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August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)



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 Listing: Tokyo Stock Exchange
 Securities code: 9753
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	5,459	(0.8)	446	(12.5)	492	(10.8)	336	(9.5)
June 30, 2023	5,504	–	509	–	552	–	372	–

Note: Comprehensive income For the three months ended June 30, 2024: ¥404 million [(14.2)%]
 For the three months ended June 30, 2023: ¥472 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	35.23	–
June 30, 2023	38.58	–

Note: The Company started preparing consolidated financial statements from the end of the fiscal year ended March 31, 2023. Therefore, year-on-year changes for the three months ended June 30, 2023 are omitted.

During the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations. The figures for the three months ended June 30, 2023 reflect the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	13,461	8,931	66.4
March 31, 2024	13,652	8,813	64.6

Reference: Equity
 As of June 30, 2024: ¥8,931 million
 As of March 31, 2024: ¥8,813 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		0.00	—	40.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: None

Breakdown of the fiscal year-end dividend for the fiscal year ending March 31, 2025: Common dividend of 35.00 yen and commemorative dividend of 5.00 yen (for the 25th anniversary of the Company's inception)

3. Consolidated financial results forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,231	2.2	1,752	5.9	1,817	4.5	1,216	(4.6)	126.12

Note: Revisions to the financial results forecast most recently announced: None

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: –

Excluded: –

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements:
Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	10,800,000 shares
As of March 31, 2024	10,800,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	1,242,154 shares
As of March 31, 2024	1,238,465 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	9,561,260 shares
Three months ended June 30, 2023	9,648,419 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

The forecast figures stated above are projections based on currently available information and contain many uncertainties. Actual results may differ from the forecast figures above due to changes in business conditions and other factors.

For matters related to the above forecasts, please see page 3 of the Attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2024, the Japanese economy was on a gradual recovery track due in part to improvements in employment conditions and income environment and recovery in consumption mainly driven by inbound tourism demand. Meanwhile, there are concerns over possible impacts of price increases caused by foreign exchange trends, geopolitical risks, and other factors, and thus the economic outlook remains uncertain.

In the domestic information services market, companies' continuing efforts on digital transformation (DX) to promote business transformation and work-style reforms led to strong demand for IT services that support these initiatives. However, given uncertainties remaining in the economic landscape, their impacts on IT investments by companies need to be closely monitored.

Under these circumstances, the Group has established its Group Purpose, "Connecting people one world," aimed at fostering a corporate culture that develops a group-wide management system in order to connect IT and society through co-creation and create a prosperous future. Under this Group Purpose, the Group has added non-financial perspectives, such as human capital that contributes to improving corporate value, to its medium-term management policy, centered on the three pillars of expanding core businesses, creating next growth businesses, and strengthening business foundations, and worked to expand its capabilities through sustainability management by combining financial and non-financial aspects.

Specifically, the Group strove to expand its core businesses by enhancing the ability to deal with cloud-native development through cross-sectional human resources development and operational support by the Company's special unit, as well as by strengthening the Group's sales system and collaboration with partner companies to respond to diversifying customer needs. In addition, the Group advanced efforts on business innovation utilizing cutting-edge digital technologies through co-creation with its customers and partner companies. Further, the Group promoted additional initiatives by positioning investments in businesses through alliances and M&A, which it had long been working on, as a means of strengthening its business foundations over the medium to long term.

In terms of trends by item of services for the three months ended June 30, 2024, in the Consulting and System Integration Services, orders received were strong but fell below the level marked in the same period of the previous fiscal year, resulting in a year-on-year decline in net sales. In the System Management Services, owing in part to the expansion of infrastructure and environment development projects mainly via leading vendors, net sales increased year on year.

As a result, for the three months ended June 30, 2024, net sales were 5,459 million yen, down 0.8% year on year. In terms of profits, due to the posting of losses expected to occur on unprofitable projects, operating profit was 446 million yen, down 12.5% year on year, ordinary profit was 492 million yen, down 10.8% year on year, and profit attributable to owners of parent was 336 million yen, down 9.5% year on year.

During the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations. The figures for the previous fiscal year in comparative information reflect the finalization of the provisional accounting treatment.

(2) Explanation of Financial Position

Assets

Total assets as of June 30, 2024 amounted to 13,461 million yen, a decrease of 190 million yen from March 31, 2024. This is mainly attributable to a decrease in cash and deposits of 238 million yen, an increase in investment securities of 110 million yen, and a decrease in deferred tax assets of 29 million yen.

Liabilities

Total liabilities as of June 30, 2024 amounted to 4,529 million yen, a decrease of 309 million yen from March 31, 2024. This is primarily attributable to a decrease in provision for bonuses of 539 million yen and increases in accrued expenses of 151 million yen and deposits received of 134 million yen, which both are included in other.

Net assets

Total net assets as of June 30, 2024 amounted to 8,931 million yen, an increase of 118 million yen from March 31, 2024. This is mainly attributable to increases in valuation difference on available-for-sale securities of 66 million yen and retained earnings of 50 million yen.

As a result, the equity-to-asset ratio increased to 66.4% from 64.6% as of March 31, 2024.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There are no revisions to the full-year financial results forecast for the fiscal year ending March 31, 2025 that was announced on May 10, 2024 at this point. This is because the Company believes that, in view of the financial results for the three months ended June 30, 2024 and the current business conditions and environment, they have been trending within the range of the forecast.

Meanwhile, actual results may differ from the forecast figures due to various factors going forward.

2. Quarterly Consolidated Financial Statements and Principal Notes
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	5,798,941	5,560,855
Notes and accounts receivable - trade, and contract assets	3,512,203	3,500,994
Securities	10,000	10,000
Other	189,406	184,028
Allowance for doubtful accounts	(225)	(225)
Total current assets	9,510,326	9,255,651
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,737	76,791
Land	116,992	116,992
Other, net	12,656	13,599
Total property, plant and equipment	208,386	207,384
Intangible assets		
Software	57,556	50,979
Goodwill	137,129	131,416
Customer-related intangible assets	133,714	128,142
Other	8,835	8,835
Total intangible assets	337,235	319,374
Investments and other assets		
Investment securities	2,672,076	2,782,793
Deferred tax assets	659,820	629,849
Other	264,405	266,432
Total investments and other assets	3,596,302	3,679,075
Total non-current assets	4,141,924	4,205,834
Total assets	13,652,250	13,461,486

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	800,520	807,950
Current portion of long-term borrowings	60,000	60,000
Accounts payable - other	367,777	343,319
Income taxes payable	207,864	181,169
Provision for bonuses	1,130,318	590,573
Provision for bonuses for directors (and other officers)	37,625	–
Provision for loss on orders received	62,063	104,536
Other	469,649	811,327
Total current liabilities	3,135,818	2,898,875
Non-current liabilities		
Long-term borrowings	140,000	125,000
Retirement benefit liability	1,428,060	1,372,507
Deferred tax liabilities	40,125	38,198
Asset retirement obligations	65,275	65,298
Other	29,800	29,800
Total non-current liabilities	1,703,260	1,630,803
Total liabilities	4,839,078	4,529,679
Net assets		
Shareholders' equity		
Share capital	1,180,897	1,180,897
Capital surplus	1,106,558	1,109,089
Retained earnings	6,106,689	6,156,709
Treasury shares	(633,730)	(635,554)
Total shareholders' equity	7,760,415	7,811,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	878,016	944,766
Remeasurements of defined benefit plans	174,739	175,898
Total accumulated other comprehensive income	1,052,756	1,120,665
Total net assets	8,813,171	8,931,806
Total liabilities and net assets	13,652,250	13,461,486

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	5,504,920	5,459,790
Cost of sales	4,286,062	4,288,384
Gross profit	1,218,858	1,171,405
Selling, general and administrative expenses	709,234	725,286
Operating profit	509,624	446,119
Non-operating income		
Interest income	1,384	1,667
Dividend income	24,819	30,407
Foreign exchange gains	5,317	4,544
Share of profit of entities accounted for using equity method	10,000	6,694
Miscellaneous income	1,485	3,485
Total non-operating income	43,007	46,798
Non-operating expenses		
Interest expenses	326	296
Miscellaneous losses	9	0
Total non-operating expenses	336	296
Ordinary profit	552,295	492,620
Extraordinary income		
Gain on sale of non-current assets	–	5
Total extraordinary income	–	5
Extraordinary losses		
Loss on abandonment of non-current assets	–	0
Total extraordinary losses	–	0
Profit before income taxes	552,295	492,626
Income taxes	180,093	155,760
Profit	372,202	336,865
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	372,202	336,865

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	372,202	336,865
Other comprehensive income		
Valuation difference on available-for-sale securities	97,995	66,750
Remeasurements of defined benefit plans, net of tax	1,821	1,158
Total other comprehensive income	99,816	67,908
Comprehensive income	472,018	404,774
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	472,018	404,774
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year that includes the first quarter under review, and multiplying profit before income taxes by the estimated effective tax rate.

However, in the case where using the estimated effective tax rate results in extremely unreasonable tax expenses, the statutory effective tax rate is used instead.

(Notes on segment information, etc.)

[Segment information]

This information is omitted since the Group has a single segment consisting of the information services business.

(Notes on quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the three months ended June 30, 2023 and 2024 are as shown below.

In addition, during the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations. The amounts for the three months ended June 30, 2023 reflect a significant revision to the initial allocation of acquisition costs following the finalization of the provisional accounting treatment.

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	16,252	15,860
Amortization of goodwill	5,713	5,713

(Significant subsequent events)

(Disposal of treasury shares as restricted stock compensation)

The Board of Directors of the Company, at its meeting held on July 18, 2024, resolved to dispose of treasury shares as restricted stock compensation (hereinafter the “Disposal of Treasury Shares”) without contribution, and conducted the Disposal of Treasury Shares as follows.

1. Outline of the disposal

- | | |
|--|--|
| (1) Disposal date | August 9, 2024 |
| (2) Class and number of shares disposed of | 6,298 shares of the Company’s common stock |
| (3) Allottees | 4 directors of the Company (excluding outside directors) |
| (4) Other | The Disposal of Treasury Shares was conducted to grant treasury shares without contribution as compensation for directors (Article 202-2 of the Companies Act). The total disposal amount is 7,097,846 yen, the amount calculated by multiplying the closing price (1,127 yen) of the Company’s common stock on the Tokyo Stock Exchange on July 17, 2024, the business day immediately preceding the date of the resolution of the Board of Directors, used as the fair disposal price, by the aforementioned number of shares disposed of. |

2. Purpose and reason for the disposal

The Board of Directors of the Company, at its meeting held on April 28, 2022, resolved to introduce a Restricted Stock Compensation Plan for the purpose of providing the Company’s directors (excluding outside directors) with an incentive to continuously improve corporate value and further promoting value sharing with its shareholders. This plan was approved at the 44th Ordinary General Meeting of Shareholders held on June 23, 2022. In light of the Restricted Stock Compensation Plan, the Disposal of Treasury Shares was conducted in accordance with the resolution at the Board of Directors meeting held on July 18, 2024.