



Consolidated Financial Results for the Six Months Ended January 31, 2022 (August 1, 2021 to January 31, 2022) [Japanese GAAP]

March 7, 2022

Stock exchange listing:
Tokyo Stock Exchange, First Section

Company name: I'll Inc.
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 Scheduled date of filing quarterly securities report: March 14, 2022
 Scheduled date of dividend payment commencement: April 8, 2022
 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, 2022 (August 1, 2021 to January 31, 2022)

(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, 2022	6,045	—	847	—	859	—	563	—
Six months ended January 31, 2021	6,596	(5.2)	954	(22.2)	971	(21.2)	635	(21.5)

(Note) Comprehensive income: Six months ended January 31, 2022 ¥562 million [(-%)] Six months ended January 31, 2021 ¥642 million [(-20.7%)]

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
Six months ended January 31, 2022	22.53		—	
Six months ended January 31, 2021	25.40		—	

(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 first quarter of the fiscal year ending July 2022, and figures presented for the second quarter are those after the relevant accounting standard has been applied. Therefore, changes from the previous corresponding period are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ Million	¥ Million	%
Six months ended January 31, 2022	8,247	5,092	61.7
Fiscal year ended July 31, 2021	8,449	4,589	54.3

(Reference) Shareholders' equity Six months ended January 31, 2022 ¥5,092 million Fiscal year ended July 31, 2021 ¥4,589 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2021	—	7.00	—	10.00	17.00
Fiscal year ending July 31, 2022	—	8.00	—	—	—
Fiscal year ending July 31, 2022 (Forecast)	—	—	—	9.00	17.00

(Note) 1. Revision to the dividend forecast announced most recently: No

2. Breakdown of year-end dividends for the fiscal year ended July 31, 2021: Ordinary dividends ¥8, commemorative dividends ¥2

3. Consolidated Financial Forecasts for the Fiscal Year Ending July 31, 2022 (August 1, 2021 to July 31, 2022)

(% indicates change from previous corresponding period)

Full year	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
	13,300	—	2,000	—	2,026	—	1,297	—	51.81

(Note) 1. Revision to the financial forecasts announced most recently: No

2. Financial forecasts for the fiscal year ending July 31, 2022 reflect current assumptions about the impact of the COVID-19 pandemic. If the need to revise financial forecasts arises, the Company will promptly disclose the revisions.

3. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of the consolidated fiscal period, and the above consolidated financial forecasts are the amounts after applying the said accounting standards. Therefore, changes from the previous fiscal year or from the previous corresponding period are not shown.

*Notes

(1) Changes in significant subsidiaries during the six months ended January 31, 2022
(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: Yes

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For details, refer to page 10 of the attached document "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policy)"

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

1) Total number of issued shares at the end of the period (including treasury shares)	Six months ended January 31, 2022	25,042,528shares	Fiscal year ended July 31, 2021	25,042,528shares
2) Total number of treasury shares at the end of the period	Six months ended January 31, 2022	8,030shares	Fiscal year ended July 31, 2021	6,994shares
3) Average number of shares during the period	Six months ended January 31, 2022	25,034,995shares	Six months ended January 31, 2021	25,036,796shares

*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 5 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.....	5
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	8
(Quarterly Consolidated Statements of Income).....	8
(For the six months ended January 31, 2022)	8
(Quarterly Consolidated Statements of Comprehensive Income).....	9
(For the six months ended January 31, 2022)	9
(3) Notes to Quarterly Consolidated Financial Statements	10
(Notes on the Premise of a Going Concern)	10
(Notes on Substantial Changes in the Amount of Shareholders' Equity)	10
(Changes in Accounting Policy).....	10
(Additional Information)	11

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

(1) Explanation of Operating Results

During the second quarter of this fiscal year (August 1, 2021 to January 31, 2022), the Japanese economy remained in a severe situation due to the effects of the COVID-19 pandemic, although there were signs of rallying among individual consumption. It was expected that the economy will continue to recover due to measures against the COVID-19 including the promotion of vaccinations and also because of the effects of various policies and improvements in overseas economies. Expectations were also growing in Japan for an improvement in the employment and income environment due primarily to the lifting of the state of emergency declaration at the end of September. However, uncertain situations have remained after the “priority preventative measures” were introduced in January 2022, and the areas subject to these measures were subsequently expanded to eventually include most areas of Japan by the end of January.

The information services industry, to which the Group belongs, could be affected by the re-spread of the COVID-19 and other factors in terms of weaker investment in software.

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.

In the real world, I'll has continued to enhance its product offerings in its mainstay Aladdin Office software package for each sector, while collaborating with its partners on the sales front. Sales orders remained firm because, in spite of the COVID-19 pandemic, I'll actively conducted online meetings to propose individualized optimal systems solutions to customers based on its abundant experience of installing systems for each sector. However, in terms of revenue, both net sales and profit at each stage for the second quarter of this fiscal year decreased compared to the same period of the previous fiscal year due to the reaction to the increase in sales in the same period of the previous fiscal year caused by the change in the timing of acceptance inspection due to the impact of COVID-19.

In the online world, I'll continued collaborative development with new online shopping malls of the CROSS MALL software, which integrates the management of multiple online stores. The Company will continue to enhance its functionality with the cooperation of several online malls and also rapidly reflect the opinions of existing customers about the features they want or desire in new functionality with the objective of improving the attractiveness of the product offering and expanding sales. Furthermore, the Company is increasing sales of CROSS POINT, a software that integrates the management of loyalty points and customers for both online and bricks-and-mortar stores.

In the six months ended January 31, 2022, I'll continued to concentrate on product development, recording ¥32,779,000 as research and development expenses in a bid to sharpen its market competitiveness through the development of new technologies for the future. At the I'll Matsue Laboratory, the Company's R&D center in Matsue City, Shimane Prefecture, researchers are using the Ruby programming language to enhance systems. The Company plans to increase the number of R&D staff and bolster R&D activities.

As a result, for the six months ended January 31, 2022, net sales were ¥6,045,663,000, operating profit was ¥847,547,000, ordinary profit was ¥859,825,000, and profit attributable to owners of parent was ¥563,932,000.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the consolidated fiscal period, and figures presented for the first six months of this fiscal year ending July 2022 are those after the relevant accounting standard has been applied. Therefore, changes from the previous corresponding period are not shown. For details, refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policy).”

(2) Explanation of Financial Position

As of the end of the second quarter period under review, total assets amounted to ¥8,247,220,000, a decrease of ¥202,730,000 from the end of the previous fiscal year. This is mainly attributable to decreases of ¥435,175,000 in cash and cash equivalents and ¥530,343,000 in work in process, despite an increase of ¥791,052,000 in notes and accounts receivable - trade, and contract assets.

Total liabilities amounted to ¥3,155,043,000, a decrease of ¥705,170,000 from the end of the previous fiscal year. This is mainly attributable to decreases of ¥78,560,000 in income taxes payable, as well as ¥127,638,000 in accrued expenses and

¥267,742,000 accrued consumption taxes included in “other” under current liabilities.

Total net assets amounted to ¥5,092,177,000, an increase of ¥502,440,000 from the end of the previous fiscal year. This primarily reflected a decrease of ¥250,355,000 in dividends of surplus, and an increase of ¥563,932,000 in profit attributable to owners of parent. The balance of retained earnings at the beginning of this fiscal year increased by ¥190,784,000 due to the application of the Accounting Standard for Revenue Recognition, etc.

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

Operating results for the first six months of the current consolidated fiscal year were generally within the scope of the Group's forecasts, and there are no changes to the consolidated results forecasts for the full fiscal year ending July 31, 2022.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2021 (As of July 31, 2021)	For the six months ended January 31, 2022 (As of January 31, 2022)
Assets		
Current assets:		
Cash and cash equivalents	3,453,946	3,018,771
Notes and accounts receivable - trade	1,828,197	—
Notes and accounts receivable - trade, and contract assets	—	2,619,250
Merchandise	102,421	157,076
Work in process	545,725	15,382
Other	159,954	133,859
Allowance for doubtful accounts	(2,454)	(2,112)
Total current assets	6,087,790	5,942,226
Non-current assets:		
Plant, property and equipment	439,428	447,032
Intangible assets:		
Software	818,376	605,996
Software in progress	115,575	279,191
Other	1,739	1,739
Total intangible assets	935,691	886,927
Investments and other assets:		
Deferred tax assets	397,821	367,262
Other	590,238	604,909
Allowance for doubtful accounts	(1,020)	(1,137)
Total investments and other assets	987,040	971,034
Total non-current assets	2,362,160	2,304,994
Total assets	8,449,951	8,247,220
Liabilities		
Current liabilities:		
Accounts payable – trade	381,655	378,758
Current portion of long-term loans payable	15,000	—
Income taxes payable	460,488	381,928
Provision for bonuses	81,200	86,000
Reserve for product warranties	24,914	22,816
Other	1,283,538	594,125
Total current liabilities	2,246,795	1,463,628
Non-current liabilities:		
Retirement benefit liabilities	1,066,892	1,112,305
Provision for retirement benefits for directors	373,550	405,407
Asset retirement obligations	172,974	173,701
Total non-current liabilities	1,613,417	1,691,415
Total liabilities	3,860,213	3,155,043

(Thousands of yen)

	Fiscal 2021 (As of July 31, 2021)	For the six months ended January 31, 2022 (As of January 31, 2022)
Net assets		
Shareholders' equity:		
Capital stock	354,673	354,673
Capital surplus	319,673	319,673
Retained earnings	3,911,062	4,415,422
Treasury shares	(9,872)	(9,927)
Total shareholders' equity	4,575,537	5,079,843
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	14,200	12,333
Total accumulated other comprehensive income	14,200	12,333
Total net assets	4,589,737	5,092,177
Total liabilities and net assets	8,449,951	8,247,220

(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, 2022)

(Thousands of yen)

	For the six months ended January 31, 2021 (From August 1, 2020 to January 31, 2021)	For the six months ended January 31, 2022 (From August 1, 2021 to January 31, 2022)
Net sales	6,596,530	6,045,663
Cost of sales	3,575,387	2,917,491
Gross profit	3,021,143	3,128,172
Selling, general and administrative expenses	2,067,087	2,280,624
Operating profit	954,056	847,547
Non-operating income:		
Commission income	5,291	6,621
Penalty income	656	—
Subsidy income	12,090	6,033
Other	303	231
Total non-operating income	18,341	12,885
Non-operating expenses:		
Interest expenses	803	607
Total non-operating expenses	803	607
Ordinary profit	971,594	859,825
Extraordinary income		
Insurance claim income	—	2,577
Total extraordinary income	—	2,577
Extraordinary losses:		
Loss on retirement of non-current assets	21	1,163
Total extraordinary losses	21	1,163
Profit before income taxes	971,573	861,239
Income taxes – current	331,538	350,128
Income taxes – deferred	4,210	(52,821)
Total income taxes	335,748	297,307
Net profit	635,824	563,932
Profit attributable to owners of parent	635,824	563,932

(Quarterly Consolidated Statements of Comprehensive Income)

(For the six months ended January 31, 2022)

(Thousands of yen)

	For the six months ended January 31, 2021 (From August 1, 2020 to January 31, 2021)	For the six months ended January 31, 2022 (From August 1, 2021 to January 31, 2022)
Net profit	635,824	563,932
Other comprehensive income:		
Valuation difference on available-for-sale securities	5,212	—
Remeasurements of defined benefit plans, net of tax	1,792	(1,866)
Total other comprehensive income	7,005	(1,866)
Comprehensive income	642,829	562,065
(Breakdown)		
Comprehensive income attributable to owners of parent	642,829	562,065
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to 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)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the consolidated fiscal period. For details, please refer to “(Changes in Accounting Policy).”

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. have been applied from the beginning of the first quarter of the consolidated fiscal period, whereby revenue shall be recognized at the point when control of promised goods or services is transferred to the customer with the amount of money expected to be received in exchange for the goods or services.

Previously, the percentage-of-completion method was applied to transactions in which the outcome of the portion of work completed on made-to-order software was deemed certain, while the completed-contract method was applied to other transactions. However, effective from the first quarter of the current fiscal year, for performance obligations to be fulfilled over a certain period of time, the Company shall estimate the degree of progress toward fulfillment of the performance obligation, and recognize revenue over a certain period of time based on the said degree of progress, while, for performance obligations to be fulfilled at a point in time, the Company shall recognize revenue at the point. The method of estimating the degree of progress toward fulfillment of performance obligations is based on the ratio of incurred cost to estimated total cost. In addition, we determined that some transactions in the sale of supplies are agent transactions because we do not control the goods or services to be transferred to customers, but only provide services to arrange these goods or services. As a result, the Group has changed to a method of recognizing revenue on a net basis by deducting the amount paid to suppliers, etc. from the total consideration received from customers.

The application of the Revenue Recognition Accounting Standard, etc. has been in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, whereby the cumulative effects of retroactively applying the new accounting policy to the periods prior to the beginning of the first quarter of this fiscal year have been added to, or subtracted from, the retained earnings at the beginning of this first quarter, with the new accounting policy being applied from the balance at the beginning of the period. In addition, by applying the methods stipulated in additional item (1) of Paragraph 86 of the Revenue Recognition Accounting Standard, accounting treatment has been applied to contract changes made prior to the beginning of the first quarter of this fiscal year in accordance with the contractual conditions after all the contract changes have been reflected, whose cumulative effects have been added to, or subtracted from, the retained earnings at the beginning of the first quarter of this fiscal year.

As a result of the above, for the second quarter of the current fiscal year, net sales and cost of sales increased by ¥489,209,000 and ¥164,153,000, respectively, while operating income increased by ¥325,056,000, ordinary income and income before income taxes each increased by ¥323,796,000, resulting from a decrease in non-operating income by ¥1,260,000. Also, the balance of retained earnings at the beginning of this fiscal year increased by ¥190,784,000.

Due to the application of the Revenue Recognition Accounting Standard, etc., “Notes and accounts receivable - trade” as presented in “Current assets” in the Consolidated Balance Sheet for the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” from the first quarter of this fiscal year. In accordance with the transitional treatment as stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification of accounts under the new presentation method has not been made for the previous fiscal year.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. have been applied from the beginning of the first quarter of this fiscal year, and in accordance with the transitional treatments stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), a new accounting policy stipulated by the Fair Value Measurement Accounting Standard, etc., shall be applied going forward. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Accounting estimates for impact from COVID-19 pandemic)

In (Additional Information), (Accounting estimates for impact from COVID-19 pandemic) in the annual securities report for the previous fiscal year, the I'll Group stated that it was making accounting estimates on the assumption that a degree of impact from the COVID-19 pandemic will remain through the first half of this fiscal year, as it is difficult to make an accurate estimate as to when the pandemic will be contained. As the future outlook still remains uncertain, due partly to a rapid spread of omicron variant infections, the I'll Group has changed the assumption and now expects a degree of impact will remain until the end of this fiscal year. At the current time, the Group is implementing accounting processes, understanding that there is not expected to be a major impact to the accounting estimates for valuation of provision for loss on order received, amortization of software for market sale, etc.

In addition, in the event that the COVID-19 pandemic spreads further or lasts longer and the estimates referenced above change, there could be an impact to our financial results.