



Consolidated Financial Results for the Three Months Ended October 31, 2023 (August 1, 2023 to October 31, 2023) [Japanese GAAP]

December 8, 2023

Stock exchange listing: Tokyo
Stock Exchange, Prime Market

Company name: I'll Inc.

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

Representative: Tetsuo Iwamoto, Representative Director & President

Contact: Naoko Ogura, Executive Officer, Head of Accounting Department

Tel: +81-6-6292-1170

Scheduled date for filing quarterly securities report: December 14, 2023

Scheduled date for dividend payment commencement: –

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 Three Months Ended October 31, 2023 (August 1, 2023 to October 31, 2023)

(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	%
Three months ended October 31, 2023	4,285	19.1	1,142	56.8	1,146	56.6	746	58.9
Three months ended October 31, 2022	3,598	22.9	728	117.9	731	115.4	469	120.5

(Note) Comprehensive income: Three months ended October 31, 2023 ¥736Million (57.5%) Three months ended October 31, 2022 ¥467Million (120.6%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Three months ended October 31, 2023	29.82	–
Three months ended October 31, 2022	18.76	–

(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	%
Three months ended October 31, 2023	12,418	7,976	64.2
Fiscal year ended July 31, 2023	12,115	7,740	63.9

(Reference) Shareholders' equity Three months ended October 31, 2023 7,976¥ 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	–	11.00	–	20.00	31.00
Fiscal year ending July 31, 2024	–	–	–	–	–
Fiscal year ending July 31, 2024 (Forecast)	–	14.00	–	20.00	34.00

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
For notes about assumptions behind the financial forecasts and how to use these financial forecasts	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

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

*Notes

(1) Changes in significant subsidiaries during the three months ended October 31, 2023

(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)	Three months ended: October 31, 2023	25,042,528shares	Fiscal year ended July 31, 2023	25,042,528shares
2) Total number of treasury shares at the end of the period	Three months ended: October 31, 2023	10,819shares	Fiscal year ended July 31, 2023	10,019shares
3) Average number of shares during the period	Three months ended: October 31, 2023	25,032,112shares	Three months ended: October 31, 2022	25,033,619shares

*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 three months ended October 31, 2023	7
Quarterly Consolidated Statements of Comprehensive Income	
For the three months ended October 31, 2023	8
(3) Notes to 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 three months ended October 31, 2023 (August 1, 2023 to October 31, 2023), 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 and rising energy and raw material prices.

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. 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 proposed ways for optimum system use for each client on the basis of plenty of by-industry installment examples. In terms of revenue, net sales increased due to higher project turnover resulting from increased profitability. Furthermore, the increase in sales revenue, driven by the growth in subscription-based business, the enhancement of package functionalities, and increased profitability has 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 three months ended October 31, 2023, the Company continued to focus on product development and booked ¥14,553,000 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 three months ended October 31, 2023, net sales were ¥4,285,851,000 (up 19.1% year on year), operating profit was ¥1,142,215,000 (up 56.8% year on year), ordinary profit was ¥1,146,195,000 (up 56.6% year on year), and profit attributable to owners of parent was ¥746,458,000 (up 58.9% year on year).

(2) Explanation of Financial Position

As of the end of the first quarter period under review, total assets amounted to ¥12,418,525,000, an increase of ¥303,197,000 from the end of the previous fiscal year. This is mainly attributable to increases of ¥114,106,000 in software in progress, ¥100,000,000 in investment securities included in "other" under investments and other assets, and ¥92,626,000 in notes and accounts receivable - trade, and contract assets.

Total liabilities amounted to ¥4,442,062,000, an increase of ¥67,150,000 from the end of the previous fiscal year. This is mainly attributable to an increase of ¥299,528,000 in provision for bonuses, despite a decrease of ¥236,282,000 in income taxes payable.

Total net assets amounted to ¥7,976,462,000, an increase of ¥236,047,000 from the end of the previous fiscal year. This primarily reflected an increase due mainly to ¥746,458,000 in profit attributable to owners of parent and 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 three 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 first half and 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 three months ended October 31, 2023 (As of October 31, 2023)
Assets		
Current assets:		
Cash and cash equivalents	5,639,851	5,667,315
Notes and accounts receivable - trade, and contract assets	3,620,055	3,712,681
Merchandise	238,459	234,898
Work in process	20,468	16,556
Other	158,506	163,875
Allowance for doubtful accounts	(2,208)	(3,255)
Total current assets	9,675,133	9,792,072
Non-current assets:		
Tangible fixed assets	560,589	553,833
Intangible assets:		
Software	633,543	556,776
Software in progress	202,695	316,801
Other	1,739	1,739
Total intangible assets	837,978	875,316
Investments and other assets:		
Deferred tax assets	449,235	515,174
Other	595,595	685,565
Allowance for doubtful accounts	(3,203)	(3,436)
Total investments and other assets	1,041,627	1,197,302
Total non-current assets	2,440,194	2,626,453
Total assets	12,115,327	12,418,525
Liabilities		
Current liabilities:		
Accounts payable – trade	530,526	541,929
Income taxes payable	735,180	498,898
Provision for bonuses	100,000	399,528
Provision for product warranties	15,599	13,276
Other	1,165,306	1,120,753
Total current liabilities	2,546,612	2,574,385
Non-current liabilities:		
Retirement benefit liabilities	1,126,616	1,151,673
Provision for retirement benefits for directors	463,707	478,740
Asset retirement obligations	230,894	231,479
Other	7,081	5,784
Total non-current liabilities	1,828,299	1,867,676
Total liabilities	4,374,912	4,442,062

(Thousands of yen)

	Fiscal 2023 (As of July 31, 2023)	For the three months ended October 31, 2023 (As of October 31, 2023)
Net assets		
Shareholders' equity:		
Capital stock	354,673	354,673
Capital surplus	319,673	319,673
Retained earnings	6,975,620	7,221,429
Treasury shares	(10,080)	(10,080)
Total shareholders' equity	7,639,888	7,885,696
Other accumulated comprehensive income		
Accumulated adjustments for retirement benefits	100,527	90,766
Total other accumulated comprehensive income	100,527	90,766
Total net assets	7,740,415	7,976,462
Total liabilities and net assets	12,115,327	12,418,525

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the three months ended October 31, 2023)

(Thousands of yen)

	For the three months ended October 31, 2022 (From August 1, 2022 to October 31, 2022)	For the three months ended October 31, 2023 (From August 1, 2023 to October 31, 2023)
Net sales	3,598,111	4,285,851
Cost of sales	1,632,079	1,850,079
Gross profit	1,966,032	2,435,772
Selling, general and administrative expenses	1,237,563	1,293,556
Operating profit	728,469	1,142,215
Non-operating income:		
Commission income	3,130	3,357
Subsidy income	597	810
Other	48	47
Total non-operating income	3,775	4,214
Non-operating expenses:		
Interest expenses	293	229
Other	1	6
Total non-operating expenses	294	235
Ordinary profit	731,950	1,146,195
Extraordinary losses:		
Loss on retirement of non-current assets	–	0
Total extraordinary losses	–	0
Net profit before taxes	731,950	1,146,195
Corporate, resident, enterprise taxes	329,292	461,370
Corporate and other taxes – deferred	(66,998)	(61,634)
Total corporate and other taxes	262,294	399,736
Net profit	469,655	746,458
Profit attributable to owners of parent	469,655	746,458

(Quarterly Consolidated Statements of Comprehensive Income)

(For the three months ended October 31, 2023)

(Thousands of yen)

	For the three months ended October 31, 2022 (From August 1, 2022 to October 31, 2022)	For the three months ended October 31, 2023 (From August 1, 2023 to October 31, 2023)
Net profit	469,655	746,458
Other comprehensive income:		
Adjustment amount for retirement benefits	(1,971)	(9,761)
Total other comprehensive income	(1,971)	(9,761)
Comprehensive income	467,684	736,697
(Breakdown)		
Comprehensive income attributable to owners of parent	467,684	736,697
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)

No applicable matters.