



Consolidated Financial Results for the Six Months Ended January 31, 2024 (August 1, 2023 to January 31, 2024) [Japanese GAAP]

March 7, 2024

Company name: I'll Inc.

Stock exchange listing: Tokyo
Stock Exchange, Prime Market

Code number: 3854 URL: <https://www.ill.co.jp>

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Scheduled date for filing quarterly securities report: March 14, 2024

Scheduled date for dividend payment commencement: April 12, 2024

Availability of supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing session: No

(Amounts less than ¥1 million rounded down)

1. Consolidated Financial Results for the Six Months Ended January 31, 2024 (August 1, 2023 to January 31, 2024)

(1) Consolidated Operating Results (Cumulative) (% indicates change from previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Six months ended January 31, 2024	8,571	12.9	2,238	34.9	2,249	34.5	1,489	34.8
Six months ended January 31, 2023	7,591	25.6	1,659	95.8	1,672	94.6	1,105	96.0

(Note) Comprehensive income: Six months ended January 31, 2024 ¥1,470 Million (33.5%) Six months ended January 31, 2023 ¥1,101 Million (96.0%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Six months ended January 31, 2024	59.52	—
Six months ended January 31, 2023	44.15	—

(Note) Diluted net profit per share is not shown because there are no dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ Million	¥ Million	%
Six months ended January 31, 2024	12,822	8,710	67.9
Fiscal year ended July 31, 2023	12,115	7,740	63.9

(Reference) Shareholders' equity Six months ended January 31, 2024 8,710 Million Fiscal year ended July 31, 2023 7,740 Million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of year	Total
Fiscal year ended July 31, 2023	Yen —	Yen 11.00	Yen —	Yen 20.00	Yen 31.00
Fiscal year ending July 31, 2024	—	16.00			
Fiscal year ending July 31, 2024 (Forecast)			—	20.00	36.00

(Note) Revision to the dividend forecast announced most recently: No
For dividends, please see "Notice Concerning Dividends of Surplus (Interim Dividends)" released today (March 7, 2024).

3. Consolidated Financial Forecasts for the Fiscal Year Ending July 31, 2024 (August 1, 2023 to July 31, 2024)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Full year	16,900	6.1	4,000	12.8	4,026	12.8	2,683	8.5	107.19

(Note) Revision to the financial forecasts announced most recently: No

*Notes

(1) Changes in significant subsidiaries during the six months ended January 31, 2024

(changes in specific subsidiaries resulting in changes in scope of consolidation):

No

(2) Adoption of special accounting treatment for the preparation of the quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)	Six months ended January 31, 2024	25,042,528 shares	Fiscal year ended July 31, 2023	25,042,528 shares
2) Total number of treasury shares at the end of the period	Six months ended January 31, 2024	11,119 shares	Fiscal year ended July 31, 2023	10,019 shares
3) Average number of shares during the period	Six months ended January 31, 2024	25,031,802 shares	Six months ended January 31, 2023	25,033,439 shares

*This quarterly consolidated financial results report is not subject to the quarterly review by a certified public accountant or an auditing firm.

*Explanation of the proper use of financial results forecast and other notes

(Notice regarding future statements)

The financial forecasts stated in this document are based on information available as of the date of this document. These forecasts should not be construed as a promise by the Company to achieve. Actual results may differ from these forecasts due to uncertain factors, such as economic trends. For notes about assumptions behind the financial forecasts and how to use these financial forecasts, refer to page 4 of the attached document "1. Qualitative Information Regarding Financial Results for the Period Under Review, (3) Explanation of Consolidated Financial Forecasts and Other Future Projections."

Contents

1. Qualitative Information Regarding Financial Results for the Period Under Review	4
(1) Explanation of Operating Results	4
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Financial Forecasts and Other Future Projections	4
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	7
Quarterly Consolidated Statements of Income	
For the six months ended January 31, 2024	7
Quarterly Consolidated Statements of Comprehensive Income	
For the six months ended January 31, 2024	8
(3) Notes on Quarterly Consolidated Financial Statements	9
(Notes on the Premise of a Going Concern)	9
(Notes on Substantial Changes in the Amount of Shareholders' Equity)	9

1. Qualitative Information Regarding Financial Results for the Period Under Review

(1) Explanation of Operating Results

During the six months ended January 31, 2024 (August 1, 2023 to January 31, 2024), the Japanese economy was on a gradual trend of recovery as restrictions on socio-economic activities to prevent the spread of COVID-19 were lifted almost entirely. On the other hand, it is necessary to keep close tabs on the impact on the Japanese economy of such matters as a downturn in overseas economies due to monetary tightening, soaring raw material and energy prices, and the 2024 Noto Peninsula Earthquake.

Information system investment in Japan is booming, mainly in digital transformation which conducts a business transformation that utilizes digital technologies to address labor shortages. Under these current market conditions, the I'll Group is pursuing its "CROSS-OVER Synergy" strategy in order to strengthen the business of its customers. Through a combination of "real" and "online" products and services, the I'll Group develops and proposes solutions for mid-tier and small/medium-size corporate clients that need to efficiently use IT to solve their management issues. The "CROSS-OVER Synergy" strategy is an initiative to increase the business efficiency and strengthen the sales capabilities of customers, by proposing a combination of real and online products and services through the I'll Group's unique value proposition style. This strategy not only gives the I'll Group a competitive edge during negotiations, but also enhances the satisfaction of its customers. In addition, to promote sustainable growth, I'll has introduced an integrated production-sales system where sales representatives and system engineers are placed in the same organization to enhance mutual collaboration. This has improved the accuracy of projects by determining customer requirements at the time of quotation, strengthened the project management system, and reduced man-hours of customer support after the system operation starts by improving delivery quality, thereby strengthening the profit structure.

As for sales results, I'll has continued on the real world front to broaden the product appeal of its mainstay Aladdin Office software package for each business sector. In sales, it collaborated with partner companies and saw orders remain firm as it proposed ways for optimum system use for each client on the basis of plenty of by-industry installment examples. In terms of revenue, the project turnover improved due to the integrated production-sales system, and the introduction of new packages and the enhancement of functionalities and options have led to an improvement in the gross profit margin. As a result, each stage of profit has surpassed the performance of the same period of the previous consolidated fiscal year.

On the online world, I'll continued collaborative development anew in the fiscal year with online store operators on the CROSS MALL cloud service, which integrates the management of multiple online stores. The Company will continue to increase its capability to collaborate with multiple malls and continue up-front investments such as the release of a successor service "BACKYARD™" and the opening of a service showroom "BACKYARD TOKYO" to increase sales results in the mid- to long-term. Also, the Company is achieving growth in sales of the CROSS Point cloud service which allows integrated management of reward points and customers of Internet and physical stores.

In the six months ended January 31, 2024, the Company continued to focus on product development and booked ¥30,261,000 for research and development to increase market competitiveness through development of new technologies in the future. At the I'll Matsue Laboratory, an R&D base in Matsue, Shimane Prefecture, the Company launched full-fledged activities to use the Ruby programming language to strengthen systems. The Company plans to increase the number of R&D personnel and heighten R&D activities.

As a result, for the six months ended January 31, 2024, net sales were ¥8,571,461,000 (up 12.9% year on year), operating profit was ¥2,238,764,000 (up 34.9% year on year), ordinary profit was ¥2,249,141,000 (up 34.5% year on year), and profit attributable to owners of parent was ¥1,489,936,000 (up 34.8% year on year).

(2) Explanation of Financial Position

As of the end of the second quarter period under review, total assets amounted to ¥12,822,420,000, an increase of ¥707,093,000 from the end of the previous fiscal year. This is mainly attributable to increases of ¥413,575,000 in cash and cash equivalents, ¥238,811,000 in software in progress, and ¥146,981,000 in notes and accounts receivable - trade, and contract assets, despite a decrease of ¥148,025,000 in software.

Total liabilities amounted to ¥4,112,242,000, a decrease of ¥262,669,000 from the end of the previous fiscal year. This is mainly attributable to decreases of ¥213,533,000 in accrued consumption taxes and ¥125,085,000 in accounts payable – other included in "other" under current liabilities.

Total net assets amounted to ¥8,710,178,000, an increase of ¥969,763,000 from the end of the previous fiscal year. This primarily reflected an increase due mainly to ¥1,489,936,000 in profit attributable to owners of parent, despite a decrease due to ¥500,650,000 in dividends of surplus.

(3) Explanation of Consolidated Financial Forecasts and Other Future Projections

Operating results for the six months under review were generally within the scope of the Group's forecasts, and there are no changes to the consolidated results forecasts for the full year of the fiscal year ending July 31, 2024.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2023 (As of July 31, 2023)	For the six months ended January 31, 2024 (As of January 31, 2024)
Assets		
Current assets:		
Cash and cash equivalents	5,639,851	6,053,426
Notes and accounts receivable - trade, and contract assets	3,620,055	3,767,037
Merchandise	238,459	210,256
Work in process	20,468	16,879
Other	158,506	172,848
Allowance for doubtful accounts	(2,208)	(3,932)
Total current assets	9,675,133	10,216,515
Non-current assets:		
Tangible fixed assets	560,589	558,670
Intangible assets:		
Software	633,543	485,518
Software in progress	202,695	441,506
Other	1,739	1,739
Total intangible assets	837,978	928,764
Investments and other assets:		
Deferred tax assets	449,235	440,135
Other	595,595	682,470
Allowance for doubtful accounts	(3,203)	(4,135)
Total investments and other assets	1,041,627	1,118,470
Total non-current assets	2,440,194	2,605,905
Total assets	12,115,327	12,822,420
Liabilities		
Current liabilities:		
Accounts payable – trade	530,526	491,317
Income taxes payable	735,180	799,703
Provision for bonuses	100,000	105,600
Provision for product warranties	15,599	14,377
Other	1,165,306	791,363
Total current liabilities	2,546,612	2,202,361
Non-current liabilities:		
Retirement benefit liabilities	1,126,616	1,177,188
Provision for retirement benefits for directors	463,707	495,102
Asset retirement obligations	230,894	232,064
Other	7,081	5,524
Total non-current liabilities	1,828,299	1,909,880
Total liabilities	4,374,912	4,112,242

(Thousands of yen)

	Fiscal 2023 (As of July 31, 2023)	For the six months ended January 31, 2024 (As of January 31, 2024)
Net assets		
Shareholders' equity:		
Capital stock	354,673	354,673
Capital surplus	319,673	319,673
Retained earnings	6,975,620	7,964,906
Treasury shares	(10,080)	(10,080)
Total shareholders' equity	7,639,888	8,629,174
Other accumulated comprehensive income		
Accumulated adjustments for retirement benefits	100,527	81,004
Total other accumulated comprehensive income	100,527	81,004
Total net assets	7,740,415	8,710,178
Total liabilities and net assets	12,115,327	12,822,420

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months ended January 31, 2024)

(Thousands of yen)

	For the six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)	For the six months ended January 31, 2024 (From August 1, 2023 to January 31, 2024)
Net sales	7,591,235	8,571,461
Cost of sales	3,455,201	3,717,326
Gross profit	4,136,034	4,854,135
Selling, general and administrative expenses	2,476,736	2,615,370
Operating profit	1,659,297	2,238,764
Non-operating income:		
Commission income	10,689	6,813
Subsidy income	3,237	3,450
Other	80	436
Total non-operating income	14,006	10,700
Non-operating expenses:		
Interest expenses	439	278
Other	38	44
Total non-operating expenses	478	323
Ordinary profit	1,672,825	2,249,141
Extraordinary losses:		
Loss on retirement of non-current assets	9	0
Total extraordinary losses	9	0
Net profit before taxes	1,672,816	2,249,141
Corporate, resident, enterprise taxes	562,529	741,496
Corporate and other taxes – deferred	4,941	17,708
Total corporate and other taxes	567,471	759,204
Net profit	1,105,344	1,489,936
Profit attributable to owners of parent	1,105,344	1,489,936

(Quarterly Consolidated Statements of Comprehensive Income)

(For the six months ended January 31, 2024)

(Thousands of yen)

	For the six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)	For the six months ended January 31, 2024 (From August 1, 2023 to January 31, 2024)
Net profit	1,105,344	1,489,936
Other comprehensive income:		
Adjustment amount for retirement benefits	(3,943)	(19,523)
Total other comprehensive income	(3,943)	(19,523)
Comprehensive income	1,101,401	1,470,413
(Breakdown)		
Comprehensive income attributable to owners of parent	1,101,401	1,470,413
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

No applicable matters.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

No applicable matters.