

October 31, 2024

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



INES Corporation

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URL: <https://www.ines.co.jp/en/>
Scheduled date to submit semi-annual securities report: November 12, 2024
Scheduled date to commence dividend payments: December 5, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2025 (April 1, 2024 to September 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
Six months ended Sep. 30, 2024	18,631 (5.0%)	876 2.4%	898 0.9%	537 13.5%
Six months ended Sep. 30, 2023	19,612 (1.9%)	856 (43.9%)	890 (43.0%)	473 (52.3%)

(Note) Comprehensive income Six months ended September 30, 2024: ¥557 million (-9.0%)
Six months ended September 30, 2023: ¥612 million (-31.5%)

	Profit per share (Yen)	Fully diluted profit per share (Yen)
Six months ended Sep. 30, 2024	25.83	—
Six months ended Sep. 30, 2023	22.76	—

(2) Consolidated Financial Position

(Million yen)

	Total assets	Net assets	Equity ratio (%)
As of September 30, 2024	52,366	37,850	72.3
As of March 31, 2024	54,427	37,790	69.4

(Reference) Shareholders' equity As of September 30, 2024: ¥37,850 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	—	25.00			
Fiscal year ending March 31, 2025 (Forecast)			—	30.00	55.00

(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, 2025 (forecast). 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 31, 2024).

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 semi-annual 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 H1: 20,900,000 shares
FY2024/3: 20,900,000 shares
2. Number of treasury shares at the term end
FY2025/3 H1: 98,873 shares
FY2024/3: 96,727 shares
3. Average number of shares outstanding
FY2025/3 H1: 20,803,927 shares
FY2024/3 H1: 20,800,797 shares

**** Semi-annual consolidated financial statements are placed outside the scope of 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. Outline of Operating Results, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.”

1. Outline of Operating Results

During first half of the fiscal year under review, the pace of recovery in the Japanese economy remained moderate, reflecting the persistence of prices hikes, despite an upturn in real wages.

In the domestic IT market, given a tendency for accelerating initiatives for the promotion of DX with an eye to future corporate growth, IT-related spending is expected to expand, particularly spending targeted at reviewing existing systems and promoting new businesses.

In this environment, the Group has been conducting its businesses with a focus on the three pillars of action, namely standardizing the information system for local governments, developing next-generation solutions, and enhancing business foundations, in the first year of its 2026 Medium-term Management Plan.

With respect to standardizing the information system for local governments, the Group seeks to undertake organizational reform with a focus on quality management and project management while also stationing quality control managers at each facility nationwide to ensure that system migration is carried out accurately and securely at many local governments. In doing so, it will continue to work on enhancing quality management.

Regarding the development of next-generation solutions, the Group will set out to develop a system, which will be the next generation of the WebRings administration system for local governments, the Company's mainstay product, under the concept of being connected. In addition, the Group released services to accelerate the promotion of DX, such as the incorporation of the generative AI-based automatic summarization function in the AI Consultation Partner and release of the Aerps MASTER Enterprise, a master data integration platform.

As for enhancing its business foundations, the Group is in the process of executing development and investment projects that include the development of measures to deal with security risks based on the investment plans formulated according to the IT roadmap in anticipation of the enhancement of IT foundations.

In investment in human capital for the realization of sustainable management, considering people as human capital, the Group is striving to facilitate the Company's business strategies through the promotion and utilization of external personnel, develop experts through training and reskilling, and utilize senior people. In terms of the financial strategies, the Group is taking steps to improve its corporate value, while keeping in mind the cost of capital and share prices.

The Group will continue to work on the secure implementation of a range of strategies set out in the 2026 Medium-term Management Plan and move forward with growth investments to drive future growth strategies.

(1) Outline of Operating Results for the First Half Ended September 30, 2024

Consolidated net sales for the first half of the fiscal year under review decreased 5.0% year on year, to ¥18,631 million (please refer to "Consolidated net sales by sector," which are shown in the table below). Net sales in the Public sector, which remained almost flat from the year-ago level, stood at ¥8,437 million (down 0.7% year on year), mainly reflecting a decline in sales due to the partial withdrawal of the BPO business in the Group company, despite an increase in sales due to the introduction of the standardization system. Net sales in the Private sector declined 8.3% year on year, to ¥10,193 million, mainly reflecting decreases in sales from system development projects for the retailing industry and orders for system development projects for the insurance industry and operation projects.

On the profit front, operating profit came to ¥876 million (up 2.4% year on year), and ordinary profit was 898 million (up 0.9% year on year). As a result, the Company recorded a profit attributable to owners of parent of ¥537 million (up 13.5% year on year).

Consolidated net sales by sector

(Million yen)

Category/Term	Six months ended September 30, 2023		Six months ended September 30, 2024		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Public	8,497	43.3	8,437	45.3	(0.7)
Private	11,115	56.7	10,193	54.7	(8.3)
Total	19,612	100.0	18,631	100.0	(5.0)

(Note) Effective from the first half of the fiscal year under review, net sales that were included in Financial and General Industry have been presented in Private following a management accounting reclassification. 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, 2023		Six months ended September 30, 2024		YoY change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
System development	7,261	37.0	8,179	43.8	12.6
System operation	7,283	37.1	6,555	35.2	(10.0)
System maintenance	2,410	12.3	2,451	13.2	1.7
Sales of information equipment	447	2.3	424	2.3	(5.0)
Other	2,210	11.3	1,020	5.5	(53.8)
Total	19,612	100.0	18,631	100.0	(5.0)

(2) Outline of Financial Position for the First Half Ended September 30, 2024

Looking at the financial position at the end of the first half of the fiscal year under review, total assets stood at ¥52,366 million, a decrease of ¥2,061 million from the end of the previous fiscal year.

Current assets decreased ¥2,155 million, to ¥18,128 million, reflecting decreases mainly in notes and accounts receivable-trade, and contract assets. Non-current assets increased by ¥93 million to ¥34,237 million.

Current liabilities at the end of the first half of the fiscal year amounted to ¥6,259 million, a decrease of ¥1,342 million from the end of previous fiscal year, due mainly to income taxes payable. Non-current liabilities decreased ¥779 million from the end of the previous fiscal year, to ¥8,256 million.

Net assets increased by ¥60 million to ¥37,850 million.

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

The consolidated financial results forecast published on April 30, 2024 remain unchanged.

The Company has decided to pay a second quarter-end dividend of ¥25 for the fiscal year ending March 31, 2025 (forecast). 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.

Semi-annual Consolidated Financial Statements and Important Notes

Semi-annual consolidated balance sheet

As of March 31 and September 30, 2023

(Million yen)

	FY2023 (As of March 31, 2024)	2Q of FY2024 (As of September 30, 2024)
ASSETS		
Current assets		
Cash and deposits	6,479	7,887
Notes and accounts receivable - trade, and contract assets	11,855	8,880
Work in process	383	616
Raw materials and supplies	69	65
Prepaid expenses	431	631
Other	1,084	60
Allowance for doubtful accounts	(19)	(13)
Total current assets	20,283	18,128
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,479	5,809
Accumulated depreciation	(628)	(541)
Buildings and structures, net	851	5,268
Tools, furniture and fixtures	3,996	4,088
Accumulated depreciation	(2,971)	(3,062)
Tools, furniture and fixtures, net	1,025	1,026
Land	5,299	5,299
Construction in progress	4,587	—
Total property, plant and equipment	11,764	11,594
Intangible assets		
Software	2,498	2,914
Other	23	23
Total intangible assets	2,522	2,938
Investments and other assets		
Investment securities	13,535	13,523
Long-term prepaid expenses	767	592
Deferred tax assets	4,147	4,140
Other	1,407	1,449
Total investments and other assets	19,857	19,705
Total non-current assets	34,143	34,237
Total assets	54,427	52,366

Semi-annual consolidated balance sheet

As of March 31 and September 30, 2023

(Million yen)

	FY2023 (As of March 31, 2024)	2Q of FY2024 (As of September 30, 2024)
LIABILITIES		
Current liabilities		
Accounts payable - trade	1,909	1,779
Current portion of long-term borrowings	416	833
Accrued expenses	1,297	720
Income taxes payable	722	419
Accrued consumption taxes	272	219
Advances received	129	155
Provision for bonuses	959	914
Provision for bonuses for directors (and other officers)	80	53
Provision for losses on orders received	49	65
Asset retirement obligations	230	39
Other	1,533	1,058
Total current liabilities	7,601	6,259
Non-current liabilities		
Long-term borrowings	4,583	4,166
Provision for retirement benefits for directors (and other officers)	88	33
Net defined benefit liability	3,411	3,119
Asset retirement obligations	154	139
Other	798	796
Total non-current liabilities	9,035	8,256
Total liabilities	16,637	14,515
NET ASSETS		
Shareholders' equity		
Capital stock	15,000	15,000
Capital surplus	10,099	10,102
Retained earnings	12,438	12,456
Treasury shares	(140)	(119)
Total shareholders' equity	37,398	37,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	54	60
Remeasurements of defined benefit plans	336	351
Total accumulated other comprehensive income	391	411
Total net assets	37,790	37,850
Total net assets and liabilities	54,427	52,366

Semi-annual consolidated statement of income

For the six months ended September 30, 2023 and 2024

(Million yen)

	1H of FY2023 (April 1, 2023 to September 30, 2023)	1H of FY2024 (April 1, 2024 to September 30, 2024)
Net sales	19,612	18,631
Cost of sales	15,492	14,626
Gross profit	4,120	4,004
Selling, general and administrative expenses	3,264	3,128
Operating profit	856	876
Non-operating income		
Interest income	26	26
Dividends income	6	7
Other	9	11
Total non-operating income	42	45
Non-operating expenses		
Interest expenses	0	15
Loss on investments in investment partnerships	5	1
Other	2	6
Total non-operating expenses	8	23
Ordinary profit	890	898
Extraordinary income		
Gain on liquidation of subsidiaries and associates	18	—
Total extraordinary income	18	—
Extraordinary losses		
Loss on retirement of non-current assets	4	17
Special retirement benefits	—	82
Other	—	22
Total extraordinary losses	4	122
Profit before income taxes	905	776
Income taxes	431	238
Profit	473	537
Profit attributable to owners of parent	473	537

Semi-annual consolidated statement of comprehensive income

For the six months ended September 30, 2023 and 2024

(Million yen)

	1H of FY2023 (April 1, 2023 to September 30, 2023)	1H of FY2024 (April 1, 2024 to September 30, 2024)
Profit	473	537
Other comprehensive income		
Valuation difference on available-for-sale securities	104	5
Remeasurements of defined benefit plans, net of tax	34	14
Total other comprehensive income	139	20
Comprehensive income	612	557
Comprehensive income attributable		
Comprehensive income attributable to owners of parent	612	557

Semi-annual consolidated statement of cash flows

For the six months ended September 30, 2023 and 2024

(Million yen)

	1H of FY2023 (April 1, 2023 to September 30, 2023)	1H of FY2024 (April 1, 2024 to September 30, 2024)
Cash flows from operating activities:		
Profit before income taxes	905	776
Depreciation	873	934
Increase (decrease) in provision for bonuses	(4)	(45)
Increase (decrease) in provision for bonuses for directors (and other officers)	(33)	(27)
Increase (decrease) in provision for losses on order received	(6)	15
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	(54)
Increase (decrease) in retirement benefit liability	(163)	(269)
Loss (gain) on liquidation of subsidiaries and associates	(18)	—
Loss on retirement of non-current assets	4	17
Special retirement benefits	—	82
Decrease (increase) in trade receivables	4,161	3,002
Decrease (increase) in inventories	(400)	(229)
Decrease (increase) in other assets	1	(163)
Increase (decrease) in trade payables	(166)	283
Increase (decrease) in other liabilities	(840)	(86)
Other, net	21	(19)
(Subtotal)	4,336	4,216
Income taxes refund	6	396
Income taxes paid	(773)	(718)
Net cash provided by (used in) operating activities	3,569	3,893
Cash flows from investing activities		
Net decrease (increase) in time deposits	0	1,000
Net decrease (increase) in short-term investment securities	2,300	—
Purchase of property, plant and equipment	(9,410)	(860)
Purchase of intangible assets	(418)	(795)
Purchase of long-term prepaid expenses	(137)	(38)
Purchase of investment securities	(1)	(1)
Proceeds from liquidation of subsidiaries and associates	30	—
Payments of leasehold and guarantee deposits	(148)	(242)
Proceeds from refund of leasehold and guarantee deposits	60	200
Payments for asset retirement obligations	(2)	(228)
Other, net	1	2
Net cash provided by (used in) investing activities	(7,727)	(963)
Cash flows from financing activities		
Proceeds from long-term borrowing	5,000	—
Repayments of lease obligations	(7)	(1)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(518)	(519)
Net cash provided by (used in) financing activities	4,472	(522)
Net increase (decrease) in cash and cash equivalents	315	2,408
Beginning cash and cash equivalent balance	9,162	5,265
Cash and cash equivalents at end of period	9,477	7,673