

February 4, 2021

Consolidated Financial Statements for the First Nine Months of the Fiscal Year Ending March 31, 2021



INES Corporation

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1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results

(Million yen, figures in percentages denote year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended Dec. 31, 2020	28,647	(3.6)	1,873	(15.4)	1,938	(14.5)	689	(74.8)
Nine months ended Dec. 31, 2019	29,713	12.5	2,214	83.7	2,267	79.0	2,741	244.2

(Note) Comprehensive income
 Nine months ended December 31, 2020: ¥796 million (-71.7%)
 Nine months ended December 31, 2019: ¥2,815 million (229.2%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Nine months ended Dec. 31, 2020	28.97	—
Nine months ended Dec. 31, 2019	115.23	—

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of December 31, 2020	50,157	37,732	75.2
As of March 31, 2020	52,677	37,868	71.9

(Reference) Shareholders' equity
 As of December 31, 2020: ¥37,732 million
 As of March 31, 2020: ¥37,868 million

2. Dividends

	Dividends per share (Yen)				
	End of Q1	End of Q2	End of Q3	Fiscal year end	Annual
Year ended March 31, 2020	—	15.00	—	25.00	40.00
Year ending March 31, 2021	—	15.00	—		
Year ending March 31, 2021 (Forecast)				25.00	40.00

(Note) Revisions to dividend forecasts published most recently: No
 Of the year-end dividend of 25.00 yen for the fiscal year ending March 31, 2020, 10.00 yen is a special dividend.

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

(Million yen, figures in percentages denote year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share (Yen)	
Full year	42,000	(0.7)	2,800	(3.6)	2,850	(3.6)	1,300	(37.0)	54.61	

(Note) Revisions to results forecasts published most recently: Yes
 See the news release, "Notice of Revision of Performance Forecast" dated February 4, 2021, for details on the revision made to the consolidated financial forecasts of INES Corporation.

*** Notes**

(1) Significant changes in subsidiaries during the first nine months under review (changes in subsidiaries causing a change in the scope of consolidation): No

(2) Application of special accounting treatment to the preparation of consolidated financial statements: Yes

(3) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies associated with the revision of accounting standards, etc.: No
2. Changes in accounting policies other than 1: No
3. Changes in accounting estimates: No
4. Restatement: No

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding at the term end (including treasury shares)
FY2021/3 Q3: 23,900,000 shares
FY2020/3: 23,900,000 shares
2. Number of treasury shares at the term end
FY2021/3 Q3: 94,407 shares
FY2020/3: 96,438 shares
3. Average number of shares outstanding
FY2021/3 first nine months: 23,803,020 shares
FY2020/3 first nine months: 23,788,874 shares

**** Quarterly consolidated financial statements are placed outside the scope of quarterly reviews performed by a certified public accountant or an audit corporation.***

**** Explanation regarding the proper use of results forecasts and other important notes***

(Disclaimer regarding forward-looking statements)

Forward-looking statements such as results forecasts provided in this document are prepared based on currently available information and assumptions that are deemed reasonable, but the Company does not intend to guarantee their achievement. Actual results may differ significantly from the above forecasts for a variety of reasons, such as the spread of the novel coronavirus infection disease. For conditions regarding the assumptions for results forecasts and notes on the use of results forecasts, etc., please refer to page 4 of the accompanying materials “1. Qualitative Information on Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2021, (2) Explanation on future forecast information such as consolidated results forecasts.”

1. Qualitative Information on Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2021

(1) Details of operating results

During the first nine months under review, the Japanese economy experienced extremely adverse conditions primarily due to the spread of the novel coronavirus infection disease (“COVID-19”) and the impact of the state of emergency that the government declared in April 2020 and lifted subsequently.

During the next few months, some indicators including those for consumer spending showed that recovery was under way. However, economic and social trends and corporate earnings remain yet to be seen, given the second state of emergency declared in January as the result of a sharp increase in the number of new cases in late November 2020 and thereafter.

In this situation, INES Corporation (“the Company”) established a scheme to protect its customers, partners, and employees from the risk of infection, for instance, by reducing face-to-face sales activities. It has also focused on developing a system corresponding to the new normal, including employees’ teleworking, staggered working hours, teleconferencing, and social-distancing in the workplace.

Consolidated net sales for the first nine months under review declined 3.6% year on year, to ¥28,647 million. On a sector-by-sector basis, sales fell 11.0% and 9.3% in the Financial and General Industry sectors, respectively, mainly reflecting the suspension and postponement of system development projects and stagnation of sales activities due to the impact of COVID-19. On the other hand, in the Public sector, sales remained unchanged from the year-ago level with a minor decrease of 1.1% year on year, primarily due to projects on the revision of legal systems related to welfare, such as childcare support, and services pertaining to the fixed-amount cash handout associated with the declaration of a state of emergency. Sales at the Group companies (recorded in the “Other” category) rose significantly by 14.4% year on year due to an increase in orders received.

On the profit front, operating profit fell 15.4% year on year, to ¥1,873 million and ordinary profit fell 14.5% year on year, to ¥1,938 million, largely reflecting a decrease in the work of engineers due to the impact of the COVID-19 pandemic. Profit attributable to owners of parent decreased 74.8% year on year, to ¥689 million mainly due to the recognition of an impairment loss of ¥765 million associated with the sale of owned real estate.

Consolidated net sales by sector

(Million yen)

Category/ Term	Nine months ended December 31, 2019		Nine months ended December 31, 2020		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	11,359	38.2	11,237	39.2	(1.1)
Financial	9,041	30.4	8,044	28.1	(11.0)
General industry	5,436	18.3	4,929	17.2	(9.3)
Other	3,875	13.1	4,435	15.5	14.4
Total	29,713	100.0	28,647	100.0	(3.6)

Consolidated net sales by product/service

(Million yen)

Category/ Term	Nine months ended December 31, 2019		Nine months ended December 31, 2020		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	12,592	42.4	11,015	38.5	(12.5)
System operation	8,792	29.6	9,312	32.5	5.9
System maintenance	3,551	11.9	3,509	12.2	(1.2)
Sales of information equipment	1,668	5.6	1,023	3.6	(38.6)
Other	3,108	10.5	3,786	13.2	21.8
Total	29,713	100.0	28,647	100.0	(3.6)

(2) Explanation on future forecast information such as consolidated results forecasts

Net sales, operating profit and ordinary profit remain unchanged. However, profit attributable to owners of parent has been revised due to the recognition of an impairment loss associated with the sale of owned real estate carried out as part of efforts for improving asset efficiency.

[Revisions to forecasts for the consolidated financial results for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)]

	Net sales (Million yen)	Operating profit (Million yen)	Ordinary profit (Million yen)	Profit attributable to owners of parent (Million yen)	Profit per share (Yen)
Before the revision (A) (Announced on July 31, 2020)	42,000	2,800	2,850	1,900	79.81
After the revision (B)	42,000	2,800	2,850	1,300	54.61
Change (B-A)	–	–	–	(600)	
Change (%)	–	–	–	(31.6)	
Results in the previous year (Fiscal year ended March 31, 2020)	42,278	2,903	2,957	2,063	86.72

(Caution on future forecast information)

Forward-looking statements such as results forecasts provided in this document are prepared based on currently available information and assumptions that are deemed reasonable, but the Company does not intend to guarantee their achievement. Actual results may differ significantly from the above forecasts for a variety of reasons, such as the spread of the novel coronavirus infection disease.

Quarterly Consolidated Financial Statements and Important Notes

Quarterly consolidated balance sheet

As of December 31 and March 31, 2020

(Million yen)

	FY2019 (As of March 31, 2020)	3Q of FY2020 (As of December 31, 2020)
ASSETS		
Current assets:		
Cash and deposits	22,049	22,729
Notes and accounts receivable - trade	9,716	6,542
Securities	-	300
Work in process	940	2,350
Raw materials and supplies	102	50
Prepaid expenses	399	392
Other	91	297
Allowance for doubtful accounts	(9)	(16)
Total current assets	33,291	32,647
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,785	3,528
Accumulated depreciation	(4,955)	(2,769)
Buildings and structures, net	1,830	758
Tools, furniture and fixtures	4,341	4,310
Accumulated depreciation	(2,840)	(3,100)
Tools, furniture and fixtures, net	1,500	1,210
Land	775	3
Total property, plant and equipment	4,106	1,972
Intangible assets		
Software	3,775	3,637
Other	24	24
Total intangible assets	3,800	3,661
Investments and other assets		
Investment securities	4,632	4,578
Long-term prepaid expenses	726	811
Deferred tax assets	5,046	5,441
Other	1,073	1,043
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	11,478	11,875
Total non-current assets	19,385	17,510
Total assets	52,677	50,157

Quarterly consolidated balance sheet

As of December 31 and March 31, 2020

(Million yen)

	FY2019 (As of March 31, 2020)	3Q of FY2020 (As of December 31, 2020)
LIABILITIES		
Current liabilities:		
Accounts payable - trade	2,184	1,823
Accrued expenses	997	971
Income taxes payable	1,150	207
Accrued consumption taxes	677	211
Advances received	524	324
Provision for bonuses	1,327	496
Provision for bonuses for directors (and other officers)	47	52
Provision for losses on orders received	445	394
Other	590	951
Total current liabilities	7,944	5,433
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	118	125
Net defined benefit liability	6,431	6,582
Asset retirement obligations	249	246
Other	65	37
Total non-current liabilities	6,864	6,991
Total liabilities	14,808	12,425
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	14,579	14,582
Retained earnings	9,245	8,982
Treasury shares	(119)	(102)
Total shareholders' equity	38,705	38,462
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(24)
Remeasurements of defined benefit plans	(829)	(706)
Total accumulated other comprehensive income	(836)	(730)
Total net assets	37,868	37,732
Total net assets and liabilities	52,677	50,157

Quarterly consolidated statement of income

For the nine months ended December 31, 2019 and 2020

(Million yen)

	First nine months of FY2019 (April 1, 2019 to December 31, 2019)	First nine months of FY2020 (April 1, 2020 to December 31, 2020)
Net sales	29,713	28,647
Cost of sales	22,978	22,473
Gross profit	6,735	6,174
Selling, general and administrative expenses	4,520	4,300
Operating profit	2,214	1,873
Non-operating income:		
Interest income	6	16
Dividends income	16	11
Real estate rent	45	22
Dividend income of insurance	14	22
Other	14	15
Total non-operating income	96	87
Non-operating expenses:		
Interest expenses	0	0
Rent expenses on real estate	39	19
Other	2	3
Total non-operating expenses	43	23
Ordinary profit	2,267	1,938
Extraordinary income:		
Gain on sales of non-current assets	4,307	–
Gain on bargain purchase	49	–
Total extraordinary income	4,356	–
Extraordinary losses:		
Loss on sales of non-current assets	–	2
Loss on retirement of non-current assets	86	5
Impairment loss	2,512	765
Loss on valuation of membership	5	–
Total extraordinary losses	2,604	773
Profit before income taxes	4,020	1,164
Income taxes	1,279	474
Profit	2,741	689
Profit attributable to owners of parent	2,741	689

Quarterly consolidated statement of comprehensive income

For the nine months ended December 31, 2019 and 2020

(Million yen)

	First nine months of FY2019 (April 1, 2019 to December 31, 2019)	First nine months of FY2020 (April 1, 2020 to December 31, 2020)
Profit	2,741	689
Other comprehensive income:		
Valuation difference on available-for-sale securities	(46)	(16)
Remeasurements of defined benefit plans, net of tax	120	123
Total other comprehensive income	74	106
Comprehensive income	2,815	796
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	2,815	796

Quarterly consolidated statement of cash flow

For the nine months ended December 31, 2019 and 2020

(Million yen)

	First nine months of FY2019 (April 1, 2019 to December 31, 2019)	First nine months of FY2020 (April 1, 2020 to December 31, 2020)
I. Cash flows from operating activities:		
Profit before income taxes	4,020	1,164
Depreciation	1,783	1,657
Impairment loss	2,512	765
Increase (decrease) in provision for bonuses	(664)	(830)
Increase (decrease) in provision for bonuses for directors (and other officers)	(14)	4
Increase (decrease) in provision for losses on orders received	(172)	(51)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(11)	6
Increase (decrease) in net defined benefit liability	56	328
Loss (gain) on sales of property, plant and equipment	(4,307)	2
Loss on retirement of non-current assets	86	5
Loss on valuation of membership	5	-
Gain on bargain purchase	(49)	-
Decrease (increase) in trade receivables	2,897	2,974
Decrease (increase) in inventories	(902)	(1,358)
Decrease (increase) in other assets	(139)	(216)
Increase (decrease) in trade payables	(39)	(343)
Increase (decrease) in other liabilities	248	(112)
Other	(277)	(152)
(Subtotal)	5,032	3,846
Income taxes refund	12	34
Income taxes paid	(1,376)	(1,785)
Net cash provided by (used in) operating activities:	3,668	2,095
II. Cash flows from investing activities		
Net decrease (increase) in time deposits	199	(0)
Net decrease (increase) in short-term investment securities	-	(300)
Purchase of property, plant and equipment	(997)	(244)
Proceeds from sales of property, plant and equipment	17,151	1,159
Purchase of intangible assets	(919)	(762)
Proceeds from sales of intangible assets	-	1
Purchase of long-term prepaid expenses	(237)	(282)
Purchase of investment securities	(229)	(77)
Payments of leasehold and guarantee deposits	(269)	(86)
Proceeds from refund of leasehold and guarantee deposits	50	86
Payments for asset retirement obligations	(38)	(77)
Proceeds from merger	87	-
Other	27	113
Net cash provided by (used in) investing activities:	14,824	(469)

III. Cash flows from financing activities:		
Repayments of lease obligations	(16)	(15)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(691)	(929)
Other	–	0
Net cash provided by (used in) financing activities	(709)	(945)
IV. Net increase (decrease) in cash and cash equivalents	17,784	680
V. Beginning cash and cash equivalent balance	8,706	21,014
VI. Ending cash and cash equivalent balance	26,490	21,694