

July 31, 2024

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2025 [Japanese standard]



INES Corporation

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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: No
 Holding of financial results briefing: No

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (April 1, 2024 to June 30, 2024)

(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, 2024	8,436	(15.3%)	(321)	—	(304)	—	(275)	—
Three months ended June 30, 2023	9,957	3.3%	694	(5.9%)	719	(5.3%)	377	(14.9%)

(Note) Comprehensive income Three months ended June 30, 2024: ¥230 million (-%)
 Three months ended June 30, 2023: ¥494 million (16.8%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Three months ended June 30, 2024	(13.24)	—
Three months ended June 30, 2023	18.17	—

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of June 30, 2024	52,757	37,061	70.2
As of March 31, 2024	54,427	37,790	69.4

(Reference) Shareholders' equity As of June 30, 2024: ¥37,061 million As of March 31, 2024: ¥37,790 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, 2024	—	25.00	—	25.00	50.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		—	—	—	55.00

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

3. Forecasts for Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(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	44,000	8.5%	4,000	39.0%	4,000	46.4%	2,700	50.3%	129.80

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

* Notes

(1) Any important changes in the scope of consolidation during the term: 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)

FY2025/3 Q1: 20,900,000 shares

FY2024/3: 20,900,000 shares

2. Number of treasury shares at the term end

FY2025/3 Q1: 99,539 shares

FY2024/3: 96,727 shares

3. Average number of shares outstanding

FY2025/3 Q1: 20,805,961 shares

FY2024/3 Q1: 20,798,359 shares

**** Review of the accompanying quarterly consolidated financial statements by certified public accountants or audit corporations: None***

**** 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 3 of the accompanying materials “1. Outline of Operating Results, (3) Explanation on future forecast information such as consolidated results forecasts.”

1. Outline of Operating Results

During the first quarter of the fiscal year under review, the Japanese economy remained uncertain due to soaring energy and raw material prices, among other factors, despite improvements in the employment and income environment.

Looking at the business areas of the Company, with the government advocating the Digital Garden City Nation as one of the important pillars of the New Form of Capitalism, promoting digital transformation (DX) is expected to take on increase importance as the key to resolving social issues.

The Group set out to be a company that continues to take on challenges and evolve as its vision in the 2026 Medium-term Management Plan, which started in the current fiscal year. With this in mind, it is in the process of advancing its businesses based on the three pillars of action, namely, standardizing the information system for local governments, developing next-generation solutions, and enhancing business foundations, with a view to becoming a DX-oriented company that makes the most of AI.

With respect to standardizing the information system for local governments, the peak period for the initiative has been pushed back and shortened, reflecting a partial postponement of the transition deadline, which was expected to be the end of FY2025, due to the government's decision. In the meantime, it is necessary to facilitate an accurate and secure transition of the systems of a large number of local governments. The Group considers the transition as a top priority matter and is working on it by utilizing a nationwide network and in collaboration with its alliance parties, while also continuing to focus on quality improvements under a robust development and introduction system.

Regarding the development of next-generation solutions, the Group has decided to set out to develop the next-generation WebRings under the concept of being connected with an eye on opportunities after the standardization of local governments' systems. The Group will work to establish seamless collaboration within local governments and incorporate other companies' solutions, while also making local governments and private businesses connected to provide services on a cross-industry basis. In doing so, it will provide optimal services for residents and respond to diverse demand. Meanwhile, in the private sector, the Group will provide new solutions for local communities and private companies by utilizing the expertise that it has developed through the provision of DX solutions for local governments. In addition, the Company will deepen its collaborative relationship with the Mitsubishi Research Institute Group and work on regional co-creation to solve residents' issues and drive the digitization of local communities.

As for enhancing its business foundations, the Company will seek to produce the effects of partnership promotion while also utilizing its alliance partners, thereby increasing the number of customers and strengthening its customer base. In addition, to improve the productivity and quality of development with the use of AI, the Group began constructing and operating a generative AI environment internally, while simultaneously accelerating the Group's investment in IT infrastructure.

The Group also has been moving forward with sustainable management by focusing on its three priority items, namely, investment in human capital, financial strategies and investment in IT infrastructure. Investing in human capital, the Group has been facilitating strategies to help each employee shine, while also developing a system to work consistently on human capital investment strategies in sync with business strategies, with a view to accelerating the development of AI/DX-oriented personnel. In terms of financial strategies, efforts have been made to optimize capital efficiency on a groupwide basis with an eye on improving shareholder value and facilitate strategic investments for business expansion. From the perspective of investment in IT infrastructure, efforts have been made to implement plans in the IT roadmap aimed at enhancing the IT foundations with an eye to improving business value, promoting data-driven management and facilitating quality improvements on a groupwide basis.

Meanwhile, with a view to strengthening its management base, the headquarters functions of the Group were consolidated in April 2024 to facilitate the creation of group synergies and improvement of corporate value.

(1) Outline of Operating Results for the First Quarter Ended June 30, 2024

Consolidated net sales for the first quarter under review decreased 15.3% year on year, to ¥8,436 million (please refer to “Consolidated net sales by sector,” which are shown in the table below). Net sales in the Public sector decrease 23.2% year on year, to ¥3,411 million, mainly reflecting a decrease in the number of large-scale outsourcing projects such as those related to various types on welfare benefits, attributable to the shift of COVID-19 to a category 5 infectious disease. Even so, orders received in the current fiscal year linked to the introduction of the standardization system remained steady. Net sales in the Private sector declined 8.9% year on year, to ¥5,024 million, mainly reflecting a decrease in the number of backbone system replacement projects for the retailing industry.

On the profit side, the operating loss came to ¥321 million (compared to operating profit of ¥694 million in the same period of the previous year) and the ordinary loss was ¥304 million (compared to an ordinary profit of ¥719 million in the same period of the previous year), reflecting lower net sales in each field. As a result, the Company recorded a loss attributable to owners of parent of ¥275 million (compared with profit of attributable to owners of parent of ¥377 million in the same period of the previous year).

Consolidated net sales by sector

(Million yen)

Category/Term	Three months ended June 30, 2023		Three months ended June 30, 2024		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	4,441	44.6	3,411	40.4	(23.2)
Private	5,516	55.4	5,024	59.6	(8.9)
Total	9,957	100.0	8,436	100.0	(15.3)

(Note) Effective from the first quarter of the fiscal year under review, net sales that were included in Financial and General Industry have been reclassified and presented in Private. Net sales in the first three months of the previous fiscal year are reclassified and presented in the same way.

Consolidated net sales by product/service

(Million yen)

Category/Term	Three months ended June 30, 2023		Three months ended June 30, 2024		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	3,466	34.9	3,297	39.1	(4.9)
System operation	3,986	40.0	3,211	38.1	(19.4)
System maintenance	1,227	12.3	1,216	14.4	(0.9)
Sales of information equipment	221	2.2	166	2.0	(25.0)
Other	1,056	10.6	545	6.4	(48.4)
Total	9,957	100.0	8,436	100.0	(15.3)

(2) Outline of Financial Position for the First Quarter Ended June 30, 2024

Looking at the financial position at the end of the first three months of the fiscal year under review, total assets stood at ¥52,757 million, a decrease of ¥1,670 million from the end of the previous fiscal year.

Current assets decreased ¥2,033 million, to ¥18,250 million, reflecting decreases mainly in notes and accounts receivable-trade, and contract assets. Non-current assets increased by ¥363 million to ¥34,507 million.

Current liabilities at the end of the first three months of the fiscal year amounted to ¥7,045 million, a decrease of ¥556 million from the end of previous fiscal year, due mainly to income taxes payable. Non-current liabilities decreased ¥384 million from the end of the previous fiscal year, to ¥8,650 million.

Net assets declined ¥728 million, to ¥37,061 million, mainly as a result of dividend payments.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The consolidated financial results forecast and dividend forecast published on April 30, 2024 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, 2024

(Million yen)

	FY2023 (As of March 31, 2024)	1Q of FY2024 (As of June 30, 2024)
ASSETS		
Current assets		
Cash and deposits	6,479	10,382
Notes and accounts receivable - trade, and contract assets	11,855	5,769
Work in process	383	584
Raw materials and supplies	69	87
Prepaid expenses	431	519
Other	1,084	919
Allowance for doubtful accounts	(19)	(13)
Total current assets	20,283	18,250
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,479	6,021
Accumulated depreciation	(628)	(692)
Buildings and structures, net	851	5,329
Tools, furniture and fixtures	3,996	4,009
Accumulated depreciation	(2,971)	(3,014)
Tools, furniture and fixtures, net	1,025	995
Land	5,299	5,299
Construction in progress	4,587	—
Total property, plant and equipment	11,764	11,624
Intangible assets		
Software	2,498	2,673
Other	23	23
Total intangible assets	2,522	2,696
Investments and other assets		
Investment securities	13,535	13,580
Long-term prepaid expenses	767	673
Deferred tax assets	4,147	4,656
Other	1,407	1,274
Total investments and other assets	19,857	20,185
Total non-current assets	34,143	34,507
Total assets	54,427	52,757

Quarterly Consolidated Balance Sheet

As of March 31 and June 30, 2024

(Million yen)

	FY2023 (As of March 31, 2024)	1Q of FY2024 (As of June 30, 2024)
LIABILITIES		
Current liabilities		
Accounts payable - trade	1,909	1,804
Current portion of long-term borrowings	416	625
Accrued expenses	1,297	1,144
Income taxes payable	722	181
Accrued consumption taxes	272	170
Advances received	129	441
Provision for bonuses	959	1,431
Provision for bonuses for directors (and other officers)	80	26
Provision for losses on orders received	49	85
Asset retirement obligations	230	243
Other	1,533	889
Total current liabilities	7,601	7,045
Non-current liabilities		
Long-term borrowings	4,583	4,374
Provision for retirement benefits for directors (and other officers)	88	33
Net defined benefit liability	3,411	3,299
Asset retirement obligations	154	147
Other	798	796
Total non-current liabilities	9,035	8,650
Total liabilities	16,637	15,696
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	10,099	10,101
Retained earnings	12,438	11,643
Treasury shares	(140)	(120)
Total shareholders' equity	37,398	36,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	54	92
Remeasurements of defined benefit plans	336	344
Total accumulated other comprehensive income	391	436
Total net assets	37,790	37,061
Total net assets and liabilities	54,427	52,757

Quarterly Consolidated Statement of Income

For the three months ended June 30, 2023 and 2024

(Million yen)

	1Q of FY2023 (April 1, 2023 to June 30, 2023)	1Q of FY2024 (April 1, 2024 to June 30, 2024)
Net sales	9,957	8,436
Cost of sales	7,668	7,208
Gross profit	2,289	1,228
Selling, general and administrative expenses	1,595	1,549
Operating profit (loss)	694	(321)
Non-operating income		
Interest income	13	13
Dividends income	5	7
Other	6	6
Total non-operating income	25	27
Non-operating expenses		
Interest expenses	0	7
Other	0	2
Total non-operating expenses	0	10
Ordinary profit (loss)	719	(304)
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Loss on retirement of non-current assets	1	7
Special retirement benefits	—	45
Other	—	15
Total extraordinary losses	1	68
Profit (loss) before income taxes	718	(372)
Income taxes	340	(96)
Profit (loss)	377	(275)
Profit (loss) attributable to owners of parent	377	(275)

Quarterly Consolidated Statement of Comprehensive Income

For the three months ended June 30, 2023 and 2024

(Million yen)

	1Q of FY2023 (April 1, 2023 to June 30, 2023)	1Q of FY2024 (April 1, 2024 to June 30, 2024)
Profit (loss)	377	(275)
Other comprehensive income		
Valuation difference on available-for-sale securities	99	37
Remeasurements of defined benefit plans, net of tax	17	7
Total other comprehensive income	116	45
Comprehensive income	494	(230)
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	494	(230)

Quarterly Consolidated Statement of Cash Flow

For the three months ended June 30, 2023 and 2024

(Million yen)

	1Q of FY2023 (April 1, 2023 to June 30, 2023)	1Q of FY2024 (April 1, 2024 to June 30, 2024)
Cash flows from operating activities:		
Profit (loss) before income taxes	718	(372)
Depreciation	426	438
Increase (decrease) in provision for bonuses	577	471
Increase (decrease) in provision for bonuses for directors (and other officers)	(53)	(53)
Increase (decrease) in provision for losses on order received	(3)	36
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2	(55)
Increase (decrease) in retirement benefit liability	(44)	(101)
Loss on retirement of non-current assets	1	7
Special retirement benefits	–	45
Decrease (increase) in trade receivables	6,236	6,399
Decrease (increase) in inventories	(194)	(219)
Decrease (increase) in other assets	34	23
Increase (decrease) in trade payables	(210)	2
Increase (decrease) in other liabilities	(206)	(357)
Other, net	(71)	(77)
(Subtotal)	7,212	6,186
Income taxes refund	–	42
Income taxes paid	(754)	(727)
Net cash provided by (used in) operating activities	6,457	5,500
Cash flows from investing activities		
Net decrease (increase) in time deposits	–	1,000
Purchase of property, plant and equipment	(498)	(871)
Purchase of intangible assets	(181)	(333)
Purchase of long-term prepaid expenses	(79)	(20)
Purchase of investment securities	(1)	(1)
Payments of leasehold and guarantee deposits	(47)	(40)
Proceeds from refund of leasehold and guarantee deposits	58	173
Payments for asset retirement obligations	–	(8)
Other, net	0	–
Net cash provided by (used in) investing activities	(748)	(102)
Cash flows from financing activities		
Repayments of lease obligations	(3)	0
Purchase of treasury shares	0	0
Cash dividends paid	(491)	(493)
Net cash provided by (used in) financing activities	(495)	(494)
Net increase (decrease) in cash and cash equivalents	5,213	4,903
Beginning cash and cash equivalent balance	9,162	5,265
Ending cash and cash equivalent balance	14,376	10,168