

# Consolidated Financial Statements for the First Half 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 Half of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to September 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	
Six months ended Sep. 30, 2023	19,612	(1.9%)	856	(43.9%)	890	(43.0%)	473	(52.3%)
Six months ended Sep. 30, 2022	19,987	5.6%	1,525	80.3%	1,563	74.9%	991	98.3%

(Note) Comprehensive income Six months ended September 30, 2023: ¥612 million (-31.5%)  
 Six months ended September 30, 2022: ¥895 million (29.3%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Six months ended Sep. 30, 2023	22.76	—
Six months ended Sep. 30, 2022	47.68	—

### (2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of September 30, 2023	53,243	36,394	68.4
As of March 31, 2023	48,523	36,286	74.8

(Reference) Shareholders' equity As of September 30, 2023: ¥36,394 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	—	25.00			
Fiscal year ending March 31, 2024 (Forecast)			—	25.00	50.00

(Note) Revisions to dividend forecasts published most recently: Yes

The Company has decided to pay a second quarter-end dividend of ¥25 for the fiscal year ending March 31, 2024 (forecast). The second quarter-end dividend had been undecided. The annual dividend forecast, including the year-end dividend, remains unchanged. For details, please refer to the "Notice Concerning Determination of Dividends from Surplus (Interim Dividend) and Year-End Dividend Forecast" released today (October 30, 2023).

## 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	41,500	(2.1%)	3,000	(21.1%)	2,800	(27.9%)	1,700	(33.1%)	81.72	

(Note) Revisions to results forecasts published most recently: Yes

For details on the revisions to the consolidated financial results forecasts, please refer to the "Notice of Revision of Performance Forecast" released today (October 30, 2023).

\* 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.: No
2. Changes in accounting policies other than 1.: No
3. Changes in accounting estimates Yes
4. Restatement: No

**(4) Number of shares outstanding (common shares)**

1. Number of shares outstanding at the term end (including treasury shares)  
FY2024/3 H1: 20,900,000 shares  
FY2023/3: 20,900,000 shares
2. Number of treasury shares at the term end  
FY2024/3 H1: 96,137 shares  
FY2023/3: 104,676 shares
3. Average number of shares outstanding  
FY2024/3 H1: 20,800,797 shares  
FY2023/3 H1: 20,794,180 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 5 of the accompanying materials “1. Qualitative Information on Financial Results for the First Half 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 Half of the Fiscal Year Ending March 31, 2024

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

During the first half under review, the severity of COVID-19 was downgraded to a category 5 infectious disease under the Infectious Diseases Control Law, and the Japanese economy staged a moderate recovery, with improvements in employment and income. Meanwhile, there were still downside risks to global economies, such as the prolonged Russia-Ukraine war and global inflation and monetary tightening. These factors put downward pressure on the Japanese economy.

In this environment, the Group has been conducting its businesses with a focus on three basic policy measures, supporting the standardization of local governments' WebRings information system to meet the national government's specifications, enhancing DX solutions and accelerating sustainable management, in the final year of its 2023 Medium-term Management Plan.

The Group is working on developing the WebRings information system to support the standardization of the local governments' system based on specifications prepared by the Ministry of Internal Affairs and Communications, while stepping up efforts to recruit more staff and improve quality. The Company established a business partnership with Japan Information Processing Service Co., Ltd. in the area of business for local governments. The companies will deal with the standardization, which will begin in earnest in fiscal 2024, and develop and provide next-generation services. Taking advantage of the partnership, the Group aims to expand market share and provide comprehensive support to customers.

To enhance DX solutions, the Group sought to develop and sell solutions, such as "AI Consultation Partner", which was jointly developed with Mitsubishi Research Institute, Inc., "Tetsuzuki Baton", which supports the digitalization of administrative procedures, and "Madoguchi Shien Service", which improves the efficiency of local governments' counter services.

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 corporate governance. The Group is steadily working towards developing its human resources. The Company was selected as the Rising Star of the Year of AWS Japan Certification Award 2022. The award is presented by Amazon Web Services Japan G.K., which is involved in Gov-Cloud of the Digital Agency. The Company's active employee education and its employees' achievement of AWS certification were recognized. The Company will continue working to create an environment and culture in which all employees shine, grow sustainably and participate actively and move forward with sustainable management.

The Company established the Yaesu Office near Tokyo station in May this year. The office is positioned as a hub of all operations of the Company. The office serves as the central location for all Company operations. In September, the Company acquired an office building near Suitengumae Station. The office building will have the headquarters functions of INES Group companies. With this, the Group aims to make decisions about Group management more promptly, improve productivity, facilitate communication, strengthen the management base, and enhance corporate value.

(Note) The product names and company names above are trademarks or registered trademarks.

## (2) Details of operating results

Consolidated net sales for the first half under review decreased 1.9% year on year, to ¥19,612 million (please refer to “Consolidated net sales and operating profit in the first half of the past five fiscal years” and “Consolidated net sales by sector,” which are shown in the tables below). Net sales in the Public sector came to ¥8,497 million, a decrease of 5.9% year on year, chiefly due to a decrease in sales from the development of welfare-related systems. Net sales in the Financial sector stood at ¥5,803 million, which was almost unchanged from the previous year, or up 0.2% year on year. Net sales in the General Industry sector rose 2.9% year on year, to ¥5,311 million, mainly reflecting the strong performance of cloud services.

On the profit front, operating profit decreased 43.9% year on year to ¥856 million and ordinary profit fell 43.0% year on year to ¥890 million, largely reflecting a decrease in sales in the Public sector and 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 ¥473 million (down 52.3% year on year).

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

	1H of FY2019	1H of FY2020	1H of FY2021	1H of FY2022	1H of FY2023
Net sales	19,822	19,716	18,923	19,987	19,612
Operating profit	1,495	1,363	846	1,525	856

Consolidated net sales by sector (Million yen)

Category/Term	Six months ended September 30, 2022		Six months ended September 30, 2023		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	9,030	45.2	8,497	43.3	(5.9)
Financial	5,794	29.0	5,803	29.6	0.2
General industry	5,163	25.8	5,311	27.1	2.9
Total	19,987	100.0	19,612	100.0	(1.9)

(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. Net sales in the first half of the previous fiscal year are reclassified and presented in the same way.

Consolidated net sales by product/service (Million yen)

Category/Term	Six months ended September 30, 2022		Six months ended September 30, 2023		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	7,749	38.8	7,261	37.0	(6.3)
System operation	7,429	37.2	7,283	37.1	(2.0)
System maintenance	2,388	11.9	2,410	12.3	0.9
Sales of information equipment	449	2.3	447	2.3	(0.6)
Other	1,970	9.8	2,210	11.3	12.1
Total	19,987	100.0	19,612	100.0	(1.9)

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

The Company revises its net sales forecast due to expected decreases in local governments' investments in new systems and projects related to legal revisions, which are more than previously anticipated, in the Public sector before the full-scale standardization of operational systems at local governments from the next fiscal year.

It revises its forecasts for operating profit, ordinary profit and profit attributable to owners of parent due to the aforementioned expected decrease in net sales and expected additional expenses from the relocation from the rented Yokohama office, which is happening sooner than originally planned.

Revisions to forecasts for the consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Net sales (Million yen)	Operating profit (Million yen)	Ordinary profit (Million yen)	Profit attributable to owners of parent (Million yen)	Profit per share (Yen)
Before the revision (A) (Announced on April 28, 2023)	43,000	4,000	4,000	2,600	125.03
After the revision (B)	41,500	3,000	2,800	1,700	81.72
Change (B-A)	(1,500)	(1,000)	(1,200)	(900)	
Change (%)	(3.5)	(25.0)	(30.0)	(34.6)	
Results in the previous year (Fiscal year ended March 31, 2023)	42,404	3,801	3,882	2,541	122.20

The Company has decided to pay a second quarter-end dividend of ¥25 for the fiscal year ending March 31, 2024 (forecast). The second quarter-end dividend had been undecided. The annual dividend forecast, including the year-end dividend, remains 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 September 30, 2023

(Million yen)

	As of March 31, 2023	As of September 30, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	9,376	9,691
Notes and accounts receivable - trade, and contract assets	11,960	8,205
Securities	2,300	–
Work in process	268	675
Raw materials and supplies	66	59
Prepaid expenses	454	481
Other	514	679
Allowance for doubtful accounts	(16)	(13)
<b>Total current assets</b>	<b>24,924</b>	<b>19,779</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	3,710	4,282
Accumulated depreciation	(3,204)	(3,303)
Buildings and structures, net	506	979
Tools, furniture and fixtures	4,583	4,665
Accumulated depreciation	(3,494)	(3,600)
Tools, furniture and fixtures, net	1,089	1,065
Land	3	5,281
Construction in progress	1	3,953
<b>Total property, plant and equipment</b>	<b>1,600</b>	<b>11,279</b>
Intangible assets		
Software	2,241	2,303
Other	24	23
<b>Total intangible assets</b>	<b>2,265</b>	<b>2,327</b>
Investments and other assets		
Investment securities	13,236	13,354
Long-term prepaid expenses	678	657
Deferred tax assets	4,490	4,428
Other	1,328	1,415
<b>Total investments and other assets</b>	<b>19,733</b>	<b>19,856</b>
<b>Total non-current assets</b>	<b>23,599</b>	<b>33,463</b>
<b>Total assets</b>	<b>48,523</b>	<b>53,243</b>

## Quarterly consolidated balance sheet

As of March 31 and September 30, 2023

(Million yen)

	As of March 31, 2023	As of September 30, 2023
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,006	1,840
Accrued expenses	1,261	1,012
Income taxes payable	908	564
Accrued consumption taxes	363	209
Advances received	191	597
Provision for bonuses	959	955
Provision for bonuses for directors (and other officers)	73	39
Provision for losses on orders received	48	42
Asset retirement obligations	-	27
Other	601	801
<b>Total current liabilities</b>	<b>6,414</b>	<b>6,091</b>
<b>Non-current liabilities</b>		
Long-term borrowings	-	5,000
Provision for retirement benefits for directors (and other officers)	102	107
Net defined benefit liability	4,608	4,403
Asset retirement obligations	276	430
Other	834	815
<b>Total non-current liabilities</b>	<b>5,822</b>	<b>10,756</b>
<b>Total liabilities</b>	<b>12,237</b>	<b>16,848</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	15,000	15,000
Capital surplus	10,100	10,099
Retained earnings	11,682	11,636
Treasury shares	(155)	(139)
<b>Total shareholders' equity</b>	<b>36,627</b>	<b>36,596</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(179)	(74)
Remeasurements of defined benefit plans	(162)	(127)
<b>Total accumulated other comprehensive income</b>	<b>(341)</b>	<b>(202)</b>
<b>Total net assets</b>	<b>36,286</b>	<b>36,394</b>
<b>Total net assets and liabilities</b>	<b>48,523</b>	<b>53,243</b>

## Quarterly consolidated statement of income

For the six months ended September 30, 2022 and 2023

(Million yen)

	1H of FY2022 (April 1, 2022 to September 30, 2022)	1H of FY2023 (April 1, 2023 to September 30, 2023)
<b>Net sales</b>	<b>19,987</b>	<b>19,612</b>
Cost of sales	15,384	15,492
<b>Gross profit</b>	<b>4,603</b>	<b>4,120</b>
Selling, general and administrative expenses	3,078	3,264
<b>Operating profit</b>	<b>1,525</b>	<b>856</b>
<b>Non-operating income</b>		
Interest income	24	26
Dividends income	5	6
Other	10	9
<b>Total non-operating income</b>	<b>41</b>	<b>42</b>
<b>Non-operating expenses</b>		
Interest expenses	0	0
Loss on investments in investment partnerships	-	5
Other	2	2
<b>Total non-operating expenses</b>	<b>2</b>	<b>8</b>
<b>Ordinary profit</b>	<b>1,563</b>	<b>890</b>
<b>Extraordinary income</b>		
Gain on liquidation of subsidiaries and associates	-	18
<b>Total extraordinary income</b>	<b>-</b>	<b>18</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	0	4
<b>Total extraordinary losses</b>	<b>0</b>	<b>4</b>
<b>Profit before income taxes</b>	<b>1,563</b>	<b>905</b>
<b>Income taxes</b>	<b>572</b>	<b>431</b>
<b>Profit</b>	<b>991</b>	<b>473</b>
<b>Profit attributable to owners of parent</b>	<b>991</b>	<b>473</b>



## Quarterly consolidated statement of comprehensive income

For the six months ended September 30, 2022 and 2023

(Million yen)

	1H of FY2022 (April 1, 2022 to September 30, 2022)	1H of FY2023 (April 1, 2023 to September 30, 2023)
<b>Profit</b>	<b>991</b>	<b>473</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(171)	104
Remeasurements of defined benefit plans, net of tax	74	34
<b>Total other comprehensive income</b>	<b>(96)</b>	<b>139</b>
<b>Comprehensive income</b>	<b>895</b>	<b>612</b>
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	895	612

## Quarterly consolidated statement of cash flow

For the six months ended September 30, 2022 and 2023

(Million yen)

	1H of FY2022 (April 1, 2022 to September 30, 2022)	1H of FY2023 (April 1, 2023 to September 30, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,563	905
Depreciation	972	873
Increase (decrease) in provision for bonuses	(24)	(4)
Increase (decrease) in provision for bonuses for directors (and other officers)	(33)	(33)
Increase (decrease) in provision for loss on order received	(30)	(6)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(11)	4
Increase (decrease) in retirement benefit liability	(52)	(163)
Loss (gain) on liquidation of subsidiaries and associates	–	(18)
Loss on retirement of non-current assets	0	4
Decrease (increase) in trade receivables	1,759	4,161
Decrease (increase) in inventories	(280)	(400)
Decrease (increase) in other assets	33	1
Increase (decrease) in trade payables	(446)	(166)
Increase (decrease) in other liabilities	(339)	(840)
Other, net	4	21
<b>(Subtotal)</b>	<b>3,114</b>	<b>4,336</b>
Income taxes refund	12	6
Income taxes paid	(544)	(773)
<b>Net cash provided by (used in) operating activities</b>	<b>2,582</b>	<b>3,569</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	–	0
Net decrease (increase) in short-term investment securities	–	2,300
Purchase of property, plant and equipment	(111)	(9,410)
Purchase of intangible assets	(232)	(418)
Purchase of long-term prepaid expenses	(117)	(137)
Purchase of investment securities	(1)	(1)
Proceeds from liquidation of subsidiaries and associates	–	30
Payments of leasehold and guarantee deposits	(197)	(148)
Proceeds from refund of leasehold and guarantee deposits	55	60
Payments for asset retirement obligations	(1)	(2)
Other, net	9	1
<b>Net cash provided by (used in) investing activities</b>	<b>(596)</b>	<b>(7,727)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowing	–	5,000
Repayments of lease obligations	(8)	(7)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(415)	(518)
<b>Net cash provided by (used in) financing activities</b>	<b>(425)</b>	<b>4,472</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,560</b>	<b>315</b>
<b>Beginning cash and cash equivalent balance</b>	<b>9,731</b>	<b>9,162</b>
<b>Ending cash and cash equivalent balance</b>	<b>11,292</b>	<b>9,477</b>