

October 31, 2022

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



## INES Corporation

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## 1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 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	
Six months ended Sep. 30, 2022	19,987	5.6	1,525	80.3	1,563	74.9	991	98.3
Six months ended Sep. 30, 2021	18,923	(4.0)	846	(38.0)	894	(35.7)	500	61.0

(Note) Comprehensive income Six months ended September 30, 2022: ¥895 million (29.3%)  
 Six months ended September 30, 2021: ¥692 million (81.7%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Six months ended Sep. 30, 2022	47.68	—
Six months ended Sep. 30, 2021	21.16	—

### (2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of September 30, 2022	46,627	35,104	75.3
As of March 31, 2022	46,827	34,620	73.9

(Reference) Shareholders' equity As of September 30, 2022: ¥35,104 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	—	20.00			
Year ending March 31, 2023 (Forecast)			—	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	96.17

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

**\* Notes**

**(1) Significant changes in subsidiaries during the first half 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 H1: 20,900,000 shares  
FY2022/3: 23,900,000 shares
2. Number of treasury shares at the term end  
FY2023/3 H1: 104,259 shares  
FY2022/3: 3,107,001 shares
3. Average number of shares outstanding  
FY2023/3 H1: 20,794,180 shares  
FY2022/3 H1: 23,635,523 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. Moreover, actual results may differ significantly from the above forecasts for a variety of reasons, such as the impact on the world economy of Russian invasion into Ukraine and the spread of COVID-19 infections. 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 Half 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 Half of the Fiscal Year Ending March 31, 2023

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

During the first half under review, there were signs of recovery in the Japanese economy, reflecting the effects of policy measures and a change in phase of the COVID-19 pandemic to a phase of living with COVID-19 where infection control is balanced with social and economic activities. Meanwhile, risk factors for the global economy emerged, including the prolonged Russia-Ukraine war, price hikes, supply constraints, and fluctuations in the financial and exchange markets. In the information service industry, as shown in the Bank of Japan's Tankan survey (Short-Term Economic Survey of Enterprises in Japan), corporate investment in software was little affected by short-term macroeconomic trends and remained firm as companies addressed long-term challenges, including digitalization.

Under these circumstances, the Company stepped up efforts to develop solutions to promote digital transformation (DX) at customers and enhance marketing and sales. Meanwhile, the Company developed its organization and structure to prepare for the standardization of local governments' systems planned to be implemented by the end of FY2025.

On the human capital front, the Company made steady efforts to cultivate human resources. 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 April 2022 in recognition of efforts and achievements that it made with the use of the tool.

Meanwhile, the Company made many different proposals and conducted demonstration experiments in the DX field, while promoting alliances with other companies, including the Mitsubishi Research Institute Group, with which the Company has concluded a business and capital tie-up agreement. The Company expanded sales of solutions using AI for local governments and provided educational support service to develop local government employees' DX skills. 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.

\* 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 half under review increased 5.6% year on year, to ¥19,987 million (please refer to "Consolidated net sales and operating profit in the first half 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 4.7% year on year, to ¥7,890 million, reflecting BPO projects related to COVID-19 vaccinations and welfare benefits. Net sales in the Financial sector declined 2.9% year on year, to ¥5,415 million, mainly reflecting the reduction of life insurance system development projects. Net sales in the General Industry sector increased 22.8% year on year, to ¥4,090 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 4.7% year on year, to ¥2,591 million in the first half under review, mainly due to the strong performance of cloud service projects.

On the profit side, consolidated operating profit came to ¥1,525 million (up 80.3% year on year), and consolidated ordinary profit was ¥1,563 million (up 74.9% year on year) in the first half under review, reflecting an increase in sales chiefly in the Public and General Industry sectors. As a result, the Company recorded a profit attributable to owners of parent of ¥991 million (up 98.3% year on year).

Net sales and operating profit in the first half for the past five years (Million yen)

	1H of FY2018	1H of FY2019	1H of FY2020	1H of FY2021	1H of FY2022
Net sales	17,655	19,822	19,716	18,923	19,987
Operating profit	597	1,495	1,363	846	1,525

Consolidated net sales by sector (Million yen)

Category/Term	Six months ended September 30, 2021		Six months ended September 30, 2022		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	7,537	39.8	7,890	39.5	4.7
Financial	5,578	29.5	5,415	27.1	(2.9)
General industry	3,331	17.6	4,090	20.4	22.8
Other	2,476	13.1	2,591	13.0	4.7
Total	18,923	100.0	19,987	100.0	5.6

Consolidated net sales by product/service (Million yen)

Category/Term	Six months ended September 30, 2021		Six months ended September 30, 2022		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	7,516	39.8	7,749	38.8	3.1
System operation	6,302	33.3	7,429	37.2	17.9
System maintenance	2,462	13.0	2,388	11.9	(3.0)
Sales of information equipment	474	2.5	449	2.3	(5.2)
Other	2,169	11.4	1,970	9.8	(9.1)
Total	18,923	100.0	19,987	100.0	5.6

### (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 September 30, 2022

(Million yen)

	FY2021 (As of March 31, 2022)	2Q of FY2022 (As of September 30, 2022)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	9,945	11,506
Notes and accounts receivable - trade, and contract assets	9,323	7,737
Securities	2,300	2,300
Work in process	210	510
Raw materials and supplies	78	59
Prepaid expenses	436	420
Other	41	54
Allowance for doubtful accounts	(13)	(12)
<b>Total current assets</b>	<b>22,323</b>	<b>22,576</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	3,630	3,631
Accumulated depreciation	(3,003)	(3,102)
Buildings and structures, net	626	528
Tools, furniture and fixtures	4,676	4,823
Accumulated depreciation	(3,427)	(3,604)
Tools, furniture and fixtures, net	1,248	1,218
Land	3	3
<b>Total property, plant and equipment</b>	<b>1,878</b>	<b>1,750</b>
Intangible assets		
Software	2,656	2,446
Other	24	24
<b>Total intangible assets</b>	<b>2,680</b>	<b>2,471</b>
Investments and other assets		
Investment securities	13,586	13,321
Long-term prepaid expenses	750	719
Deferred tax assets	4,493	4,533
Other	1,114	1,254
<b>Total investments and other assets</b>	<b>19,945</b>	<b>19,828</b>
<b>Total non-current assets</b>	<b>24,504</b>	<b>24,050</b>
<b>Total assets</b>	<b>46,827</b>	<b>46,627</b>

## Quarterly consolidated balance sheet

As of March 31 and September 30, 2022

(Million yen)

	FY2021 (As of March 31, 2022)	2Q of FY2022 (As of September 30, 2022)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,153	1,709
Accrued expenses	1,170	724
Income taxes payable	593	631
Accrued consumption taxes	135	214
Advances received	284	458
Provision for bonuses	1,047	1,022
Provision for bonuses for directors (and other officers)	66	33
Provision for losses on orders received	137	107
Other	527	708
<b>Total current liabilities</b>	<b>6,117</b>	<b>5,610</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits for directors (and other officers)	112	100
Net defined benefit liability	5,690	5,530
Asset retirement obligations	267	267
Other	19	12
<b>Total non-current liabilities</b>	<b>6,089</b>	<b>5,911</b>
<b>Total liabilities</b>	<b>12,207</b>	<b>11,522</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	15,000	15,000
Capital surplus	14,592	10,100
Retained earnings	9,973	10,549
Treasury shares	(4,651)	(155)
<b>Total shareholders' equity</b>	<b>34,913</b>	<b>35,494</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	32	(138)
Remeasurements of defined benefit plans	(326)	(251)
<b>Total accumulated other comprehensive income</b>	<b>(293)</b>	<b>(390)</b>
<b>Total net assets</b>	<b>34,620</b>	<b>35,104</b>
<b>Total net assets and liabilities</b>	<b>46,827</b>	<b>46,627</b>

## Quarterly consolidated statement of income

For the six months ended September 30, 2021 and 2022

(Million yen)

	1H of FY2021 (April 1, 2021 to September 30, 2021)	1H of FY2022 (April 1, 2022 to September 30, 2022)
<b>Net sales</b>	<b>18,923</b>	<b>19,987</b>
Cost of sales	14,910	15,384
<b>Gross profit</b>	<b>4,013</b>	<b>4,603</b>
Selling, general and administrative expenses	3,167	3,078
<b>Operating profit</b>	<b>846</b>	<b>1,525</b>
<b>Non-operating income</b>		
Interest income	26	24
Dividends income	7	5
Other	22	10
<b>Total non-operating income</b>	<b>56</b>	<b>41</b>
<b>Non-operating expenses</b>		
Interest expenses	0	0
Commission for purchase of treasury shares	4	-
Other	2	2
<b>Total non-operating expenses</b>	<b>7</b>	<b>2</b>
<b>Ordinary profit</b>	<b>894</b>	<b>1,563</b>
<b>Extraordinary income</b>		
<b>Total extraordinary income</b>	<b>-</b>	<b>-</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	0	0
Loss on sale of investment securities	7	-
<b>Total extraordinary losses</b>	<b>8</b>	<b>0</b>
<b>Profit before income taxes</b>	<b>885</b>	<b>1,563</b>
<b>Income taxes</b>	<b>385</b>	<b>572</b>
<b>Profit</b>	<b>500</b>	<b>991</b>
<b>Profit attributable to owners of parent</b>	<b>500</b>	<b>991</b>

## Quarterly consolidated statement of comprehensive income

For the six months ended September 30, 2021 and 2022

(Million yen)

	1H of FY2021 (April 1, 2021 to September 30, 2021)	1H of FY2022 (April 1, 2022 to September 30, 2022)
<b>Profit</b>	<b>500</b>	<b>991</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	117	(171)
Remeasurements of defined benefit plans, net of tax	74	74
<b>Total other comprehensive income</b>	<b>192</b>	<b>(96)</b>
<b>Comprehensive income</b>	<b>692</b>	<b>895</b>
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	692	895



## Quarterly consolidated statement of cash flow

For the six months ended September 30, 2021 and 2022

(Million yen)

	1H of FY2021 (April 1, 2021 to September 30, 2021)	1H of FY2022 (April 1, 2022 to September 30, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	885	1,563
Depreciation	1,404	972
Increase (decrease) in provision for bonuses	(70)	(24)
Increase (decrease) in provision for bonuses for directors (and other officers)	(34)	(33)
Increase (decrease) in provision for losses on orders received	(154)	(30)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	9	(11)
Increase (decrease) in retirement benefit liability	(121)	(52)
Loss on retirement of non-current assets	0	0
Loss (gain) on sale of investment securities	7	-
Decrease (increase) in trade receivables	3,627	1,759
Decrease (increase) in inventories	(450)	(280)
Decrease (increase) in other assets	99	33
Increase (decrease) in trade payables	(703)	(446)
Increase (decrease) in other liabilities	(197)	(339)
Other, net	95	4
<b>(Subtotal)</b>	<b>4,397</b>	<b>3,114</b>
Income taxes refund	567	12
Income taxes paid	(187)	(544)
<b>Net cash provided by (used in) operating activities</b>	<b>4,778</b>	<b>2,582</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(419)	(111)
Purchase of intangible assets	(414)	(232)
Purchase of long-term prepaid expenses	(75)	(117)
Purchase of investment securities	(2)	(1)
Proceeds from sale of investment securities	292	-
Payments for lease and guarantee deposits	(55)	(197)
Proceeds from refund of leasehold and guarantee deposits	102	55
Payments for asset retirement obligations	(4)	(1)
Other, net	19	9
<b>Net cash provided by (used in) investing activities</b>	<b>(557)</b>	<b>(596)</b>
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(9)	(8)
Decrease (increase) in deposits for purchase of treasury shares	(809)	-
Purchase of treasury shares	(1,186)	(1)
Proceeds from sale of treasury shares	0	-
Cash dividends paid	(593)	(415)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,599)</b>	<b>(425)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,620</b>	<b>1,560</b>
<b>Beginning cash and cash equivalent balance</b>	<b>10,368</b>	<b>9,731</b>
<b>Ending cash and cash equivalent balance</b>	<b>11,989</b>	<b>11,292</b>