

January 27, 2023

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



INES Corporation

Listing: Tokyo Stock Exchange (Code: 9742)
 Representative: Koichi Yoshimura, President & Representative Director
 Contacts: Satoshi Numazaki, Assistant General Manager, Corporate Staff Division
 Tel: +81-3-6864-3650
 Head Office: 3-10-1, Harumi, Chuo-ku, Tokyo 104-0053, Japan
 Tel: +81-3-6864-3650
 URL: <https://www.ines.co.jp/en/>

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to December 31, 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	
Nine months ended Dec. 31, 2022	29,988	5.2	2,100	63.5	2,166	58.0	1,334	61.9
Nine months ended Dec. 31, 2021	28,500	(0.5)	1,284	(31.4)	1,371	(29.2)	824	19.5

(Note) Comprehensive income
 Nine months ended December 31, 2022: ¥1,241 million (18.4%)
 Nine months ended December 31, 2021: ¥1,048 million (31.7%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Nine months ended Dec. 31, 2022	64.17	—
Nine months ended Dec. 31, 2021	35.52	—

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of December 31, 2022	45,977	35,035	76.2
As of March 31, 2022	46,827	34,620	73.9

(Reference) Shareholders' equity
 As of December 31, 2022: ¥35,035 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 Q3:	20,900,000 shares
FY2022/3:	23,900,000 shares

2. Number of treasury shares at the term end

FY2023/3 Q3:	104,279 shares
FY2022/3:	3,107,001 shares

3. Average number of shares outstanding

FY2023/3 first nine months:	20,794,644 shares
FY2022/3 first nine months:	23,203,159 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 Nine Months 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 Nine Months of the Fiscal Year Ending March 31, 2023

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

During the first nine months under review, there were signs of recovery in the Japanese economy, reflecting the effects of policy measures under the circumstances of coexisting with the coronavirus. Meanwhile, continuous risk factors for the global economy included the impact of the prolonged Russia-Ukraine war, price hikes, supply constraints, fluctuations in the financial and exchange markets, and China's COVID status. 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.

The Company will also upgrade and expand its DX solutions services to customers and improve operation business efficiency through reorganization within the Group scheduled for April 2023.

* 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 nine months under review increased 5.2% year on year, to ¥29,988 million (please refer to "Consolidated net sales and operating profit in the first nine months 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 1.5% year on year, to ¥11,809 million, reflecting BPO projects related to COVID-19 vaccinations and new welfare system development projects. Net sales in the Financial sector declined 1.6% year on year, to ¥8,120 million, mainly reflecting the reduction of life insurance system development projects. Net sales in the General Industry sector increased 22.7% year on year, to ¥6,097 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 8.6% year on year, to ¥3,960 million in the first nine months under review, mainly due to the strong performance of cloud service projects.

On the profit side, consolidated operating profit came to ¥2,100 million (up 63.5% year on year), and consolidated ordinary profit was ¥2,166 million (up 58.0% year on year) in the first nine months 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 ¥1,334 million (up 61.9% year on year).

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

	Q3 of FY2018	Q3 of FY2019	Q3 of FY2020	Q3 of FY2021	Q3 of FY2022
Net sales	26,403	29,713	28,647	28,500	29,988
Operating profit	1,204	2,214	1,873	1,284	2,100

Consolidated net sales by sector (Million yen)

Category/Term	Nine months ended December 31, 2021		Nine months ended December 31, 2022		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	11,632	40.8	11,809	39.4	1.5
Financial	8,252	29.0	8,120	27.1	(1.6)
General industry	4,967	17.4	6,097	20.3	22.7
Other	3,647	12.8	3,960	13.2	8.6
Total	28,500	100.0	29,988	100.0	5.2

Consolidated net sales by product/service (Million yen)

Category/Term	Nine months ended December 31, 2021		Nine months ended December 31, 2022		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	10,904	38.2	11,474	38.3	5.2
System operation	10,111	35.5	11,251	37.5	11.3
System maintenance	3,662	12.9	3,566	11.9	(2.6)
Sales of information equipment	627	2.2	666	2.2	6.3
Other	3,195	11.2	3,029	10.1	(5.2)
Total	28,500	100.0	29,988	100.0	5.2

(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 December 31 and March 31, 2022

(Million yen)

	FY2021 (As of March 31, 2022)	3Q of FY2022 (As of December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	9,945	9,914
Notes and accounts receivable - trade, and contract assets	9,323	8,797
Securities	2,300	2,300
Work in process	210	606
Raw materials and supplies	78	50
Prepaid expenses	436	447
Other	41	68
Allowance for doubtful accounts	(13)	(12)
Total current assets	22,323	22,172
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,630	3,637
Accumulated depreciation	(3,003)	(3,152)
Buildings and structures, net	626	484
Tools, furniture and fixtures	4,676	4,864
Accumulated depreciation	(3,427)	(3,687)
Tools, furniture and fixtures, net	1,248	1,177
Land	3	3
Total property, plant and equipment	1,878	1,664
Intangible assets		
Software	2,656	2,322
Other	24	24
Total intangible assets	2,680	2,347
Investments and other assets		
Investment securities	13,586	13,257
Long-term prepaid expenses	750	671
Deferred tax assets	4,493	4,537
Other	1,114	1,326
Total investments and other assets	19,945	19,793
Total non-current assets	24,504	23,804
Total assets	46,827	45,977

Quarterly consolidated balance sheet

As of December 31 and March 31, 2022

(Million yen)

	FY2021 (As of March 31, 2022)	3Q of FY2022 (As of December 31, 2022)
LIABILITIES		
Current liabilities		
Accounts payable - trade	2,153	1,630
Accrued expenses	1,170	1,014
Income taxes payable	593	438
Accrued consumption taxes	135	192
Advances received	284	282
Provision for bonuses	1,047	447
Provision for bonuses for directors (and other officers)	66	50
Provision for losses on orders received	137	115
Other	527	924
Total current liabilities	6,117	5,096
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	112	102
Net defined benefit liability	5,690	5,456
Asset retirement obligations	267	269
Other	19	16
Total non-current liabilities	6,089	5,845
Total liabilities	12,207	10,942
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	14,592	10,100
Retained earnings	9,973	10,476
Treasury shares	(4,651)	(155)
Total shareholders' equity	34,913	35,421
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32	(172)
Remeasurements of defined benefit plans	(326)	(214)
Total accumulated other comprehensive income	(293)	(386)
Total net assets	34,620	35,035
Total net assets and liabilities	46,827	45,977

Quarterly consolidated statement of income

For the nine months ended December 31, 2021 and 2022

(Million yen)

	First nine months of FY2021 (April 1, 2021 to December 31, 2021)	First nine months of FY2022 (April 1, 2022 to December 31, 2022)
Net sales	28,500	29,988
Cost of sales	22,495	23,273
Gross profit	6,005	6,714
Selling, general and administrative expenses	4,721	4,614
Operating profit	1,284	2,100
Non-operating income		
Interest income	42	38
Dividends income	11	11
Dividend income of insurance	21	6
Other	27	13
Total non-operating income	102	69
Non-operating expenses		
Interest expenses	0	0
Commission for purchase of treasury shares	12	-
Other	3	2
Total non-operating expenses	15	2
Ordinary profit	1,371	2,166
Extraordinary income		
Total extraordinary income	-	-
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sale of investment securities	7	-
Impairment loss	5	99
Contract cancellation fees	52	-
Total extraordinary losses	66	99
Profit before income taxes	1,304	2,067
Income taxes	480	732
Profit	824	1,334
Profit attributable to owners of parent	824	1,334

Quarterly consolidated statement of comprehensive income

For the nine months ended December 31, 2021 and 2022

(Million yen)

	First nine months of FY2021 (April 1, 2021 to December 31, 2021)	First nine months of FY2022 (April 1, 2022 to December 31, 2022)
Profit	824	1,334
Other comprehensive income		
Valuation difference on available-for-sale securities	112	(205)
Remeasurements of defined benefit plans, net of tax	112	112
Total other comprehensive income	224	(92)
Comprehensive income	1,048	1,241
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	1,048	1,241

Quarterly consolidated statement of cash flow

For the nine months ended December 31, 2021 and 2022

(Million yen)

	First nine months of FY2021 (April 1, 2021 to December 31, 2021)	First nine months of FY2022 (April 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,304	2,067
Depreciation	1,923	1,432
Impairment loss	5	99
Increase (decrease) in provision for bonuses	(665)	(599)
Increase (decrease) in provision for bonuses for directors (and other officers)	(19)	(16)
Increase (decrease) in provision for losses on orders received	(122)	(22)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(20)	(9)
Increase (decrease) in retirement benefit liability	(121)	(72)
Loss on retirement of non-current assets	0	0
Loss (gain) on sale of investment securities	7	-
Contract cancellation fees	52	-
Decrease (increase) in trade receivables	4,090	522
Decrease (increase) in inventories	(239)	(367)
Decrease (increase) in other assets	17	(32)
Increase (decrease) in trade payables	(795)	(509)
Increase (decrease) in other liabilities	291	292
Other, net	(10)	(60)
(Subtotal)	5,700	2,722
Contract cancellation fees paid	(52)	-
Income taxes refund	567	12
Income taxes paid	(285)	(819)
Net cash provided by (used in) operating activities	5,930	1,915
Cash flows from investing activities		
Net decrease (increase) in time deposits	-	0
Purchase of property, plant and equipment	(557)	(368)
Purchase of intangible assets	(685)	(407)
Purchase of long-term prepaid expenses	(89)	(143)
Purchase of investment securities	(12)	(2)
Proceeds from sale of investment securities	292	-
Payments for lease and guarantee deposits	(57)	(271)
Proceeds from refund of leasehold and guarantee deposits	105	55
Payments for asset retirement obligations	(4)	(1)
Other, net	21	13
Net cash provided by (used in) investing activities	(987)	(1,125)

(Million yen)

	First nine months of FY2021 (April 1, 2021 to December 31, 2021)	First nine months of FY2022 (April 1, 2022 to December 31, 2022)
Cash flows from financing activities		
Repayments of lease obligations	(14)	(12)
Decrease (increase) in deposits for purchase of treasury shares	(1,944)	–
Purchase of treasury shares	(3,065)	(1)
Proceeds from sale of treasury shares	0	–
Cash dividends paid	(1,027)	(807)
Net cash provided by (used in) financing activities	(6,052)	(821)
Net increase (decrease) in cash and cash equivalents	(1,109)	(31)
Beginning cash and cash equivalent balance	10,368	9,731
Ending cash and cash equivalent balance	9,258	9,700