



Consolidated Financial Results for the Fiscal Year Ended July 31, 2023 (August 1, 2022 to July 31, 2023) [Japanese GAAP]

September 8, 2023

Stock exchange listing: Tokyo Stock

Exchange, Prime Market

Company name: I'll Inc.

Code number: 3854

URL: <https://www.ill.co.jp>

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Scheduled date for annual shareholders' meeting: October 26, 2023

Scheduled date for dividend payment commencement: October 27, 2023

Scheduled date for filing annual securities report: October 26, 2023

Availability of supplementary briefing material on financial results: Yes

Financial results briefing session: No

(Amounts less than ¥1 million rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2023 (August 1, 2022 to July 31, 2023)

(1) Consolidated Statements of Operations

(% indicates change from previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million	%	million	%	million	%	million	%
Fiscal year ended July 31, 2023	15,924	23.0	3,547	68.9	3,571	68.4	2,472	79.4
Fiscal year ended July 31, 2022	12,944	—	2,100	—	2,121	—	1,377	—

(Note) Comprehensive income: Fiscal year ended July 31, 2023 2,550million (84.1%) Fiscal year ended July 31, 2022 1,385million (—%)

	Net profit per share	Diluted net profit per share	Return on equity	Ratio of ordinary profit to total assets	Net sales
	Yen	Yen	%	%	%
Fiscal year ended July 31, 2023	98.76	—	36.7	32.9	22.3
Fiscal year ended July 31, 2022	55.04	—	26.7	23.5	16.2

(Reference) Share of profit or loss of entities accounted for using equity method Fiscal year ended July 31, 2023 —million Fiscal year ended July 31, 2022 —million

(Note) 1. Diluted net profit per share is not shown because there are no dilutive shares.

2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the previous fiscal year, and figures presented for the fiscal year ended July 2022 are those after the relevant accounting standard has been applied. Therefore, changes from the previous fiscal year are not shown.

(2) Consolidated Financial Position

	Ratio of ordinary profit to total assets	Net assets	Equity ratio	Net assets per share
	million	million	%	Yen
Fiscal year ended July 31, 2023	12,115	7,740	63.9	309.21
Fiscal year ended July 31, 2022	9,576	5,715	59.7	228.31

(Reference) Shareholders' equity: Fiscal year ended July 31, 2023 7,740million Fiscal year ended July 31, 2022 5,715million

(3) Status of consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	million	million	million	million
Fiscal year ended July 31, 2023	3,073	(547)	(526)	5,639
Fiscal year ended July 31, 2022	1,134	(482)	(465)	3,640

2. Dividends

	Annual dividends					Dividends (Total)	Dividend payout ratio (Consolidated)	Dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	Total			
Fiscal year ended July 31, 2022	Yen	Yen	Yen	Yen	Yen	million	%	%
Fiscal year ended July 31, 2022	—	8.00	—	10.00	18.00	450	32.7	8.7
Fiscal year ended July 31, 2023	—	11.00	—	20.00	31.00	776	31.4	11.5
Fiscal year ending July 31, 2024 (Forecast)	—	14.00	—	20.00	34.00		31.7	

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

(% indicates changes from the previous year for full-year figures and changes from the same period of the previous year for quarterly figures)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Net profit per share
	million	%	million	%	million	%	million	%	Yen
Second half (cumulative)	8,318	9.6	1,986	19.7	1,998	19.4	1,334	20.7	53.30
Full year	16,900	6.1	4,000	12.8	4,026	12.8	2,683	8.5	107.19

*Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in changes in scope of consolidation): No

(2) 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: Yes
- 4) Retrospective restatement: No

(Note) For details, refer to page 18 of the attached document "4. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Consolidated Financial Statements

(Changes in Accounting Estimates)."

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the fiscal year (including treasury shares)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2022
Total number of issued shares at the end of the fiscal year (including treasury shares)	25,042,528shares	25,042,528shares
Total number of treasury shares at the end of the fiscal year	10,019shares	8,574shares
Average number of shares during the fiscal year:	25,033,031shares	25,034,584shares

2) Total number of treasury shares at the end of the fiscal year

3) Average number of shares during the fiscal year:

(Reference) Non-consolidated financial results summary

Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2023 (August 1, 2022 to July 31, 2023)

(1) Non-consolidated Statements of Operations

(% indicates change from previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Net profit	
	million	%	million	%	million	%	million	%
Fiscal year ended July 31, 2023	15,517	23.1	3,469	67.3	3,511	66.2	2,443	77.6
Fiscal year ended July 31, 2022	12,599	-	2,073	-	2,112	-	1,375	-

	Net profit per share	Diluted net profit per share
	Yen	Yen
Fiscal year ended July 31, 2023	97.60	-
Fiscal year ended July 31, 2022	54.93	-

(Note) 1. Diluted net profit per share is not shown because there are no dilutive shares.

2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the fiscal year ended July 2022, and figures presented for the fiscal year are those after the relevant accounting standard has been applied. Therefore, changes from the previous fiscal year are not shown.

(2) Non-consolidated Financial Position

	Ratio of ordinary profit to total assets	Net assets	Equity ratio	Net assets per share
	million	million	%	Yen
Fiscal year ended July 31, 2023	11,822	7,447	63.0	297.51
Fiscal year ended July 31, 2022	9,315	5,529	59.4	220.90

(Reference) Shareholders' equity: Fiscal year ended July 31, 2023 7,447million Fiscal year ended July 31, 2022 5,529million

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

*Explanation on 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. 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. Overview of Operating Results."

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1. Overview of Operations Results

(1) Overview of Operations Results for the Period

During the fiscal year under review (August 1, 2022 to July 31, 2023), the Japanese economy showed signs of recovery in such sectors as personal consumption as behavioral restrictions due to COVID-19 were eased and COVID-19 was reclassified in May 2023 as a Class 5 infectious disease. However, as uncertainties increased due to such factors as the prolonged war in Ukraine, it is necessary to keep close tabs on the impact on the economy of such matters as rising raw material prices and movements in financial and capital markets.

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. As a result of this strategy, the I'll Group has achieved firm growth in sales of recurring business in products and services, an area of focus, and a stronger 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 actively held negotiations on web meetings and proposed ways for optimum system use for each client on the basis of plenty of by-industry installment examples.

In terms of revenue, sales increased mainly because it was no more affected by the delayed delivery of server equipment caused by semiconductor shortages as it was in the previous fiscal year. Furthermore, the increase in sales revenue, driven by the growth in subscription-based business and the enhancement of package functionalities, has led to an improvement in the gross profit margin. As a result, each stage of profit has surpassed the performance of the previous consolidated fiscal year.

On the online world, I'll continued collaborative development anew in the fiscal year with online shopping mall operators on the CROSS MALL software, which integrates the management of multiple online stores. The Company will continue to increase its capability to collaborate with multiple malls, receive requests from existing clients about functions and promptly realize them as new functions so that it can broaden product appeal and improve its sales performance. Also, the Company is achieving growth in sales of the CROSS Point software which allows integrated management of reward points and customers of Internet and physical stores.

In the fiscal year under review, the Company continued to focus on product development and booked ¥66,164,000 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, the Company posted consolidated net sales of ¥15,924,604,000 in the reporting fiscal year (up 23.0% year on year), operating profit of ¥3,547,609,000 (up 68.9%), ordinary profit of ¥3,571,309,000 (up 68.4%), and profit attributable to owners of parent of ¥2,472,202,000 (up 79.4%).

(2) Overview of Financial Position for the Period

As of the end of the reporting fiscal year, current assets totaled ¥9,675,133,000, an increase of ¥2,425,269,000 from the end of the previous fiscal year. This is mainly attributable to increases of ¥1,999,677,000 in cash and deposits and ¥396,209,000 in accounts receivable-trade. Non-current assets totaled ¥2,440,194,000, an increase of ¥113,220,000 from the end of the previous fiscal year. This is mainly attributable to increases of ¥121,140,000 in software and ¥94,763,000 in buildings and structures despite a decrease of ¥111,128,000 in software in progress. As a result, total net assets amounted to ¥12,115,327,000, an increase of ¥2,538,490,000 from the end of the previous fiscal year.

Current liabilities totaled ¥2,546,612,000, an increase of ¥412,293,000 from the end of the previous fiscal year. This is mainly attributable to increases of ¥375,604,000 in accrued consumption taxes included in "other" under current liabilities and ¥146,819,000 in corporate taxes payable despite a decrease of ¥118,921,000 in deposits received. Non-current liabilities totaled ¥1,828,299,000, an increase of ¥101,170,000 from the end of the previous fiscal year. This is mainly attributable to increases of ¥59,456,000 in provision for retirement benefits for directors and ¥56,465,000 in asset retirement obligations. As a result, total liabilities amounted to ¥4,374,912,000, an increase of ¥513,464,000 from the end of the previous fiscal year.

Total net assets amounted to ¥7,740,415,000, an increase of ¥2,025,025,000 from the end of the previous fiscal year. This primarily reflected an increase due mainly to ¥2,472,202,000 in profit attributable to owners of parent and a decrease due to ¥525,703,000 in dividends from surplus.

(3) Overview of Cash Flows for the Period

As of the end of the reporting fiscal year, cash and cash equivalents (hereafter referred to as "funds") amounted to ¥5,639,851,000, an increase of ¥1,999,677,000 from the end of the previous fiscal year.

The following is the consolidated cash flow statement and relevant factors for the reporting fiscal year.

(Cash flows from operating activities)

Funds increased due to operating activities amounted to ¥3,073,305,000 (¥1,134,153,000 increased in the previous fiscal year). This mainly reflects ¥3,567,223,000 in net profit before taxes, ¥999,402,000 in payments of corporate and other taxes, ¥478,961,000 in depreciation, and an increase of ¥396,524,000 in accounts receivable and contract assets.

(Cash flow from investing activities)

Funds decreased from investing activities amounted to ¥547,415,000 (¥482,289,000 decreased in the previous fiscal year). This is mainly attributable to ¥402,630,000 paid for intangible asset acquisition and ¥144,960,000 paid for tangible fixed asset acquisition.

(Cash flow from financing activities)

Funds decreased from financing activities amounted to ¥526,212,000 (¥465,636,000 decreased in the previous fiscal year). This is mainly attributable to ¥526,129,000 in dividends paid.

(Reference) Changes in cash flow indicators

	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Equity ratio (%)	42.9	49.0	54.3	59.7	63.9
Market value-based equity ratio (%)	315.9	467.5	424.1	430.9	536.4
Debt redemption years	0.4	0.1	0.01	0.0	0.0
Interest coverage ratio (x)	304.3	913.2	1,399.3	953.6	4,419.8

Equity ratio: Shareholders' equity/Total assets

Market value-based equity ratio: Market capitalization/Total assets

Debt redemption years: Interest-bearing liabilities/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expenses

(Note) Market capitalization is calculated by multiplying the closing share price at the fiscal year-end by the number of outstanding shares at the fiscal year-end.

(4) Future Outlook

Looking ahead, the Japanese economy is showing signs of recovery in such sectors as personal consumption as behavioral restrictions due to COVID-19 were eased and COVID-19 was reclassified in May 2023 as a Class 5 infectious disease. However, as uncertainties increased due to such factors as the prolonged war in Ukraine, it is necessary to keep close tabs on the impact on the economy of such matters as rising raw material prices and movements in financial and capital markets.

With this situation in mind, the I'll group intends to keep proposing solutions that help mid-tier, midsize and small corporate clients to strengthen their power through efficient use of IT. Besides enhancing industry-wise functions of its mainstay Aladdin Office software package, the Company will broaden the appeal of e-commerce products and services such as the CROSS MALL software, which integrates the management of multiple online stores, and CROSS POINT software, which centrally manages reward points, and will pursue its CROSS-OVER Synergy strategy in order to increase net sales, achieve higher profit margins and improve customer satisfaction.

Taking the above into account and using reasonable information currently available, the Company projects consolidated financial results for the fiscal year ending July 31, 2024. Projected consolidated results are net sales of ¥16,900,000,000, ordinary profit of ¥4,026,000,000 and profit attributable to owners of parent of ¥2,683,000,000.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company regards return of profit to shareholders as a management priority and follows a basic policy of distributing profit by comprehensively considering retained earnings used for maintaining and strengthening competitiveness in its industry, levels of the return on stockholders' equity and payout ratios. The Company will work to repay shareholders' support, making efforts to increase earning power and strengthening its financial standing.

Regarding year-end dividends, the Company intends to propose paying ¥20 per share, up ¥6 from the previously forecast ¥14, at the 33rd annual shareholders' meeting scheduled for October 2023. Including ¥11 paid as interim dividends, the Company's annual dividends will total ¥31.

In view of the continuing unclear future economic situation and the I'll group's earnings estimates for next fiscal year ending July 31, 2024, the Company projects annual dividends of ¥34 per share, with interim dividends of ¥14 per share and year-end dividends of ¥20 per share.

(6) Business Risks

Areas that could have a profound impact on the I'll group's business results, financial position, and stock prices are shown below. Note that the following items have been identified by the I'll group as of the end of the reporting fiscal year but that they do not cover all risks related to investment in the Company's shares.

(i) I'll group business scope

Since its foundation, the I'll group has primarily served mid-tier, small and medium-size companies, offering total solutions via IT in response to client business challenges by building core systems, providing support and maintenance, building networks, ensuring security, providing content, building EC sites, offering software that integrates the management of multiple online stores and software that integrates the management of reward points and clients, providing website usage support, and giving personnel training.

Therefore, fluctuations in the environment surrounding mid-tier, small and medium-size companies and the economy may adversely affect the I'll group's business results. Also, if the I'll group fails to keep offering products and services that meet the needs of mid-tier, small and medium-size companies, it could adversely affect the group's business results and business development.

(ii) Risks involved in the system solutions business

The I'll group's mainstay product in the system solutions business is the Company's original Aladdin Office Series core business package software. However, competition for better performance is intensifying due to increasing package software needs in the IT industry. The I'll group's policy is to keep striving to enhance performance, but advancements in competitors' package software or low-priced commercial package software may adversely affect the Company's business results and business development.

(iii) Risks involved in the online solutions business

In the online solutions business, the I'll group is contracted to build e-commerce websites. If infringement of third-party patent rights, utility model rights, design rights, trademark rights, copyrights or other intellectual property rights occurs from any cause, resulting in damages to clients and subsequent payment of compensation, the I'll group's business results and business development could be adversely affected.

(iv) System troubles

The I'll group relies on communications networks such as personal computers, computer systems, and cloud services. If computer systems shut down due to a variety of unpredictable factors such as network disruption caused by a natural disaster or accident, temporary server failure due to sudden increased access to the site, or loss of power, the I'll group's operations and business results could be adversely affected. Additionally, the I'll Group takes appropriate security measures to prevent unauthorized access to its computer systems, however, infection by a computer virus or intrusion by a hacker could result in system failure which could adversely affect the I'll Group's business and financial results.

(v) Risk of I'll group service obsolescence due to competitors and technological innovation

In the information service industry, in which the I'll group is involved, the speed of technological innovation is lightning, so in response to that rapid change, the group's development department makes efforts to improve existing products and promotes R&D. However, if new technologies and services become prevalent due to faster-than-expected technological innovation, the software and services provided by the I'll group could become obsolete, adversely affecting the Company's business results and business development. Also, product price cuts forced by intensifying competition with rivals or progress achieved by competitor products in enhancing performance could adversely affect the I'll group's business results and business development.

(vi) Securing and training up engineers

In addition to hiring new graduates, the Group continuously employs mid-career engineers and strives to train up engineers. However, increasing demand for engineers has made it increasingly difficult to appropriately secure excellent personnel through mid-career recruiting. Although the I'll group's corporate culture and systems are highly recognized and the group continues to hire as planned, failure to secure and develop human resources as planned could hinder the group's business development and affect the group's business growth and performance. In mid-career hiring, we will continue our efforts to secure excellent human resources as we keep hiring excellent engineers in regional areas with the assumption of remote work.

(vii) Management of confidential information

The I'll group sometimes handles highly confidential information in its business activities such as information on business partners and personal data that are held by clients. To properly manage such confidential information, the Company has obtained ISMS (ISO27001, ISO27017) certification as well as the Privacy Mark (ISO15001) and works to strengthen its information management system for employees such as by ensuring that employees are aware of information management based on in-house rules including the Information Security Guidelines and Personal Information Protection Standards and giving them continued training. Also, the Company takes steps to prevent any leak of confidential information by requiring each temporary staff member assigned to the I'll group to sign a Nondisclosure Agreement and implementing other measures. However, unauthorized access from the outside, system flaws or failures, human error in handling confidential information, intentional information leaks, deletion, or fraudulent use by employees could force us to lose trust and face damage compensation, depending on how to respond. Such cases could adversely affect the I'll group's business results and business development.

2. Corporate Group Situation

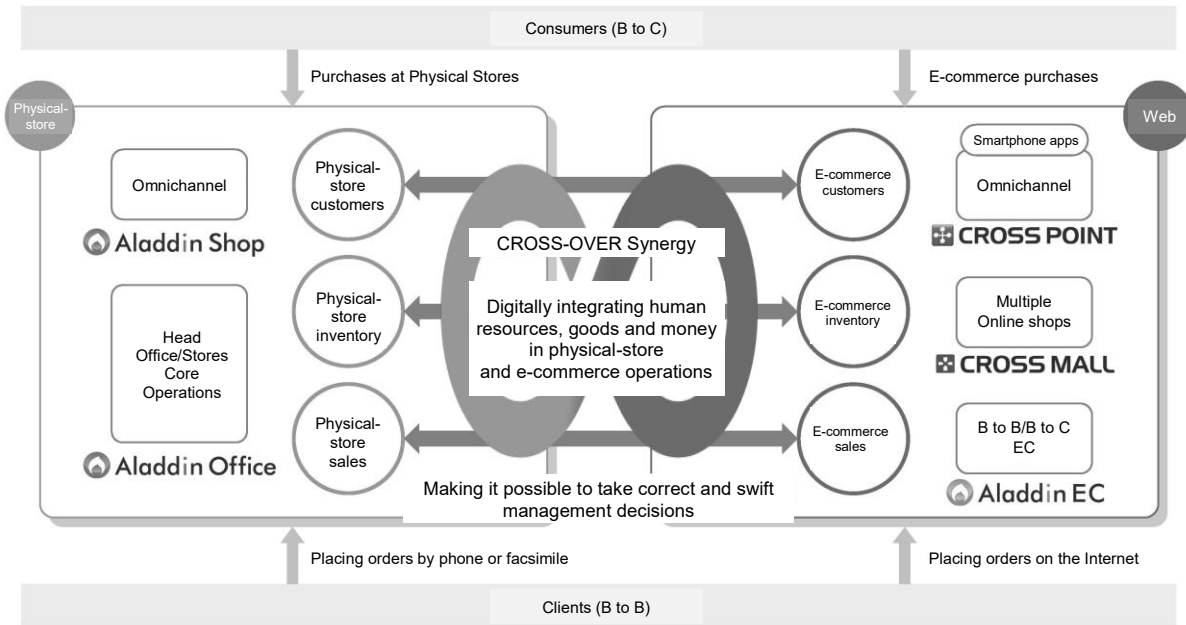
As of the end of the fiscal year under review, the group consists of the Company (I'll Inc.) and the consolidated subsidiary (Web Base Co.) and operates in two businesses: system solutions and online solutions.

(1) System solutions business

This service concerns general system provision to customers, including building core systems, hardware maintenance, providing system operation support, building networks and maintaining security. In this business, Web Base, a consolidated subsidiary, develops and provides maintenance for store management systems for the fashion industry.

(2) Online solutions business

This business concerns creation and operational support of clients' websites aimed at sales promotion, providing clients with business analysis and business strategy consultations, giving promotion, building e-commerce websites, providing such software as one for integrating the management of multiple online stores and one for integrating the management of customers and reward points.



3. Basic Thinking on Selection of Accounting Standards

The I'll group applies the Japan Generally Accepted Accounting Standards in order to maintain comparability between corporations and over time.

4. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2022 (As of July 31, 2022)	Fiscal 2023 (As of July 31, 2023)
Assets		
Current assets:		
Cash and cash equivalents	3,640,173	5,639,851
Trade notes receivable	39,241	51,857
Accounts receivable-trade	1,702,891	2,099,100
Contract assets	1,481,398	1,469,098
Merchandise	228,508	238,459
Work in process	15,521	20,468
Other	144,479	158,506
Allowance for doubtful accounts	(2,350)	(2,208)
Total current assets	7,249,863	9,675,133
Non-current assets:		
Tangible fixed assets		
Buildings and structures	387,866	482,629
Accumulated depreciation	(67,561)	(79,452)
Buildings and structures, net	320,304	403,177
Tools, equipment, fixtures	483,470	528,563
Accumulated depreciation	(338,905)	(371,152)
Tools, furniture and fixtures, net	144,565	157,411
Total tangible fixed assets	464,869	560,589
Intangible assets:		
Software	512,403	633,543
Software in progress	313,823	202,695
Other	1,739	1,739
Total intangible assets	827,966	837,978
Investments and other assets:		
Investment securities	46,716	46,716
Guarantee deposits	464,717	464,541
Deferred tax assets	440,877	449,235
Other	82,429	84,337
Allowance for doubtful accounts	(603)	(3,203)
Total investments and other assets	1,034,137	1,041,627
Total non-current assets	2,326,973	2,440,194
Total assets	9,576,837	12,115,327

(Thousands of yen)

	Fiscal 2022 (As of July 31, 2022)	Fiscal 2023 (As of July 31, 2023)
Liabilities		
Current liabilities:		
Accounts payable – trade	466,354	530,526
Accounts payable – other	292,121	335,966
Deposits received	157,441	38,519
Income taxes payable	588,360	735,180
Contract liabilities	112,564	94,488
Provision for bonuses	89,500	100,000
Provision for product warranties	23,686	15,599
Other	404,288	696,331
Total current liabilities	2,134,318	2,546,612
Non-current liabilities:		
Retirement benefit liabilities	1,148,449	1,126,616
Provision for retirement benefits for directors	404,250	463,707
Asset retirement obligations	174,428	230,894
Other	–	7,081
Total non-current liabilities	1,727,129	1,828,299
Total liabilities	3,861,447	4,374,912
Net assets		
Shareholders' equity:		
Capital stock	354,673	354,673
Capital surplus	319,673	319,673
Retained earnings	5,029,121	6,975,620
Treasury shares	(9,997)	(10,080)
Total shareholders' equity	5,693,472	7,639,888
Other accumulated comprehensive income		
Accumulated adjustments for retirement benefits	21,918	100,527
Total other accumulated comprehensive income	21,918	100,527
Total net assets	5,715,390	7,740,415
Total liabilities and net assets	9,576,837	12,115,327

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal 2022 (From August 1, 2021 to July 31, 2022)	Fiscal 2023 (From August 1, 2022 to July 31, 2023)
Net sales	12,944,157	15,924,604
Cost of sales	6,205,871	7,242,602
Gross profit	6,738,286	8,682,001
Selling and general administrative expenses	4,637,872	5,134,391
Operating profit	2,100,414	3,547,609
Non-operating income:		
Commission income	12,408	17,897
Subsidy income	8,433	5,637
Other	1,010	916
Total non-operating income	21,852	24,450
Non-operating expenses:		
Interest expenses	1,189	695
Other	-	56
Total non-operating expenses	1,189	751
Ordinary profit	2,121,077	3,571,309
Extraordinary profit		
Insurance claim income	2,577	-
Total extraordinary profit	2,577	-
Extraordinary losses:		
Loss on retirement of non-current assets	4,549	4,086
Total extraordinary losses	4,549	4,086
Net profit before taxes	2,119,104	3,567,223
Corporate, resident, enterprise taxes	871,860	1,138,039
Corporate and other taxes – deferred	(130,662)	(43,018)
Total corporate and other taxes	741,197	1,095,020
Net profit	1,377,907	2,472,202
Profit attributable to owners of parent	1,377,907	2,472,202

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal 2022 (From August 1, 2021 to July 31, 2022)	Fiscal 2023 (From August 1, 2022 to July 31, 2023)
Net profit	1,377,907	2,472,202
Other comprehensive income:		
Adjustment amount for retirement benefits	7,717	78,609
Total other comprehensive income	7,717	78,609
Comprehensive income:	1,385,624	2,550,811
(Breakdown)		
Comprehensive income attributable to owners of parent	1,385,624	2,550,811
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes to Shareholders' Equity

Fiscal 2021 (From August 1, 2021 to July 31, 2022)

(Thousands of yen)

	Shareholders' equity:				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	354,673	319,673	3,911,062	(9,872)	4,575,537
Cumulative effects of changes in accounting policies			190,784		190,784
Restated balance	354,673	319,673	4,101,846	(9,872)	4,766,321
Changes for period					
Dividends from surplus			(450,631)		(450,631)
Profit attributable to owners of parent			1,377,907		1,377,907
Purchase of treasury shares				(125)	(125)
Changes in items other than shareholders' equity (net)					
Total change during period	–	–	927,275	(125)	927,150
Balance at end of year	354,673	319,673	5,029,121	(9,997)	5,693,472

	Other accumulated comprehensive income		Total net assets
	Accumulated adjustments for retirement benefits	Total other accumulated comprehensive income	
Balance at beginning of year	14,200	14,200	4,589,737
Cumulative effects of changes in accounting policies			190,784
Restated balance	14,200	14,200	4,780,521
Changes for period			
Dividends from surplus			(450,631)
Profit attributable to owners of parent			1,377,907
Purchase of treasury shares			(125)
Changes in items other than shareholders' equity (net)	7,717	7,717	7,717
Total change during period	7,717	7,717	934,868
Balance at end of year	21,918	21,918	5,715,390

	Shareholders' equity:				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	354,673	319,673	5,029,121	(9,997)	5,693,472
Cumulative effects of changes in accounting policies					—
Restated balance	354,673	319,673	5,029,121	(9,997)	5,693,472
Changes for period					
Dividends from surplus			(525,703)		(525,703)
Profit attributable to owners of parent			2,472,202		2,472,202
Purchase of treasury shares				(82)	(82)
Changes in items other than shareholders' equity (net)					
Total change during period	-	-	1,946,498	(82)	1,946,415
Balance at end of year	354,673	319,673	6,975,620	(10,080)	7,639,888

	Other accumulated comprehensive income		Total net assets
	Accumulated adjustments for retirement benefits	Total other accumulated comprehensive income	
Balance at beginning of year	21,918	21,918	5,715,390
Cumulative effects of changes in accounting policies			—
Restated balance	21,918	21,918	5,715,390
Changes for period			
Dividends from surplus			(525,703)
Profit attributable to owners of parent			2,472,202
Purchase of treasury shares			(82)
Changes in items other than shareholders' equity (net)	78,609	78,609	78,609
Total change during period	78,609	78,609	2,025,025
Balance at end of year	100,527	100,527	7,740,415

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal 2022 (From August 1, 2021 to July 31, 2022)	Fiscal 2023 (From August 1, 2022 to July 31, 2023)
Cash flows from operating activities		
Net profit before taxes	2,119,104	3,567,223
Depreciation	574,346	478,961
Increase (decrease) in provision for bonuses	8,300	10,500
Increase (decrease) in allowance for doubtful accounts	(521)	2,458
Increase (decrease) in provision for product warranties	(1,228)	(8,087)
Increase (decrease) in retirement benefit liabilities	92,678	91,437
Increase (decrease) in provision for retirement benefits for directors	30,700	59,456
Loss on retirement of non-current assets	4,549	4,086
Expenses for share-based rewards	26,618	25,363
Interest and dividend income	(34)	(250)
Interest expenses	1,189	695
Decrease (increase) in trade accounts receivables and contract assets	(702,043)	(396,524)
Decrease (increase) in inventories	(133,985)	(14,898)
Increase (decrease) in trade payables	84,698	64,172
Increase (decrease) in contract liabilities	7,024	(18,075)
Increase (decrease) in accounts payable — other	17,542	65,163
Increase (decrease) in deposits received	9,191	(118,921)
Increase (decrease) in accrued expenses	24,587	(83,562)
Other	(276,937)	343,957
Subtotal	1,885,780	4,073,153
Interest and dividends received	34	250
Interest paid	(1,171)	(695)
Corporate and other taxes paid	(750,490)	(999,402)
Cash flows from operating activities	1,134,153	3,073,305
Cash flow from investing activities		
Purchase of tangible fixed assets	(96,146)	(144,960)
Purchase of intangible assets	(385,669)	(402,630)
Payments of guarantee deposits	(1,163)	(106)
Proceeds from refund of guarantee deposits	690	282
Other	(0)	(0)
Cash flow from investing activities	(482,289)	(547,415)
Cash flows from financing activities		
Repayments of long-term borrowings	(15,000)	—
Purchase of treasury shares	(125)	(82)
Dividends paid	(450,511)	(526,129)
Cash flows from financing activities	(465,636)	(526,212)
Net increase (decrease) in cash and cash equivalents	186,227	1,999,677
Cash and cash equivalents at beginning of period	3,453,946	3,640,173
Cash and cash equivalents at end of period	3,640,173	5,639,851

(5) Notes on Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

No applicable matters.

(Important Matters as the Basis for Preparing Consolidated Financial Statements)

1. Matters on scope of consolidation

(1) Number of consolidated subsidiaries: 1

Consolidated subsidiary name: Web Base Co.

(2) Names of primary non-consolidated subsidiaries

No applicable matters.

2. Notes on application of equity method

No applicable matters.

3. Matters on consolidated subsidiary business year

The book closing date for the consolidated subsidiary is March 31. The consolidated financial statements are based on provisional statements prepared equivalently to final statements as of the book closing date.

4. Matters on the accounting policies

(1) Standards and methods for valuation of important assets

(i) Securities

Available-for-sale securities

Securities other than shares that do not have a market value

The market value method (with the entire amount of valuation differences included directly into net assets, and the cost of sale calculated using the moving-average method) is adopted.

Shares that do not have a market value

The cost method based on the moving-average method is adopted.

(ii) Inventories

Merchandise

The cost method based on the specific identification method (the balance sheet book value is written down according to a decline in profitability) is adopted.

Work in process

The cost method based on the specific identification method (the balance sheet book value is written down according to a decline in profitability) is adopted.

(2) Depreciation method for important depreciable assets

(i) Tangible fixed assets

The declining balance method is adopted. However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings as well as structures that were acquired on or after April 1, 2016.

The primary useful life is as follows:

Buildings and structures: 8 to 50 years

Tools, equipment, fixtures: 4 to 20 years

(ii) Intangible assets

Software used by the Company

The straight-line method is used according to the usable period (5 years) set in-house.

Software for sale on the market

The amount written off according to expected sales is compared with the equal distribution amount according to the expected sales period (3 years), and the larger one is booked.

(3) Standards for booking important allowances

(i) Allowance for doubtful accounts

To prepare for losses due to irrecoverable trade and other receivables, the estimated irrecoverable amount is booked, with loan loss rates considered for general accounts receivable and collectability considered individually for doubtful accounts receivable and other specific receivables.

(ii) Provision for bonuses

To prepare for employee bonus payments, the amount that falls within the fiscal year under review is booked out of the estimated payment amount.

(iii) Provision for product warranties

To prepare for free product repairs, a future estimated amount is booked according to past results.

(iv) Provision for retirement benefits for directors

To prepare to pay retirement benefits for directors, the amount to be paid at the end of the period is booked according to the bylaws for retirement benefits for directors.

(v) Provision for loss on order received

To prepare for future losses related to order contracts, the expected loss amount at the end of the fiscal year under review is recorded.

(4) Accounting method for retirement benefits

(i) Method to measure the estimated retirement benefit amount at fiscal year end

In calculating projected benefit obligation, the method to measure the estimated retirement benefit amount at the end of the fiscal year under review is based on the benefit calculation formula criteria.

(ii) Method to Recognize Actuarial differences as Expenses

Actuarial differences are each recognized as expenses from the fiscal year that follows the year when they arise, under the straight-line method using certain years within the average of remaining service years of employees (3 years).

(5) Standards for recording important revenue and expenses

(i) Customization, installation support, etc.

Revenue from such operations as customization, installation support results from design, development and installation support related to core operational systems such as under software contracted development agreements. The Company maintains that such performance obligations will be fulfilled over a certain period of time, estimates progress in the fulfilment and recognizes revenue over a certain period of time according to the estimate. The method of estimating the progress is to calculate the ratio of incurred cost to estimated total cost.

(ii) Licenses, hardware equipment, etc.

Revenue from the sale of licenses and hardware equipment is recognized according to the amount promised in the contract with each client at the appropriate time, on the assumption that performance obligation is met upon the delivery of the relevant license or hardware equipment to the client.

(iii) Service use and system maintenance

Revenue generated from service use and system maintenance is from the provision of services such as cloud service operations and maintenance. As these are routine or recurring services, the Company maintains that such performance obligations will be fulfilled over time and recognizes revenue by proportionally dividing the amount promised in the contract with each client according to the contract period.

(iv) Other

The Company provides sales services for office-related and other products. Of these transactions, the Company recognizes revenue from those classified as agent transactions on a net basis by deducting the amount paid to suppliers and other parties from the gross payment received from the client.

The ordinary due date for all these contracts is generally the end of the month that follows the month in which acceptance inspection is completed or the month in which services are provided, and they do not include any significant financial element.

(6) Scope of funds in consolidated statement of cash flows

This consists of cash on hand, deposits that can be withdrawn as needed, and easily redeemable short-term investments with minimal risk of value fluctuation and a redemption date due within 3 months of the acquisition date.

(Changes in Accounting Estimates)

(Changes in Asset retirement obligations)

In the fiscal year under review, the Company changed estimates for asset retirement obligations that were recorded as restoration obligations associated with real estate lease contracts as it obtained new information on restoration expenses. An increase of ¥54,997,000 due to the estimate change is added to the balance of asset retirement obligations before the change. The estimate change does not affect operating profit, ordinary profit or net profit before taxes in the fiscal year under review.

(Segment Information)

Because the I'll group is a single segment entity, this section is omitted.

(Information on Net Profit Per Share)

	Fiscal 2022 (From August 1, 2021 to July 31, 2022)	Fiscal 2023 (From August 1, 2022 to July 31, 2023)
Net assets per share	¥228.31	¥309.21
Net profit per share	¥55.04	¥98.76

(Note) 1. Diluted net profit per share is not shown because there are no dilutive shares.

2. The basis for calculating net assets per share is as follows:

	Fiscal 2022 (As of July 31, 2022)	Fiscal 2023 (As of July 31, 2023)
Total net assets (Thousands of yen)	5,715,390	7,740,415
Amount deducted from total net assets (Thousands of yen)	–	–
Net assets at end of the fiscal year related to common stock (Thousands of yen)	5,715,390	7,740,415
Number of common shares used in calculating net assets per share (shares)	25,033,954	25,032,509

3. The basis for calculating net profit per share is as follows.

	Fiscal 2022 (From August 1, 2021 to July 31, 2022)	Fiscal 2023 (From August 1, 2022 to July 31, 2023)
Profit attributable to owners of parent (Thousands of yen)	1,377,907	2,472,202
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common stock (Thousands of yen)	1,377,907	2,472,202
Average number of common shares during the period (Shares)	25,034,584	25,033,031

(Significant Subsequent Events)

No applicable matters.

5. Other

(1) Director Changes

See the “Human Resources Notice On Directors and Executive Officers” published today.

(2) Other

No applicable matters.