

April 30, 2021

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021 [Japanese standard]



INES Corporation

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

(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	
Fiscal year ended March 31, 2021	41,573	(1.7%)	2,786	(4.0%)	2,925	(1.1%)	1,432	(30.6)%
Fiscal year ended March 31, 2020	42,278	10.8%	2,903	33.8%	2,957	32.4%	2,063	38.3%

(Note) Comprehensive income Fiscal Year Ended March 31, 2021: ¥1,860 million (-7.0%)
 Fiscal Year Ended March 31, 2020: ¥1,999 million (28.6%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)	Profit/Shareholders' equity	Ordinary profit/Total assets	Operating profit/Net sales
Fiscal year ended March 31, 2021	60.16	—	3.7%	5.6%	6.7%
Fiscal year ended March 31, 2020	86.72	—	5.5%	5.5%	6.9%

(Reference) Equity in earnings of affiliated companies Fiscal Year Ended March 31, 2021: ¥— million
 Fiscal Year Ended March 31, 2020: ¥— million

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
As of March 31, 2021	51,261	38,795	75.7	1,629.73
As of March 31, 2020	52,677	37,868	71.9	1,590.87

(Reference) Shareholders' equity As of March 31, 2021: ¥38,795 million
 As of March 31, 2020: ¥37,868 million

(3) Consolidated Cash Flow Situation

(Million yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended March 31, 2021	1,917	(11,592)	(971)	10,368
Fiscal year ended March 31, 2020	1,512	11,531	(735)	21,014

2. Dividends

	Dividends per share (Yen)					Total dividends (annual) (million yen)	Dividend payout ratio (consolidated) (%)	Dividends/Net assets (consolidated) (%)
	End of Q1	End of Q2	End of Q3	Fiscal year end	Annual			
Fiscal year ended March 31, 2020	—	15.00	—	25.00	40.00	952	46.1	2.6
Fiscal year ended March 31, 2021	—	15.00	—	25.00	40.00	952	66.5	2.5
Fiscal year ending March 31, 2022 (Forecast)	—	20.00	—	20.00	40.00		—	

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March

31, 2022 (April 1, 2021 to March 31, 2022)

(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	43,000 —	3,300 —	3,300 —	2,000 —	84.02

(Note) The Company has decided to adopt the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), among other standards, starting from the beginning of the fiscal year ending March 31, 2022, and based on such standards, has prepared the consolidated financial results forecasts. For this reason, the rates of increase or decrease from the previous fiscal year are not presented in the forecast.

* Notes

(1) Significant changes in subsidiaries during this fiscal year under review (changes in subsidiaries causing a change in the scope of consolidation): No

(2) 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

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding at the term end (including treasury shares)

Fiscal year ended March 31, 2021:	23,900,000 shares
Fiscal year ended March 31, 2020:	23,900,000 shares
2. Number of treasury shares at the term end

Fiscal year ended March 31, 2021:	94,870 shares
Fiscal year ended March 31, 2020:	96,438 shares
3. Average number of shares outstanding

Fiscal year ended March 31, 2021:	23,806,425 shares
Fiscal year ended March 31, 2020:	23,792,281 shares

*** These financial statements are not subject to audit procedures performed by certified public accountants or audit corporations.**

*** 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. Overview of operating results, (3) Future outlook."

1. Outline of Operating Results

(1) Outline of Operating Results for the Fiscal Year ended March 31, 2021

(i) External environment in the fiscal year ended March 31, 2021

During the fiscal year under review, the novel coronavirus infectious disease (“COVID-19”) continued to spread, resulting in a global contraction in economic activity. After the new year started, a decline in the number of new cases and the reopening of economic activity were seen in some countries due in part to progress with vaccination. However, with the number of infected persons still continuing to rise in many countries, the situation remains uncertain.

In Japan, a range of businesses, including non-manufacturing businesses such as tourism, transportation and restaurants in particular were forced to scale back their economic activities significantly due to the declaration of a state of emergency issued against the backdrop of a rise in the number of infected persons and the deterioration of bed occupancy rates. Even so, some indicators such as those related to consumer spending, capital investment and export showed signs of recovery after the new year began, partly reflecting the effects of a range of measures implemented by the government to prevent the spread of infection while simultaneously sustaining social economic activities, as well as efforts made by companies and the public; for instance, voluntary restrictions on outings and the implementation of teleworking, as well as an improvement in overseas economies.

(ii) Initiatives in the fiscal year under review

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.

In addition, the Company worked proactively to facilitate research and development and develop human resources with an eye on a new post-COVID-19 era in which DX (digital transformation) is expected to accelerate markedly. On the financial side, the Company moved forward with the sale of owned real estate, a step that it had already been taking to improve asset efficiency, and completed the disposal of main assets in the fiscal year under review.

(iii) Operating results of the fiscal year under review

Consolidated net sales for the fiscal year under review declined 1.7% year on year, to ¥41,573 million due to the impact of the COVID-19 pandemic. On a sector-by-sector basis, sales fell 4.1% and 7.5% in the Financial and General Industry sectors, respectively, mainly reflecting the suspension/postponement of system development projects and the stagnation of sales activities. On the other hand, in the Public sector, sales increased 2.6% year on year, primarily aided by 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.

On the profit front, operating profit fell 4.0% year on year, to ¥2,786 million, and ordinary profit fell 1.1% year on year, to ¥2,925 million, largely reflecting decreases in sales and the work of engineers due to the impact of the COVID-19 pandemic, chiefly in the Financial and General Industry sectors. Profit attributable to owners of parent decreased 30.6% year on year, to ¥1,432 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	Previous consolidated fiscal year From April 1, 2019 until March 31, 2020		Consolidated fiscal year under review From April 1, 2020 until March 31, 2021		Year-on-year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	16,669	39.4	17,095	41.1	2.6
Financial	12,507	29.6	11,999	28.9	(4.1)
General industry	7,318	17.3	6,772	16.3	(7.5)
Other	5,782	13.7	5,706	13.7	(1.3)
Total	42,278	100.0	41,573	100.0	(1.7)

Consolidated net sales by product/service

(Million yen)

Category/ Term	Previous consolidated fiscal year From April 1, 2019 until March 31, 2020		Consolidated fiscal year under review From April 1, 2020 until March 31, 2021		Year-on-year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	18,107	42.9	16,489	39.7	(8.9)
System operation	11,980	28.3	12,642	30.4	5.5
System maintenance	4,994	11.8	5,084	12.2	1.8
Sales of information equipment	2,290	5.4	2,237	5.4	(2.3)
Other	4,904	11.6	5,119	12.3	4.4
Total	42,278	100.0	41,573	100.0	(1.7)

(2) Outline of Financial Position for the Fiscal Year Ended March 31, 2021

(i) Situation of assets, liabilities and net assets

Looking at the financial position at the end of the fiscal year under review, total assets stood at ¥51,261 million, a decrease of ¥1,416 million from the end of the previous fiscal year.

Current assets decreased ¥8,068 million from the end of the previous fiscal year, to ¥25,222 million, mainly reflecting a decline in cash and deposits as a result of the purchase of investment securities. Non-current assets increased ¥6,652 million from the end of the previous fiscal year, to ¥26,038 million chiefly due to the purchase of investment securities, despite the sale of owned real estate.

Current liabilities decreased ¥2,060 million from the end of the previous fiscal year, to ¥5,884 million, largely due to declines in income taxes payable and accrued consumption taxes. Non-current liabilities decreased ¥283 million from the end of the previous fiscal year, to ¥6,580 million.

Net assets increased ¥927 million from the end of the previous fiscal year, to ¥38,795 million mainly due to the posting of profit attributable to owners of parent.

(ii) Cash flow situation

At the end of the fiscal year under review, cash and cash equivalents (“Cash”) decreased ¥10,646 million from the end of the previous fiscal year, to ¥10,368 million.

The cash flow situation and factors that contributed to that situation at the end of the fiscal year under review was as follows.

(Cash flows from operating activities)

Net cash provided by operating activities increased 26.8% year on year, to ¥1,917 million. This was mainly due to the posting of profit before income taxes of ¥2,150 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥11,592 million (compared to a cash inflow of ¥11,531 million in the previous fiscal year). This largely reflected a cash outflow of ¥9,390 million for the purchase of investment securities and a net increase of ¥2,300 million in securities.

(Cash flows from financing activities)

Net cash used in financing activities increased 32.0% year on year, to ¥971 million. This was primarily due to the payment of ¥949 million for dividends.

(3) Future Outlook

Economic circumstances still require caution in Japan, with a declaration of a state of emergency issued in some areas, reflecting a fourth wave in which the number of new cases is rising again mainly due to new variants of the virus. However, given encouraging signs including the start of vaccinations, the Company expects that economic and social activities will gradually begin to recover. Taking these factors into consideration, the Company forecasts that consolidated financial results for the fiscal year ending March 31, 2022 will be as follows.

The Company has decided to adopt the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), among other standards, starting from the beginning of the fiscal year ending March 31, 2022, and based on these standards, has prepared the consolidated financial results forecasts. For this reason, the rates of increase or decrease from the previous fiscal year are not presented in the forecast. For reference, changes from the financial results for the fiscal year ended March 31, 2021 are shown in the table (iii) below.

If the accounting standard is applied to the financial results for the fiscal year ended March 31, 2021, the impact on the financial results for that fiscal year is expected to be minor.

[Forecasts for consolidated financial results for the fiscal year ending March 31, 2022] (Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
(i) Full year	43,000	3,300	3,300	2,000
(ii) Year ended March 31, 2021	41,573	2,786	2,925	1,432
(iii) (Reference) ((i)/(ii) - 1 (%))	3.4	18.4	12.8	39.6

The Company expects that dividends will be as follows. An annual dividend per share for the fiscal year ending March 31, 2022 will remain unchanged from the previous year. Meanwhile, dividends at the end of the second quarter and end of the fiscal year will be as follows.

	Dividends per share (Yen)		
	End of Q2	Fiscal year end	Annual
Year ending March 31, 2022 (Forecast)	20.00	20.00	40.00
Year ended March 31, 2021	15.00	25.00	40.00
Increase/decrease	5.00	(5.00)	—

(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 COVID-19.

2. Basic Stance regarding Selection of Accounting Principles

In consideration of comparability with industry peers in Japan, the INES Group has the policy to prepare consolidated financial statements according to the Japanese accounting standards in the foreseeable future.

Going forward, the Group will examine the possibility of applying international accounting standards in light of trends and other factors in the application among Japanese companies.

Consolidated Balance Sheets

As of March 31, 2020 and March 31, 2021

(Million yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
ASSETS		
Current assets		
Cash and deposits	22,049	10,602
Notes and accounts receivable - trade	9,716	10,522
Securities	-	2,300
Work in process	*2 940	*2 760
Raw materials and supplies	102	73
Prepaid expenses	399	400
Other	91	578
Allowance for doubtful accounts	(9)	(15)
Total current assets	33,291	25,222
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,785	3,548
Accumulated depreciation	(4,955)	(2,814)
Buildings and structures, net	1,830	733
Tools, furniture and fixtures	4,341	4,260
Accumulated depreciation	(2,840)	(3,083)
Tools, furniture and fixtures, net	1,500	1,177
Land	775	3
Total property, plant and equipment	4,106	1,914
Intangible assets		
Software	3,775	3,595
Other	24	24
Total intangible assets	3,800	3,620
Investments and other assets		
Investment securities	*1 4,632	*1 13,947
Long-term prepaid expenses	726	878
Deferred tax assets	5,046	4,513
Other	1,073	1,164
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	11,478	20,503
Total non-current assets	19,385	26,038
Total assets	52,677	51,261

Consolidated Balance Sheets

As of March 31, 2020 and March 31, 2021

(Million yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
LIABILITIES		
Current liabilities		
Accounts payable - trade	2,184	2,343
Accrued expenses	997	790
Income taxes payable	1,150	107
Accrued consumption taxes	677	301
Advances received	524	231
Provision for bonuses	1,327	1,136
Provision for bonuses for directors (and other officers)	47	69
Provision for losses on orders received	*2 445	*2 350
Other	590	552
Total current liabilities	7,944	5,884
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	118	129
Net defined benefit liability	6,431	6,168
Asset retirement obligations	249	252
Other	65	30
Total non-current liabilities	6,864	6,580
Total liabilities	14,808	12,465
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	14,579	14,582
Retained earnings	9,245	9,725
Treasury shares	(119)	(102)
Total shareholders' equity	38,705	39,204
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(10)
Remeasurements of defined benefit plans	(829)	(398)
Total accumulated other comprehensive income	(836)	(408)
Total net assets	37,868	38,795
Total net assets and liabilities	52,677	51,261

Consolidated Statement of Income

For the fiscal year ended March 31, 2020 and 2021

(Million yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Net sales	42,278	41,573
Cost of sales	*6 33,121	*6 32,995
Gross profit	9,157	8,578
Selling, general and administrative expenses	*1, *2 6,253	*1, *2 5,791
Operating profit	2,903	2,786
Non-operating income		
Interest income	9	23
Dividends income	16	11
Real estate rent	55	22
Dividend income of insurance	14	23
Gain on investments in investment partnerships	5	64
Other	12	18
Total non-operating income	113	164
Non-operating expenses		
Interest expenses	0	0
Rent expenses on real estate	48	19
Other	9	5
Total non-operating expenses	59	25
Ordinary profit	2,957	2,925
Extraordinary income		
Gain on sales of non-current assets	*3 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	*4 95	*4 6
Impairment loss	*5 4,178	*5 765
Loss on valuation of membership	5	-
Total extraordinary losses	4,280	774
Profit before income taxes	3,034	2,150
Income tax and others	1,525	344
Adjustment of corporate taxes	(554)	373
Total income taxes	970	718
Profit	2,063	1,432
Profit attributable to owners of parent	2,063	1,432

Consolidated Statement of Comprehensive Income

For the fiscal year ended March 31, 2020 and 2021

(Million yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Profit	2,063	1,432
Other comprehensive income		
Valuation difference on available-for-sale securities	(157)	(3)
Remeasurements of defined benefit plans, net of tax	94	431
Total other comprehensive income	*	*
	(63)	428
Comprehensive income	1,999	1,860
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	1,999	1,860

Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,000	14,582	7,895	(166)	37,311
Changes during period					
Dividends of surplus			(713)		(713)
Profit attributable to owners of parent			2,063		2,063
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(3)		49	46
Changes in items other than shareholders' equity (net)					
Total changes during period	–	(3)	1,349	46	1,393
Balance at end of period	15,000	14,579	9,245	(119)	38,705

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	150	(923)	(773)	36,538
Changes during period				
Dividends of surplus				(713)
Profit attributable to owners of parent				2,063
Purchase of treasury shares				(2)
Disposal of treasury shares				46
Changes in items other than shareholders' equity (net)	(157)	94	(63)	(63)
Total changes during period	(157)	94	(63)	1,329
Balance at end of period	(7)	(829)	(836)	37,868

Fiscal year under review (April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,000	14,579	9,245	(119)	38,705
Changes during period					
Dividends of surplus			(952)		(952)
Profit attributable to owners of parent			1,432		1,432
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		2		19	21
Changes in items other than shareholders' equity (net)					
Total changes during period	-	2	480	17	499
Balance at end of period	15,000	14,582	9,725	(102)	39,204

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(7)	(829)	(836)	37,868
Changes during period				
Dividends of surplus				(952)
Profit attributable to owners of parent				1,432
Purchase of treasury shares				(2)
Disposal of treasury shares				21
Changes in items other than shareholders' equity (net)	(3)	431	428	428
Total changes during period	(3)	431	428	927
Balance at end of period	(10)	(398)	(408)	38,795

Consolidated Statement of Cash Flow

For the fiscal year ended March 31, 2020 and 2021

(Million yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	3,034	2,150
Depreciation	2,448	2,227
Impairment loss	4,178	765
Increase (decrease) in provision for bonuses	169	(190)
Increase (decrease) in provision for bonuses for directors (and other officers)	(0)	21
Increase (decrease) in provision for losses on orders received	(139)	(95)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(31)	10
Increase (decrease) in net defined benefit liability	(2,942)	358
Loss (gain) on sales of non-current assets	(4,307)	2
Loss on retirement of non-current assets	95	6
Loss on valuation of membership	5	-
Gain on bargain purchase	(49)	-
Decrease (increase) in trade receivables	60	(1,098)
Decrease (increase) in inventories	237	209
Decrease (increase) in other assets	(150)	(102)
Increase (decrease) in trade payables	197	180
Increase (decrease) in other liabilities	254	(627)
Other, net	(178)	(151)
(Subtotal)	2,882	3,668
Income taxes refund	13	34
Income taxes paid	(1,383)	(1,785)
Net cash provided by (used in) operating activities	1,512	1,917

(Million yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Net decrease (increase) in time deposits	199	801
Net decrease (increase) in short-term investment securities	–	(2,300)
Proceeds from withdrawal of long-term time deposits	300	–
Purchase of property, plant and equipment	(1,209)	(357)
Proceeds from sales of property, plant and equipment	17,202	1,159
Purchase of intangible assets	(1,327)	(1,018)
Proceeds from sales of intangible assets	–	1
Purchase of long-term prepaid expenses	(404)	(402)
Purchase of investment securities	(3,280)	(9,390)
Payments of leasehold and guarantee deposits	(273)	(225)
Proceeds from refund of leasehold and guarantee deposits	244	103
Payments for asset retirement obligations	(40)	(77)
Proceeds from merger	87	–
Other, net	32	113
Net cash provided by (used in) investing activities	11,531	(11,592)
Cash flows from financing activities		
Repayments of lease obligations	(21)	(19)
Decrease (increase) in deposits for purchase of treasury shares	–	0
Purchase of treasury shares	(2)	(2)
Cash dividends paid	(712)	(949)
Net cash provided by (used in) financing activities	(735)	(971)
Net increase (decrease) in cash and cash equivalents	12,308	(10,646)
Beginning cash and cash equivalent balance	8,706	21,014
Ending cash and cash equivalent balance	* 21,014	* 10,368