

July 29, 2022

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2023 [Japanese standard]



INES Corporation

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1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to June 30, 2022)

(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	
Three months ended June 30, 2022	9,636	14.2%	738	—	760	—	443	—
Three months ended June 30, 2021	8,439	(8.7)%	38	(89.7)%	62	(83.9)%	(71)	—

(Note) Comprehensive income Three months ended June 30, 2022: ¥423 million (611.6%)
 Three months ended June 30, 2021: ¥59 million (-71.4%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Three months ended June 30, 2022	21.34	—
Three months ended June 30, 2021	(3.02)	—

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of June 30, 2022	47,271	34,629	73.3
As of March 31, 2022	46,827	34,620	73.9

(Reference) Shareholders' equity As of June 30, 2022: ¥34,629 million As of March 31, 2022: ¥34,620 million

2. Dividends

	Dividends per share (Yen)				
	End of Q1	End of Q2	End of Q3	Fiscal year end	Annual
Year ended March 31, 2022	—	20.00	—	20.00	40.00
Year ending March 31, 2023	—				
Year ending March 31, 2023 (Forecast)		20.00	—	20.00	40.00

(Note) Revisions to dividend forecasts published most recently: No

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	7.4%	3,300	68.1%	3,300	60.2%	2,000	53.8%	96.19

(Note) Revisions to results forecasts published most recently: No

*Notes

(1) Significant changes in subsidiaries during the first quarter 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.: Yes
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)
FY2023/3 Q1: 20,900,000 shares
FY2022/3: 23,900,000 shares
2. Number of treasury shares at the term end
FY2023/3 Q1: 106,748 shares
FY2022/3: 3,107,001 shares
3. Average number of shares outstanding
FY2023/3 Q1: 20,792,926 shares
FY2022/3 Q1: 23,808,917 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, etc. may be subject to significant change for a variety of reasons, such as the impact on the world economy of the Russian invasion into Ukraine and the spread of COVID-19. 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 Quarter of the Fiscal Year Ending March 31, 2023, (3) Explanation on future forecast information such as consolidated results forecasts.”

1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023

(1) External environment and the Company's initiatives in the first quarter under review

During the first quarter under review, the Japanese economy saw signs of recovery, including a rise in corporate capital spending, reflecting expectations of progress toward the normalization of economic activity amid improving situations in Japan and abroad with respect to COVID-19. However, economic concerns and future uncertainties continued, reflecting the deterioration of global political, economic and social conditions linked to the Ukraine situation.

Under these circumstances, the Company has been proactively working to develop human resources and strengthen talent management. In April 2022, in conjunction with the iCD (i Competency Dictionary) tool it has been using since 2016 as an index for the development of IT human resources, the Company received the gold (single star) status of the "iCD User Company Certification Program" in recognition of efforts and achievements that it made with the use of the tool.

In addition, as part of efforts to train personnel in charge of digital transformation (DX) at local governments, the Company started to provide educational support to improve the DX skills of local government staff members. Going forward, starting with the promotion of DX for local governments, the Company will provide strong assistance to local governments, helping them to take steps to ensure digital transformation is implemented by local communities and the private sector as well.

It will also ensure that DX solutions are adopted by a broader range of customers while also accelerating preparations for the reorganization of the Group companies scheduled for April 2023 with a view in particular to improving operation business efficiency.

Moreover, the Company made a transition in April 2022 to the Prime Market, a new market segment under the newly restructured market segments of the Tokyo Stock Exchange.

* The iCD User Company Certification Program is sponsored by the Skill Standards User's Group for the purpose of popularizing the iCD tool. Six types of certification are provided according to the use level of iCD and achievements thereof. The gold certificate is given to companies that have achieved concrete results through the application of the iCD.

(2) Details of operating results

Consolidated net sales for the first quarter under review increased 14.2% year on year, to ¥9,636 million (please refer to "Consolidated net sales and operating profit in the first quarter for the past five years" and "Consolidated net sales by sector," which are shown in the tables below). In the Public sector, net sales rose 30.2% year on year, to ¥3,871 million, reflecting BPO projects related to COVID-19 vaccinations and welfare benefits. Net sales in the Financial sector declined 1.3% year on year, to ¥2,700 million, mainly reflecting the reduction of life insurance system development projects. Net sales in the General Industry sector increased 17.0% year on year, to ¥1,885 million, attributable to recovery in IT investment demand mainly in the retailing industry. At Group companies (posted under "Other" in the "Consolidated net sales by sector" section), net sales increased 5.5% year on year, to ¥1,179 million in the fiscal year under review, mainly due to the strong performance of cloud service projects.

On the profit side, consolidated operating profit came to ¥738 million (¥38 million in the previous year), consolidated ordinary profit was ¥760 million (¥62 million in the previous year) in the fiscal year under review. As a result, the Company recorded a profit attributable to owners of parent of ¥443 million (compared with loss attributable to owners of parent of ¥71 million in the same period of the previous year).

Consolidated net sales and operating profit in the first quarter of the past five fiscal years (Million yen)

	1Q of FY2018	1Q of FY2019	1Q of FY2020	1Q of FY2021	1Q of FY2022
Net sales	7,689	8,910	9,247	8,439	9,636
Operating profit	(114)	607	371	38	738

Consolidated net sales by sector (Million yen)

Category/Term	Three months ended June 30, 2021		Three months ended June 30, 2022		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	2,973	35.2	3,871	40.2	30.2
Financial	2,737	32.5	2,700	28.0	(1.3)
General industry	1,611	19.1	1,885	19.6	17.0
Other	1,117	13.2	1,179	12.2	5.5
Total	8,439	100.0	9,636	100.0	14.2

Consolidated net sales by product/service (Million yen)

Category/Term	Three months ended June 30, 2021		Three months ended June 30, 2022		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	3,274	38.8	3,466	35.9	5.9
System operation	2,785	33.0	3,915	40.6	40.6
System maintenance	1,249	14.8	1,239	12.9	(0.8)
Sales of information equipment	209	2.5	160	1.7	(23.5)
Other	920	10.9	854	8.9	(7.2)
Total	8,439	100.0	9,636	100.0	14.2

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

The consolidated financial results forecast and dividend forecast published on April 28, 2022 remain unchanged.

(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, etc. may be subject to significant change for a variety of reasons, such as the impact on the world economy of the Russian invasion into Ukraine and the spread of COVID-19.

Quarterly Consolidated Financial Statements and Important Notes

Quarterly consolidated balance sheet

As of March 31 and June 30, 2022

(Million yen)

	FY2021 (As of March 31, 2022)	1Q of FY2022 (As of June 30, 2022)
ASSETS		
Current assets		
Cash and deposits	9,945	14,489
Notes and accounts receivable - trade, and contract assets	9,323	5,251
Securities	2,300	2,300
Work in process	210	474
Raw materials and supplies	78	87
Prepaid expenses	436	472
Other	41	47
Allowance for doubtful accounts	(13)	(9)
Total current assets	22,323	23,113
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,630	3,630
Accumulated depreciation	(3,003)	(3,053)
Buildings and structures, net	626	577
Tools, furniture and fixtures	4,676	4,643
Accumulated depreciation	(3,427)	(3,485)
Tools, furniture and fixtures, net	1,248	1,158
Land	3	3
Total property, plant and equipment	1,878	1,738
Intangible assets		
Software	2,656	2,529
Other	24	24
Total intangible assets	2,680	2,553
Investments and other assets		
Investment securities	13,586	13,487
Long-term prepaid expenses	750	769
Deferred tax assets	4,493	4,502
Other	1,114	1,106
Total investments and other assets	19,945	19,866
Total non-current assets	24,504	24,158
Total assets	46,827	47,271

Quarterly consolidated balance sheet

As of March 31 and June 30, 2022

(Million yen)

	FY2021 (As of March 31, 2022)	1Q of FY2022 (As of June 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable - trade	2,153	1,553
Accrued expenses	1,170	861
Income taxes payable	593	290
Accrued consumption taxes	135	369
Advances received	284	1,124
Provision for bonuses	1,047	1,610
Provision for bonuses for directors (and other officers)	66	16
Provision for losses on orders received	137	107
Other	527	683
Total current liabilities	6,117	6,616
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	112	98
Net defined benefit liability	5,690	5,643
Asset retirement obligations	267	267
Other	19	15
Total non-current liabilities	6,089	6,025
Total liabilities	12,207	12,642
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	14,592	10,100
Retained earnings	9,973	10,001
Treasury shares	(4,651)	(158)
Total shareholders' equity	34,913	34,943
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32	(24)
Remeasurements of defined benefit plans	(326)	(288)
Total accumulated other comprehensive income	(293)	(313)
Total net assets	34,620	34,629
Total net assets and liabilities	46,827	47,271

Quarterly consolidated statement of income

For the three months ended June 30, 2021 and 2022

(Million yen)

	1Q of FY2021 (April 1, 2021 to June 30, 2021)	1Q of FY2022 (April 1, 2022 to June 30, 2022)
Net sales	8,439	9,636
Cost of sales	6,835	7,352
Gross profit	1,603	2,284
Selling, general and administrative expenses	1,565	1,545
Operating profit	38	738
Non-operating income		
Interest income	13	11
Dividends income	6	5
Other	5	5
Total non-operating income	24	22
Non-operating expenses		
Interest expenses	0	0
Other	0	0
Total non-operating expenses	0	0
Ordinary profit	62	760
Extraordinary income		
Total extraordinary income	–	–
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	62	759
Income taxes	134	316
Profit (loss)	(71)	443
Profit (loss) attributable to owners of parent	(71)	443

Quarterly consolidated statement of comprehensive income

For the three months ended June 30, 2021 and 2022

(Million yen)

	1Q of FY2021 (April 1, 2021 to June 30, 2021)	1Q of FY2022 (April 1, 2022 to June 30, 2022)
Profit (loss)	(71)	443
Other comprehensive income		
Valuation difference on available-for-sale securities	94	(57)
Remeasurements of defined benefit plans, net of tax	37	37
Total other comprehensive income	131	(20)
Comprehensive income	59	423
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	59	423

Quarterly consolidated statement of cash flow

For the three months ended June 30, 2021 and 2022

(Million yen)

	1Q of FY2021 (April 1, 2021 to June 30, 2021)	1Q of FY2022 (April 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	62	759
Depreciation	508	472
Increase (decrease) in provision for bonuses	567	562
Increase (decrease) in provision for bonuses for directors (and other officers)	(51)	(50)
Increase (decrease) in provision for losses on orders received	(72)	(30)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6	(13)
Increase (decrease) in retirement benefit liability	(27)	6
Loss on retirement of non-current assets	0	0
Decrease (increase) in trade receivables	6,790	4,911
Decrease (increase) in inventories	(289)	(272)
Decrease (increase) in other assets	113	60
Increase (decrease) in trade payables	(637)	(598)
Increase (decrease) in other liabilities	82	(13)
Other, net	17	(84)
(Subtotal)	7,069	5,710
Income taxes refund	62	-
Income taxes paid	(185)	(542)
Net cash provided by (used in) operating activities	6,946	5,168
Cash flows from investing activities		
Purchase of property, plant and equipment	(190)	(70)
Purchase of intangible assets	(300)	(66)
Purchase of long-term prepaid expenses	(36)	(106)
Purchase of investment securities	(1)	(1)
Payments for lease and guarantee deposits	(44)	(43)
Proceeds from refund of leasehold and guarantee deposits	100	50
Payments for asset retirement obligations	(4)	-
Other, net	1	10
Net cash provided by (used in) investing activities	(477)	(227)
Cash flows from financing activities		
Repayments of lease obligations	(5)	(4)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(558)	(391)
Net cash provided by (used in) financing activities	(563)	(396)
Net increase (decrease) in cash and cash equivalents	5,905	4,544
Beginning cash and cash equivalent balance	10,368	9,731
Ending cash and cash equivalent balance	16,274	14,275