

April 28, 2023

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2023 [Japanese standard]



INES Corporation

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

(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, 2023	42,404	5.9%	3,801	93.7%	3,882	88.4%	2,541	95.4%
Fiscal year ended March 31, 2022	40,033	(3.7%)	1,963	(29.5%)	2,060	(29.6%)	1,300	(9.2%)

(Note) Comprehensive income Fiscal year ended March 31, 2023: ¥2,492 million (76.1%)
 Fiscal year ended March 31, 2022: ¥1,415 million (-23.9%)

	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, 2023	122.20	—	7.2%	8.1%	9.0%
Fiscal year ended March 31, 2022	57.23	—	3.5%	4.2%	4.9%

(Reference) Equity in earnings of affiliated companies Fiscal year ended March 31, 2023: ¥— million
 Fiscal year ended March 31, 2022: ¥— million

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
As of March 31, 2023	48,523	36,286	74.8	1,744.92
As of March 31, 2022	46,827	34,620	73.9	1,665.00

(Reference) Shareholders' equity As of March 31, 2023: ¥36,286 million
 As of March 31, 2022: ¥34,620 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, 2023	2,422	(2,143)	(849)	9,162
Fiscal year ended March 31, 2022	6,427	(1,422)	(5,641)	9,731

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, 2022	—	20.00	—	20.00	40.00	876	69.9	2.4
Fiscal year ended March 31, 2023	—	20.00	—	25.00	45.00	935	36.8	2.6
Fiscal year ending March 31, 2024 (Forecast)	—	—	—	—	50.00		40.0	

(Note) The year-end dividends for the fiscal year ended March 31, 2023 have been revised to ¥25 per share, ¥5 more than the forecast ¥20 per share. For details, please refer to the Notice of Revision of Dividend Forecast (Dividend Increase) for the Fiscal Year Ended March 31, 2023 published on April 28, 2023. The dividend forecasts for the end of the second quarter and the end of the fiscal year ending March 31, 2024 are to be determined.

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	1.4	4,000	5.2	4,000	3.0	2,600	2.3	125.03

* 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.: Yes
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, 2023:	20,900,000 shares
Fiscal year ended March 31, 2022:	23,900,000 shares
2. Number of treasury shares at the term end

Fiscal year ended March 31, 2023:	104,676 shares
Fiscal year ended March 31, 2022:	3,107,001 shares
3. Average number of shares outstanding

Fiscal year ended March 31, 2023:	20,794,815 shares
Fiscal year ended March 31, 2022:	22,723,039 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 various reasons. For conditions regarding the assumptions for results forecasts and notes on the use of results forecasts, etc., please refer to page 5 of the accompanying materials "1. Outline of Operating Results, (3) Future Outlook."

1. Outline of Operating Results

(1) Outline of Operating Results for the Fiscal Year ended March 31, 2023

(i) External environment in the fiscal year ended March 31, 2023

During the fiscal year under review, although higher prices put downward pressure on consumption, the Japanese economy continued to see the moderate recovery, reflecting the progress of the normalization of the economy due to the policy change for the endemic COVID-19 era, that is, the measures to prevent COVID-19 infections while revitalizing social and economic activity. Looking at the global economy, there was a significant risk of a downturn due to concerns about social conditions caused by the continuing uncertainty surrounding the situation in Ukraine, globally rising prices, particularly energy prices, and the increase of interest rates. The future of the global economy is more likely to affect the Japanese economy.

(ii) Initiatives in the fiscal year under review

In these circumstances, the Company strove to transform itself into a digital transformation (DX) corporate group that contributes to the creation of a sustainable society, leveraging its strengths: a strong customer base, an extensive lineup of services, and the capabilities of the Group as a whole.

In business related to local governments, the Company's core business area, the Company was changing its system for local governments, WebRings, to standardize it by the end of fiscal year 2025 in line with the specifications for the standardization of governmental services systems based on the Local Government Digital Transformation (DX) Promotion Plan formulated by the Ministry of Internal Affairs and Communications. Meanwhile, the Company strove to promote the use of AI and RPA by local governments and promote local governments' online administrative procedures and provided a range of solutions.

Meanwhile, the Company promoted alliances with 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 in the DX field. The Company strengthened its organization dedicated to promoting alliances in April 2023. 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.

As a DX company, the Company aims to cultivate the human resources that underpin sustainable management. To this end, the Company focused on improving DX literacy under a technical human resources development system and strengthening and developing DX human resources by providing intensive education to selected human resources. The Company implemented human resources development initiatives steadily and used the iCD (i Competency Dictionary) tool as an index for the visualization of the development of IT human resources.

The Company reorganized the Group in April 2023. The Company aims to improve operational efficiency in the BPO business and operating business by consolidating operations within the Group and to enhance the expertise and agility of its human resources, thereby increasing profitability. The Company will strengthen its governance and business foundation through reorganization within the Group.

(iii) Operating results of the fiscal year under review

Consolidated net sales in the fiscal year under review increased 5.9% year on year, to ¥42,404 million due mainly to rises in revenues in the Public sector and the General Industry sector. Consolidated net sales on a sector-by-sector basis are as shown in the table below.

In the Public sector, net sales rose 6.2% year on year, to ¥17,705 million, reflecting BPO projects related to COVID-19 vaccinations and new welfare system development projects.

Net sales in the Financial sector declined 4.0% year on year, to ¥10,965 million, mainly reflecting the reduction of life insurance system development projects.

Net sales in the General Industry sector increased 18.4% year on year, to ¥8,217 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 10.2% year on year, to ¥5,515 million in the fiscal year under review, mainly due to the strong performance of cloud service projects.

Looking at sales by product and service category, sales from system development increased chiefly due to new welfare system development projects in the Public sector.

On the profit side, operating profit rose 93.7% year on year, to ¥3,801 million, ordinary profit increased 88.4% year on year, to ¥3,882 million, and profit attributable to owners of parent climbed 95.4% year on year, to ¥2,541 million. All the profit figures above exceeded the pre-COVID levels, the results in the fiscal year ended March 31, 2020, and achieved record highs. These results chiefly reflected increases in sales mainly in the Public sector and the General Industry sector and a review of software investment strategy, for which a one-time expense was posted in the previous fiscal year, in anticipation of the national government's move toward standardizing local government systems.

Consolidated net sales by sector

(Million yen)

Category/Term	Previous consolidated fiscal year From April 1, 2021 until March 31, 2022		Consolidated fiscal year under review From April 1, 2022 until March 31, 2023		Year-on-year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	16,668	41.6	17,705	41.7	6.2
Financial	11,419	28.6	10,965	25.9	(4.0)
General industry	6,942	17.3	8,217	19.4	18.4
Other	5,003	12.5	5,515	13.0	10.2
Total	40,033	100.0	42,404	100.0	5.9

Consolidated net sales by product/service

(Million yen)

Category/Term	Previous consolidated fiscal year From April 1, 2021 until March 31, 2022		Consolidated fiscal year under review From April 1, 2022 until March 31, 2023		Year-on-year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	15,560	38.9	17,333	40.9	11.4
System operation	14,029	35.0	14,831	35.0	5.7
System maintenance	5,030	12.6	4,853	11.4	(3.5)
Sales of information equipment	1,126	2.8	1,080	2.5	(4.1)
Other	4,285	10.7	4,304	10.2	0.5
Total	40,033	100.0	42,404	100.0	5.9

(2) Outline of Financial Position for the Fiscal Year Ended March 31, 2023

(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 ¥48,523 million, an increase of ¥1,695 million from the end of the previous fiscal year.

Current assets stood at ¥24,924 million, an increase of ¥2,600 million, mainly as a result of an increase in accounts receivable - trade. Non-current assets decreased ¥905 million, to ¥23,599 million, primarily due to decreases in software and investment securities.

Current liabilities at the end of the fiscal year amounted to ¥6,414 million, an increase of ¥297 million from the end of previous fiscal year, due mainly to income taxes payable. Non-current liabilities decreased ¥267 million from the end of the previous fiscal year, to ¥5,822 million.

Net assets increased ¥1,665 million from the end of the previous fiscal year, to ¥36,286 million mainly due to the posting of profit attributable to owners of parent. The Company canceled treasury shares worth ¥4,491 million in April 2022. As a result, capital surplus decreased by the same amount. Net assets were not affected by the cancellation of treasury shares.

(ii) Cash flow situation

At the end of the fiscal year under review, cash and cash equivalents ("Cash") decreased ¥569 million from the end of the previous fiscal year, to ¥9,162 million.

The status of each cash flow segment and contributing factors for the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities decreased 62.3% year on year, to ¥2,422 million. This was mainly due to the posting of profit before income taxes of ¥3,699 million.

(Cash flows from investing activities)

Net cash used in investing activities increased 50.7% year on year, to ¥2,143 million. This was mainly attributable to purchase of property, plant and equipment of ¥958 million and purchase of intangible assets of ¥758 million.

(Cash flows from financing activities)

Net cash used in financing activities decreased 84.9 % year on year, to ¥849 million This was primarily due to the payment of ¥831 million for dividends.

(3) Future Outlook

Although conditions in Japan and overseas remain unpredictable, given Russia's prolonged invasion of Ukraine and rising worldwide inflation, particularly rising energy prices, the Company expects that the Japanese economy will continue to recover moderately. Taking these factors into consideration, the Company forecasts that consolidated financial results for the fiscal year ending March 31, 2024 will be as follows.

[Forecasts for consolidated financial results for the fiscal year ending March 31, 2024] (Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Year ending March 31, 2024	43,000	4,000	4,000	2,600
Year ended March 31, 2023	42,404	3,801	3,882	2,541
Year on year change (%)	1.4	5.2	3.0	2.3

Considering the record profit posted in the fiscal year ended March 31, 2023, the Company has revised its year-end dividend forecast from ¥20 per share to ¥25 per share as announced separately on April 28, 2023. The Company forecasts that annual dividends for the fiscal year ending March 31, 2024 will be ¥50 per share.

	Dividends per share (Yen)		
	End of Q2	Fiscal year end	Annual
Year ending March 31, 2024 (Forecast)	—	—	50.00
Year ended March 31, 2023	20.00	25.00	45.00
Increase/decrease	—	—	5.00

(Note) The dividend forecasts for the end of the second quarter and the fiscal year end of the fiscal year ending March 31, 2024 are to be determined.

(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 various reasons.

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, 2022 and March 31, 2023

(Million yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	9,945	9,376
Notes and accounts receivable - trade, and contract assets	9,323	11,960
Securities	2,300	2,300
Work in process	*2 210	268
Raw materials and supplies	78	66
Prepaid expenses	436	454
Other	41	514
Allowance for doubtful accounts	(13)	(16)
Total current assets	22,323	24,924
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,630	3,710
Accumulated depreciation	(3,003)	(3,204)
Buildings and structures, net	626	506
Tools, furniture and fixtures	4,676	4,583
Accumulated depreciation	(3,427)	(3,494)
Tools, furniture and fixtures, net	1,248	1,089
Land	3	3
Construction in progress	-	1
Total property, plant and equipment	1,878	1,600
Intangible assets		
Software	2,656	2,241
Other	24	24
Total intangible assets	2,680	2,265
Investments and other assets		
Investment securities	*1 13,586	*1 13,236
Long-term prepaid expenses	750	678
Deferred tax assets	4,493	4,490
Other	1,114	1,328
Total investments and other assets	19,945	19,733
Total non-current assets	24,504	23,599
Total assets	46,827	48,523

Consolidated Balance Sheets

As of March 31, 2022 and March 31, 2023

(Million yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Accounts payable - trade	2,153	2,006
Accrued expenses	1,170	1,261
Income taxes payable	593	908
Accrued consumption taxes	135	363
Advances received	284	191
Provision for bonuses	1,047	959
Provision for bonuses for directors (and other officers)	66	73
Provision for losses on orders received	*2 137	48
Other	527	601
Total current liabilities	6,117	6,414
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	112	102
Net defined benefit liability	5,690	4,608
Asset retirement obligations	267	276
Other	19	834
Total non-current liabilities	6,089	5,822
Total liabilities	12,207	12,237
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	14,592	10,100
Retained earnings	9,973	11,682
Treasury shares	(4,651)	(155)
Total shareholders' equity	34,913	36,627
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32	(179)
Remeasurements of defined benefit plans	(326)	(162)
Total accumulated other comprehensive income	(293)	(341)
Total net assets	34,620	36,286
Total net assets and liabilities	46,827	48,523

Consolidated Statement of Income

For the fiscal year ended March 31, 2022 and 2023

(Million yen)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Net sales	40,033	42,404
Cost of sales	*4 31,556	*4 32,306
Gross profit	8,477	10,097
Selling, general and administrative expenses	*1, *2 6,514	*1, *2 6,296
Operating profit	1,963	3,801
Non-operating income		
Interest income	55	51
Dividends income	11	11
Dividend income of insurance	24	8
Gain on investments in investment partnerships	2	–
Other	27	14
Total non-operating income	121	85
Non-operating expenses		
Interest expenses	0	0
Commission for purchase of treasury shares	18	–
Loss on investments in investment partnerships	–	1
Other	5	3
Total non-operating expenses	23	5
Ordinary profit	2,060	3,882
Extraordinary income		
Gain on sales of investment securities	6	–
Total extraordinary income	6	–
Extraordinary losses		
Loss on retirement of non-current assets	*3 2	*3 0
Loss on sale of investment securities	7	–
Loss on valuation of investment securities	71	–
Impairment loss	5	181
Contract cancellation fees	52	–
Total extraordinary losses	140	182
Profit before income taxes	1,926	3,699
Income tax and others	643	1,131
Adjustment of corporate taxes	(16)	27
Total income taxes	626	1,158
Profit	1,300	2,541
Profit attributable to owners of parent	1,300	2,541

Consolidated Statement of Comprehensive Income

For the fiscal year ended March 31, 2022 and 2023

(Million yen)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Profit	1,300	2,541
Other comprehensive income		
Valuation difference on available-for-sale securities	43	(212)
Remeasurements of defined benefit plans, net of tax	72	164
Total other comprehensive income	*	*
	115	(48)
Comprehensive income	1,415	2,492
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	1,415	2,492

Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,000	14,582	9,725	(102)	39,204
Cumulative effects of changes in accounting policies			3		3
Restated balance	15,000	14,582	9,728	(102)	39,207
Changes during period					
Dividends of surplus			(1,055)		(1,055)
Profit attributable to owners of parent			1,300		1,300
Purchase of treasury shares				(4,569)	(4,569)
Disposal of treasury shares		9		20	30
Changes in items other than shareholders' equity (net)					
Total changes during period	–	9	244	(4,548)	(4,294)
Balance at end of period	15,000	14,592	9,973	(4,651)	34,913

	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	(10)	(398)	(408)	38,795
Cumulative effects of changes in accounting policies				3
Restated balance	(10)	(398)	(408)	38,799
Changes during period				
Dividends of surplus				(1,055)
Profit attributable to owners of parent				1,300
Purchase of treasury shares				(4,569)
Disposal of treasury shares				30
Changes in items other than shareholders' equity (net)	43	72	115	115
Total changes during period	43	72	115	(4,178)
Balance at end of period	32	(326)	(293)	34,620

Fiscal year under review (April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,000	14,592	9,973	(4,651)	34,913
Changes during period					
Dividends of surplus			(831)		(831)
Profit attributable to owners of parent			2,541		2,541
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		6	6
Cancellation of treasury shares		(4,491)		4,491	-
Changes in items other than shareholders' equity (net)					
Total changes during period	-	(4,491)	1,709	4,495	1,713
Balance at end of period	15,000	10,100	11,682	(155)	36,627

	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	32	(326)	(293)	34,620
Changes during period				
Dividends of surplus				(831)
Profit attributable to owners of parent				2,541
Purchase of treasury shares				(1)
Disposal of treasury shares				6
Cancellation of treasury shares				-
Changes in items other than shareholders' equity (net)	(212)	164	(48)	(48)
Total changes during period	(212)	164	(48)	1,665
Balance at end of period	(179)	(162)	(341)	36,286

Consolidated Statement of Cash Flow

For the fiscal year ended March 31, 2022 and 2023

(Million yen)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,926	3,699
Depreciation	2,949	2,149
Impairment loss	5	181
Increase (decrease) in provision for bonuses	(89)	(87)
Increase (decrease) in provision for bonuses for directors (and other officers)	(2)	6
Increase (decrease) in provision for losses on orders received	(212)	(89)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(16)	(9)
Increase (decrease) in retirement benefit liability	(373)	(271)
Loss on retirement of non-current assets	2	0
Loss (gain) on sale of investment securities	1	-
Loss (gain) on valuation of investment securities	71	-
Contract cancellation fees	52	-
Decrease (increase) in trade receivables	1,482	(2,730)
Decrease (increase) in inventories	318	(45)
Decrease (increase) in other assets	37	(20)
Increase (decrease) in trade payables	(175)	(146)
Increase (decrease) in other liabilities	209	557
Other, net	56	37
(Subtotal)	6,244	3,232
Contract cancellation fees paid	(52)	-
Income taxes refund	567	14
Income taxes paid	(333)	(823)
Net cash provided by (used in) operating activities	6,427	2,422

(Million yen)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Cash flows from investing activities		
Net decrease (increase) in time deposits	19	0
Purchase of property, plant and equipment	(740)	(958)
Purchase of intangible assets	(896)	(758)
Purchase of long-term prepaid expenses	(167)	(219)
Purchase of investment securities	(15)	(2)
Proceeds from sale of investment securities	303	–
Payments of leasehold and guarantee deposits	(60)	(272)
Proceeds from refund of leasehold and guarantee deposits	108	55
Payments for asset retirement obligations	(5)	(1)
Other, net	30	13
Net cash provided by (used in) investing activities	(1,422)	(2,143)
Cash flows from financing activities		
Repayments of lease obligations	(19)	(16)
Purchase of treasury shares	(4,569)	(1)
Proceeds from sale of treasury shares	0	–
Cash dividends paid	(1,053)	(831)
Net cash provided by (used in) financing activities	(5,641)	(849)
Net increase (decrease) in cash and cash equivalents	(636)	(569)
Beginning cash and cash equivalent balance	10,368	9,731
Ending cash and cash equivalent balance	* 9,731	* 9,162