

July 28, 2023

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2024 [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 Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to June 30, 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 | |
|----------------------------------|-----------|-------|------------------|--------|-----------------|--------|---|---------|
| Three months ended June 30, 2023 | 9,957 | 3.3% | 694 | (5.9%) | 719 | (5.3%) | 377 | (14.9%) |
| Three months ended June 30, 2022 | 9,636 | 14.2% | 738 | — | 760 | — | 443 | — |

(Note) Comprehensive income Three months ended June 30, 2023: ¥494 million (16.8%)
 Three months ended June 30, 2022: ¥423 million (611.6%)

| | Profit per share (Yen) | Fully diluted profit per share (Yen) |
|----------------------------------|------------------------|--------------------------------------|
| Three months ended June 30, 2023 | 18.17 | — |
| Three months ended June 30, 2022 | 21.34 | — |

(2) Consolidated Financial Position

(Million yen)

| | Total assets | Net assets | Equity ratio (%) |
|----------------------|--------------|------------|------------------|
| As of June 30, 2023 | 48,408 | 36,274 | 74.9 |
| As of March 31, 2023 | 48,523 | 36,286 | 74.8 |

(Reference) Shareholders' equity As of June 30, 2023: ¥36,274 million As of March 31, 2023: ¥36,286 million

2. Dividends

| | Dividends per share (Yen) | | | | |
|--|---------------------------|-----------|-----------|-----------------|--------|
| | End of Q1 | End of Q2 | End of Q3 | Fiscal year end | Annual |
| Fiscal year ended March 31, 2023 | — | 20.00 | — | 25.00 | 45.00 |
| Fiscal year ending March 31, 2024 | — | | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | — | — | — | 50.00 |

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

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% | 124.98 |

(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.: No
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)
FY2024/3 Q1: 20,900,000 shares
FY2023/3: 20,900,000 shares
2. Number of treasury shares at the term end
FY2024/3 Q1: 97,190 shares
FY2023/3: 104,676 shares
3. Average number of shares outstanding
FY2024/3 Q1: 20,798,359 shares
FY2023/3 Q1: 20,792,926 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 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 4 of the accompanying materials “1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024, (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, 2024

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

During the first quarter of the fiscal year under review, the conditions of the global economy continued to be uncertain, mainly reflecting a moderate slowdown due to rising prices in the United States and Europe and global monetary tightening. On the other hand, the Japanese economy achieved a moderate recovery amid the ongoing normalization of economic activity. The recovery is expected to continue on the back of improving corporate earnings and rising wages, among other factors, despite downward pressure due to price increases. In addition, capital spending remained firm in Japan, aided by investments made from medium- and long-term perspectives. The Company expects that actions such as the Digital Agency's implementation of the "Priority Policy Program for Realizing Digital Society," the government's review of analog technology constraints, and the digitalization of child-related support and services driven by the Children and Families Agency which was created in April 2023 will lead to the expansion of demand generated by the welfare-related tasks of local governments, an area where the Company can demonstrate its strengths, and DX (digital transformation)-related demand.

Guided by its 2023 Medium-term Management Plan, the Group has been conducting its businesses with a focus on three basic policy measures, supporting the standardization of local governments' systems through the provision of the WebRings information system, enhancing DX solutions and accelerating sustainable management, with an eye toward its transformation into a DX-oriented company. In the fiscal year under review, the final year of the Plan, it will work on the following three measures.

In conjunction with the support for the standardization of local governments' systems, it will start to introduce the WebRings information system for local governments in the second half of fiscal 2023 with a view toward supporting standardization by fiscal 2025 based on the specifications prepared by the Ministry of Internal Affairs and Communications. The Group will steadily take all possible steps to help customers transition on a nationwide scale.

Next, regarding the enhancement of DX solutions, it will further enhance DX solutions through alliances with the Mitsubishi Research Institute Group, a business and capital alliance partner, and other companies, in addition to in-house development, while simultaneously strengthening sales capabilities to focus on expanding its sales of DX solutions. In April 2023, it integrated and consolidated sales departments that had been divided by business field. It will build strategic sales networks and promote the DX business aggressively leveraging its strong customer base.

In terms of the acceleration of sustainable management, the Company transitioned to a company with an audit and supervisory committee in June 2023 to enhance governance. The Company will strengthen its governance base by enhancing discussions at Board of Directors' meetings and strengthening its supervisory functions.

In addition, it will create an environment and culture in which all employees shine, grow sustainably and participate actively by continuing to work on the development of human resources, the promotion of new workstyles and the facilitation of exchanges between individuals with diverse backgrounds, and through these efforts, it will move forward with sustainable management.

(2) Details of operating results

Consolidated net sales for the first quarter under review increased 3.3% year on year, to ¥9,957 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). Net sales in the Public sector and Financial sector came to ¥4,441 million, an increase of 0.1% year on year, and ¥2,920 million, an increase of 0.9% year on year, respectively. These are almost unchanged from the previous year. Net sales in the General Industry sector increased 12.5% year on year, to ¥2,595 million, mainly reflecting the expansion of development projects for the retailing industry.

On the profit front, operating profit decreased 5.9% year on year to ¥694 million and ordinary profit fell 5.3% year on year to ¥719 million, largely reflecting an increase in costs due to the opening of new sales offices. As a result, the Company recorded a profit attributable to owners of parent of ¥377 million (down 14.9% year on year).

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

| | 1Q of FY2019 | 1Q of FY2020 | 1Q of FY2021 | 1Q of FY2022 | 1Q of FY2023 |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 8,910 | 9,247 | 8,439 | 9,636 | 9,957 |
| Operating profit | 607 | 371 | 38 | 738 | 694 |

Consolidated net sales by sector (Million yen)

| Category/Term | Three months ended June 30, 2022 | | Three months ended June 30, 2023 | | YoY change (%) |
|------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|----------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | |
| Public | 4,434 | 46.0 | 4,441 | 44.6 | 0.1 |
| Financial | 2,892 | 30.0 | 2,920 | 29.3 | 0.9 |
| General industry | 2,308 | 24.0 | 2,595 | 26.1 | 12.5 |
| Total | 9,636 | 100.0 | 9,957 | 100.0 | 3.3 |

(Note) Effective from the first quarter of the fiscal year under review, net sales of the Group companies that were included in Other previously have been reclassified and presented in the Public, Financial and General Industry sectors due to the restructuring of the Group's businesses. The results for the same period of the previous year have likewise been reclassified and presented.

Consolidated net sales by product/service (Million yen)

| Category/Term | Three months ended June 30, 2022 | | Three months ended June 30, 2023 | | YoY change (%) |
|--------------------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|----------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | |
| System development | 3,466 | 35.9 | 3,466 | 34.9 | (0.0) |
| System operation | 3,915 | 40.6 | 3,986 | 40.0 | 1.8 |
| System maintenance | 1,239 | 12.9 | 1,227 | 12.3 | (1.0) |
| Sales of information equipment | 160 | 1.7 | 221 | 2.2 | 37.8 |
| Other | 854 | 8.9 | 1,056 | 10.6 | 23.7 |
| Total | 9,636 | 100.0 | 9,957 | 100.0 | 3.3 |

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

The consolidated financial results forecast and dividend forecast published on April 28, 2023 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 may differ significantly from the above forecasts for various reasons.

Quarterly Consolidated Financial Statements and Important Notes

Quarterly consolidated balance sheet

As of March 31 and June 30, 2023

(Million yen)

| | FY2022 (As of March 31, 2023) | 1Q of FY2023 (As of June 30, 2023) |
|--|----------------------------------|---------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 9,376 | 14,589 |
| Notes and accounts receivable - trade, and contract assets | 11,960 | 6,006 |
| Securities | 2,300 | 2,300 |
| Work in process | 268 | 451 |
| Raw materials and supplies | 66 | 77 |
| Prepaid expenses | 454 | 544 |
| Other | 514 | 516 |
| Allowance for doubtful accounts | (16) | (11) |
| Total current assets | 24,924 | 24,475 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 3,710 | 4,077 |
| Accumulated depreciation | (3,204) | (3,254) |
| Buildings and structures, net | 506 | 823 |
| Tools, furniture and fixtures | 4,583 | 4,569 |
| Accumulated depreciation | (3,494) | (3,517) |
| Tools, furniture and fixtures, net | 1,089 | 1,051 |
| Land | 3 | 3 |
| Construction in progress | 1 | 1 |
| Total property, plant and equipment | 1,600 | 1,879 |
| Intangible assets | | |
| Software | 2,241 | 2,246 |
| Other | 24 | 23 |
| Total intangible assets | 2,265 | 2,270 |
| Investments and other assets | | |
| Investment securities | 13,236 | 13,373 |
| Long-term prepaid expenses | 678 | 657 |
| Deferred tax assets | 4,490 | 4,438 |
| Other | 1,328 | 1,315 |
| Total investments and other assets | 19,733 | 19,784 |
| Total non-current assets | 23,599 | 23,933 |
| Total assets | 48,523 | 48,408 |

Quarterly consolidated balance sheet

As of March 31 and June 30, 2023

(Million yen)

| | FY2022 (As of March 31, 2023) | 1Q of FY2023 (As of June 30, 2023) |
|--|----------------------------------|---------------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable - trade | 2,006 | 1,672 |
| Accrued expenses | 1,261 | 1,031 |
| Income taxes payable | 908 | 415 |
| Accrued consumption taxes | 363 | 262 |
| Advances received | 191 | 473 |
| Provision for bonuses | 959 | 1,537 |
| Provision for bonuses for directors (and other officers) | 73 | 19 |
| Provision for losses on orders received | 48 | 45 |
| Other | 601 | 913 |
| Total current liabilities | 6,414 | 6,370 |
| Non-current liabilities | | |
| Provision for retirement benefits for directors (and other officers) | 102 | 105 |
| Net defined benefit liability | 4,608 | 4,539 |
| Asset retirement obligations | 276 | 286 |
| Other | 834 | 833 |
| Total non-current liabilities | 5,822 | 5,763 |
| Total liabilities | 12,237 | 12,133 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 15,000 | 15,000 |
| Capital surplus | 10,100 | 10,099 |
| Retained earnings | 11,682 | 11,540 |
| Treasury shares | (155) | (140) |
| Total shareholders' equity | 36,627 | 36,499 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (179) | (80) |
| Remeasurements of defined benefit plans | (162) | (144) |
| Total accumulated other comprehensive income | (341) | (224) |
| Total net assets | 36,286 | 36,274 |
| Total net assets and liabilities | 48,523 | 48,408 |

Quarterly consolidated statement of income

For the three months ended June 30, 2022 and 2023

(Million yen)

| | 1Q of FY2022 (April 1, 2022 to June 30, 2022) | 1Q of FY2023 (April 1, 2023 to June 30, 2023) |
|--|---|---|
| Net sales | 9,636 | 9,957 |
| Cost of sales | 7,352 | 7,668 |
| Gross profit | 2,284 | 2,289 |
| Selling, general and administrative expenses | 1,545 | 1,595 |
| Operating profit | 738 | 694 |
| Non-operating income | | |
| Interest income | 11 | 13 |
| Dividends income | 5 | 5 |
| Other | 5 | 6 |
| Total non-operating income | 22 | 25 |
| Non-operating expenses | | |
| Interest expenses | 0 | 0 |
| Other | 0 | 0 |
| Total non-operating expenses | 0 | 0 |
| Ordinary profit | 760 | 719 |
| Extraordinary income | | |
| Total extraordinary income | - | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 1 |
| Total extraordinary losses | 0 | 1 |
| Profit before income taxes | 759 | 718 |
| Income taxes | 316 | 340 |
| Profit | 443 | 377 |
| Profit attributable to owners of parent | 443 | 377 |

Quarterly consolidated statement of comprehensive income

For the three months ended June 30, 2022 and 2023

(Million yen)

| | 1Q of FY2022 (April 1, 2022 to June 30, 2022) | 1Q of FY2023 (April 1, 2023 to June 30, 2023) |
|---|---|---|
| Profit | 443 | 377 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (57) | 99 |
| Remeasurements of defined benefit plans, net of tax | 37 | 17 |
| Total other comprehensive income | (20) | 116 |
| Comprehensive income | 423 | 494 |
| Comprehensive income attributable | | |
| Comprehensive income attributable to owners of parent | 423 | 494 |

Quarterly consolidated statement of cash flow

For the three months ended June 30, 2022 and 2023

(Million yen)

| | 1Q of FY2022 (April 1, 2022 to June 30, 2022) | 1Q of FY2023 (April 1, 2023 to June 30, 2023) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 759 | 718 |
| Depreciation | 472 | 426 |
| Increase (decrease) in provision for bonuses | 562 | 577 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (50) | (53) |
| Increase (decrease) in provision for loss on order received | (30) | (3) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | (13) | 2 |
| Increase (decrease) in retirement benefit liability | 6 | (44) |
| Loss on retirement of non-current assets | 0 | 1 |
| Decrease (increase) in trade receivables | 4,911 | 6,236 |
| Decrease (increase) in inventories | (272) | (194) |
| Decrease (increase) in other assets | 60 | 34 |
| Increase (decrease) in trade payables | (598) | (210) |
| Increase (decrease) in other liabilities | (13) | (206) |
| Other, net | (84) | (71) |
| (Subtotal) | 5,710 | 7,212 |
| Income taxes paid | (542) | (754) |
| Net cash provided by (used in) operating activities | 5,168 | 6,457 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (70) | (498) |
| Purchase of intangible assets | (66) | (181) |
| Purchase of long-term prepaid expenses | (106) | (79) |
| Purchase of investment securities | (1) | (1) |
| Payments of leasehold and guarantee deposits | (43) | (47) |
| Proceeds from refund of leasehold and guarantee deposits | 50 | 58 |
| Other, net | 10 | 0 |
| Net cash provided by (used in) investing activities | (227) | (748) |
| Cash flows from financing activities | | |
| Repayments of lease obligations | (4) | (3) |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (391) | (491) |
| Net cash provided by (used in) financing activities | (396) | (495) |
| Net increase (decrease) in cash and cash equivalents | 4,544 | 5,213 |
| Beginning cash and cash equivalent balance | 9,731 | 9,162 |
| Ending cash and cash equivalent balance | 14,275 | 14,376 |