cumulative) (% 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	%
Nine months ended February 28, 2022	24,051	–	2,082	–	2,111	–	1,439	–
February 28, 2021	–	–	–	–	–	–	–	–

(Note) Comprehensive income: Nine months ended February 28, 2022: ¥1,439 million [–%]
 Nine months ended February 28, 2021: ¥ – million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 28, 2022	112.43	–
February 28, 2021	–	–

- (Notes) 1. As quarterly consolidated financial statements were not created for the nine months ended February 28, 2021, figures for that period and year-on-year percentage changes for the nine months ended February 28, 2022 are not indicated.
2. Although there are dilutive shares, diluted earnings per share are not indicated as the Company's shares were not listed as of February 28, 2022 and the average share price during the period could not be determined.
3. The Company carried out a 200-for-1 stock split for its common share on October 22, 2021. The basic earnings per share are calculated on the assumption that the said stock split was conducted at the beginning of the fiscal year ending May 31, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2022	8,903	5,083	57.0
As of May 31, 2021	8,487	4,214	49.6

(Reference) Equity: As of February 28, 2022: ¥5,078 million
 As of May 31, 2021: ¥4,209 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, 2021	–	0.00	–	8,900.00	8,900.00
Fiscal year ending May 31, 2022	–	0.00	–		
Fiscal year ending May 31, 2022 (Forecast)				42.76	42.76

(Notes) 1. Revision to the forecast for dividends announced most recently: None

2. The Company carried out a 200-for-1 stock split for its common share on October 22, 2021. The figures for fiscal year ended May 31, 2021 are the actual amounts of dividends before the said stock split. The amount of dividend after taking into account the said stock split is ¥44.50.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2022 (June 1, 2021 - May 31, 2022)

(% 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	32,473	12.6	2,560	20.1	2,545	17.5	1,673	1.1	128.49

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the nine months ended February 28, 2022 saw a slowdown in the pace of economic expansion, as the sharp rise in cases of a new variant of COVID-19 in January 2022 led to priority measures to prevent the spread of the virus and a corresponding downturn in people's movements. In addition, amid growing upward pressures on commodity prices and interest rates driven by tightened supply and demand and other factors, geopolitical risks also heightened due to tensions over the situation in Ukraine, and the future outlook remained uncertain.

In the contact center and business process outsourcing (BPO) industry to which the Company belongs, market size is growing steadily due to increases in multiple needs, such as the digitalization of business operations, rebuilding of operational systems, expansion of work-from-home operations, and the reinforcement of BCP measures, against a backdrop of social changes during the COVID-19 pandemic, including changes in work styles in companies, consumer behavior, and lifestyle patterns.

Under such business conditions, in its Medium-Term Management Plan 2022 – Rolling Plan 2021, which covers the period until the fiscal year ending May 31, 2023, the Group has established a vision of “a company that continues to grow healthily from roots to buds” and declared its aim of achieving growth from both its existing business (the roots) of “contact centers and BPO services” and its new businesses (the buds) of “development and sale of the Cloud PBX*, Omnia LINK, and other systems.” To achieve this vision, we established five initiatives, namely (1) ongoing value enhancement of its businesses (roots), (2) development of next-generation business (buds), (3) strengthening of business foundations, (4) diversity and inclusion, and (5) promotion of ESG-oriented management, and continued to engage in those initiatives.

* PBX: Private Branch eXchanger

In the nine months ended February 28, 2022, operations began at multiple newly contracted contact centers and BPO services, and net sales progressed steadily.

In the Group's businesses, the nurturing of on-site managers, such as supervisors, who are responsible for the design and construction of contracted operations, is essential. To this end, from January 2022, we launched a New Operations Construction Training Program to train supervisors and other on-site managers who have no previous experience in the design and construction of contracted operations. The program is scheduled to take place for ten sessions until May 2022, and 120 supervisors and other on-site managers are expected to complete the training nationwide.

In our work-from-home contact center service, Bewith Digital Work Place, in addition to a hybrid working format that combines working in the office and work-from-home, we are working to increase the number of completely remote operators who work entirely from home. In anticipation of this development, we have already introduced paperless operations in processes such as recruitment and labor management, and in the nine months ended February 28, 2022, we launched a Remote Worker Certification Scheme designed to further accelerate and advance this initiative. The Remote Worker Certification Scheme teaches home-based operators the knowledge and skills required to work from home, in areas such as security and compliance, IT/PC/network, and call quality. Candidates who pass a certification test at the end of the course are then certified as “Remote Workers.” Through this initiative, we will strive to ensure quality of operations in a work-from-home environment and to provide employees with peace of mind.

Through these kinds of initiatives, in the nine months ended February 28, 2022, the number of operation booths reached 5,971 in 15 locations nationwide, and the number of licenses for the use of Omnia LINK in contact centers and BPO services reached 2,726, for a share of 73.7% (Omnia LINK's share of PBXes used in contact centers and BPO services). The number of Omnia LINK licenses sold as systems solutions services reached 992, the percentage of licenses with options such as voice recognition reached 48.8%, and annual recurring revenue (ARR: calculated by multiplying monthly recurring revenue by 12 months) reached ¥230 million.

As a result of the above, net sales was ¥24,051,589 thousand, operating profit was ¥2,082,646 thousand,

ordinary profit was ¥2,111,836 thousand, and profit attributable to owners of parent was ¥1,439,132 thousand. The effects of the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards on net sales, operating profit, ordinary profit, and profit attributable to owners of parent were immaterial.

Segment information has been omitted from this report as the contact center and BPO business is the Group's sole segment.

(2) Explanation of Financial Position

(Thousand yen)

	As of May 31, 2021	As of February 28, 2022	Difference
Total assets	8,487,223	8,903,236	416,013
Total liabilities	4,273,139	3,819,621	(453,518)
Total net assets	4,214,084	5,083,615	869,531

(Assets)

Total assets as of February 28, 2022 amounted to ¥8,903,236 thousand, an increase of ¥416,013 thousand compared with the end of the previous fiscal year. This was mainly attributable to an increase of ¥600,359 thousand in accounts receivable – trade due to an increase in net sales.

(Liabilities)

Total liabilities as of February 28, 2022 amounted to ¥3,819,621 thousand, a decrease of ¥453,518 thousand compared with the end of the previous fiscal year. This was mainly attributable to a decrease in accounts payable – other of ¥611,914 thousand due to payment of equipment-related expenses resulting from the establishment of new contact centers and expansion of existing centers and the payment of the individually attributed amount of consolidated corporation tax for the end of the previous fiscal year, a decrease in accrued consumption taxes of ¥100,690 thousand due to the payment of national and local consumption taxes, and an increase in income taxes payable of ¥313,632 thousand.

(Net assets)

Total net assets as of February 28, 2022 amounted to ¥5,083,615 thousand, an increase of ¥869,531 thousand compared with the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings due to the recording of ¥1,439,132 thousand in profit attributable to owners of parent, despite dividends paid of ¥569,600 thousand.

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

No revisions have been made to the financial results forecast for the fiscal year ending May 31, 2022 announced in the Notice Regarding Financial Results, Etc. Accompanying Listing on the First Section of the Tokyo Stock Exchange released on March 2, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of May 31, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	2,628,614	2,562,500
Accounts receivable - trade	3,353,295	3,953,654
Electronically recorded monetary claims - operating	37,118	34,389
Merchandise	3,430	1,785
Supplies	2,891	2,058
Other	244,320	221,160
Total current assets	6,269,668	6,775,546
Non-current assets		
Property, plant and equipment	826,676	783,179
Intangible assets		
Goodwill	12,706	8,467
Other	99,567	124,492
Total intangible assets	112,273	132,959
Investments and other assets		
Leasehold and guarantee deposits	946,206	959,473
Other	332,400	252,079
Total investments and other assets	1,278,606	1,211,552
Total non-current assets	2,217,555	2,127,690
Total assets	8,487,223	8,903,236

(Thousand yen)

	As of May 31, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - other	1,376,149	764,235
Accrued expenses	1,220,545	1,227,332
Income taxes payable	161,655	475,287
Accrued consumption taxes	661,510	560,820
Provision for bonuses	317,271	229,004
Other	232,894	252,808
Total current liabilities	3,970,024	3,509,486
Non-current liabilities		
Asset retirement obligations	303,115	310,135
Total non-current liabilities	303,115	310,135
Total liabilities	4,273,139	3,819,621
Net assets		
Shareholders' equity		
Share capital	100,000	100,000
Capital surplus	203,182	203,182
Retained earnings	3,906,102	4,775,633
Total shareholders' equity	4,209,284	5,078,815
Share acquisition rights	4,800	4,800
Total net assets	4,214,084	5,083,615
Total liabilities and net assets	8,487,223	8,903,236

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended February 28

(Thousand yen)

	For the nine months ended February 28, 2022
Net sales	24,051,589
Cost of sales	19,975,136
Gross profit	4,076,453
Selling, general and administrative expenses	1,993,807
Operating profit	2,082,646
Non-operating income	
Interest income	0
Insurance claim income	5,649
Subsidy income	38,591
Other	1,339
Total non-operating income	45,580
Non-operating expenses	
Listing expenses	4,000
Share issuance costs	11,532
Income tax withheld at the source except for foreign tax amount reduction	707
Other	150
Total non-operating expenses	16,390
Ordinary profit	2,111,836
Extraordinary losses	
Loss on retirement of non-current assets	848
Total extraordinary losses	848
Profit before income taxes	2,110,988
Income taxes - current	593,301
Income taxes - deferred	78,555
Total income taxes	671,856
Profit	1,439,132
Profit attributable to owners of parent	1,439,132

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended February 28

(Thousand yen)

	For the nine months ended February 28, 2022
Profit	1,439,132
Comprehensive income	1,439,132
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,439,132

(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.

(Changes in accounting policies)

(Accounting standard for revenue recognition)

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard") and related guidelines from the beginning of the first quarter of the fiscal year under review. Accordingly, the Company has decided to recognize the amount expected to be received in exchange for promised goods or services as revenue when the control of such goods or services is transferred to customers. Previously, revenue was recognized net of communications expenses, transportation expenses, and other expenses received from the customer. Determining that these expenses form part of the consideration for the provision of services and thus constitute principal transactions, the Company has changed to a method of recognizing the total amount as revenue.

In adopting the Revenue Recognition Accounting Standard, in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of retrospective application of the new accounting policy to the periods prior to the beginning of the first quarter of the fiscal year under review was added to or subtracted from the balance of retained earnings at the beginning of the first quarter of the fiscal year under review, and thus the new accounting policy has been adopted from the said beginning balance.

The resulting effects on operating profit, ordinary profit, and profit before income taxes for the nine months ended February 28, 2022 are immaterial. There is also no impact on the balance of retained earnings at the beginning of the fiscal year under review.

(Accounting standard for fair value measurement)

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard") and related guidelines from the beginning of the first quarter of the fiscal year under review, and decided to adopt prospectively new accounting policies set forth in the Fair Value Measurement Accounting Standard and related guidelines, in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), There is also no impact on the quarterly consolidated financial statements caused by this application.

(Significant subsequent events)

(Issuance of new shares through public offering)

The Company was listed on the First Section of the Tokyo Stock Exchange on March 2, 2022. For the listing of the Company's shares on the exchange, at meetings of the Board of Directors on January 21 and February 9, 2022, the issuance of new shares was resolved as follows, and payment for those shares was completed on March 1, 2022.

- (1) Method of offering: General public offering (offering by book-building method)
- (2) Class and number of shares to be issued: 900,000 shares of common stock
- (3) Subscription price: ¥1,316 per share
- (4) Amount of capital incorporation: ¥658 per share
- (5) Total subscription price: ¥1,184,400,000
- (6) Total amount of capital incorporation: ¥592,200,000
- (7) Payment due date: March 1, 2022
- (8) Application of funds
 - 1) Equipment fund
 - (a) Investment in contact center infrastructure (opening of new contact centers and expansion of existing centers, investment in network facilities)
 - (b) Development of AI & DX solutions (development of new services that use digital technologies to solve customers' management issues)
 - 2) Working capital
 - (a) Development of AI & DX solutions that do not fall under (b) in 1) Equipment fund
 - (b) Investment in AI & DX talent (recruitment of specialist talent to promote digitalization, personnel expenses, etc.)