

Translation

Notice: This document has been translated from the Japanese original for reference purposes. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

Summary of Consolidated Financial Result for the Fiscal Year Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

Company name: WILLs Inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 4482

URL: <https://www.wills-net.co.jp/>

Representative: Mitsuo Sugimoto, President and CEO

Inquiries: Yasuyuki Hasumoto, Senior Managing Director and CFO

Phone: +81-3-6435-8151

Scheduled date for next ordinary general meeting of shareholders: March 25, 2024

Scheduled date for filing annual securities report: March 25, 2024

Scheduled date for commencing dividend payments: March 26, 2024

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Fiscal year ended December 31, 2023	4,480	17.4	914	30.2	911	31.5	506	21.3
Fiscal year ended December 31, 2022	3,816	13.0	702	34.6	693	33.2	417	19.4

(Note) Comprehensive income: Fiscal year ended December 31, 2023: 506 million yen (21.3%)

Fiscal year ended December 31, 2022: 417 million yen (19.4%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit ratio
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2023	24.39	—	28.8	26.3	20.4
Fiscal year ended December 31, 2022	21.03	—	27.8	23.5	18.4

Reference: Equity gains (losses) of affiliated companies Fiscal year ended December 31, 2023: — million yen

Fiscal year ended December 31, 2022: — million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Fiscal year ended December 31, 2023	3,662	1,853	50.5	89.35
Fiscal year ended December 31, 2022	3,261	1,662	51.0	79.59

Reference: Total shareholders' equity Fiscal year ended December 31, 2023: 1,850 million yen

Fiscal year ended December 31, 2022: 1,662 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
Fiscal year ended December 31, 2023	947	(1,246)	(354)	1,412
Fiscal year ended December 31, 2022	796	(258)	(114)	2,065

2. Cash Dividends

	Annual dividends per share					Total dividends (Total)	Payout ratio (Consolidated)	Net assets to dividend ratio (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
Fiscal year ended December 31, 2022	—	0.00	—	7.00	7.00	146	33.3	9.5
Fiscal year ended December 31, 2023	—	3.50	—	6.00	9.50	196	39.0	11.2
Fiscal year ending December 2024 (forecast)	—	5.50	—	5.50	11.00		34.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024

(from January 1, 2024 to December 31, 2024)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full year	5,000	11.6	1,006	10.0	1,003	10.1	668	32.0	32.29

*Explanatory notes

- (1) Changes in significant subsidiaries during the fiscal year (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- (i) Changes in accounting policies due to amendment of accounting standards, etc.: Yes
- (ii) Changes in accounting policies other than those in (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None
- (3) Number of issued shares (common shares)

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

Fiscal year ended December 31, 2023:	21,054,400 shares	Fiscal year ended December 31, 2022:	21,054,400 shares
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- (ii) Number of treasury shares at end of period

Fiscal year ended December 31, 2023:	341,193 shares	Fiscal year ended December 31, 2022:	160,793 shares
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- (iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended December 31, 2023:	20,771,900 shares	Fiscal year ended December 31, 2022:	19,980,709 shares
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(Reference) Overview of non-consolidated results

1. Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2023

(from January 1, 2023 to December 31, 2023)

(1) Non-Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Fiscal year ended December 31, 2023	3,879	14.0	927	19.6	925	19.7	510	2.6
Fiscal year ended December 31, 2022	3,402	29.4	775	39.4	773	38.3	497	27.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2023	24.59	—
Fiscal year ended December 31, 2022	25.07	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Fiscal year ended December 31, 2023	3,352	1,986	59.2	95.79
Fiscal year ended December 31, 2022	2,934	1,792	61.1	85.78

Reference: Total shareholders' equity Fiscal year ended December 31, 2023: 1,984 million yen
Fiscal year ended December 31, 2022: 1,792 million yen

2. Forecast of Non-Consolidated Financial Results for the Fiscal Year Ending December 31, 2024

(from January 1, 2024 to December 31, 2024)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full year	4,364	12.5	1,000	7.6	1,000	8.0	666	30.2	32.17

* This summary of financial results is not subject to audit procedures by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual business performance and other results may differ materially due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc.

(How to obtain supplementary materials on financial results and the details of the financial results briefing session)

The Company will hold a briefing session for securities analysts and institutional investors on February 19, 2024 (Monday).

The appearance and content of the briefing (video) will be posted on the Company's website along with the briefing materials used on the day promptly after the briefing session is held.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: thousand yen)

	Previous fiscal year (December 31, 2022)	Current fiscal year (December 31, 2023)
Assets		
Current assets		
Cash and deposits	2,065,368	2,412,497
Notes receivable - trade	5,656	8,599
Electronically recorded monetary claims - operating	11,198	11,308
Accounts receivable - trade	253,726	294,944
Merchandise	1,927	1,622
Work in process	6,191	20,095
Supplies	710	1,016
Prepaid expenses	22,602	40,615
Other	2,891	5,281
Allowance for doubtful accounts	(2,911)	(601)
Total current assets	2,367,362	2,795,380
Non-current assets		
Property, plant and equipment		
Buildings, net	37,260	35,487
Tools, furniture and fixtures, net	18,276	12,990
Land	76	76
Total property, plant and equipment	55,613	48,554
Intangible assets		
Telephone subscription right	163	163
Trademark right	235	176
Software	404,602	217,369
Software in progress	188,481	122,522
Goodwill	238,728	215,668
Customer-related assets	27,813	25,377
Total intangible assets	671,544	581,279
Investments and other assets		
Investment securities	—	30,000
Distressed receivables	2,169	2,169
Deferred tax assets	36,916	86,938
Leasehold and guarantee deposits	106,495	89,756
Other	23,226	30,824
Allowance for doubtful accounts	(2,169)	(2,169)
Total investments and other assets	166,638	237,520
Total non-current assets	893,796	867,354
Total assets	3,261,1586	3,662,734

(Unit: thousand yen)

	Previous fiscal year (December 31, 2022)	Current fiscal year (December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	272,737	333,156
Short-term borrowings	276,487	266,320
Current portion of long-term borrowings	25,192	23,280
Accounts payable - other	87,849	45,428
Accrued expenses	17,383	27,387
Income taxes payable	168,765	170,992
Accrued consumption taxes	52,456	75,796
Contract liabilities	459,292	634,758
Deposits received	11,906	14,585
Provision for point card certificates	103,157	96,060
Provision for shareholder benefit program	23,320	39,976
Provision for bonuses	18,018	20,877
Provision for bonuses for directors (and other officers)	18,681	21,190
Other	51	—
Total current liabilities	1,535,298	1,769,809
Non-current liabilities		
Long-term borrowings	60,770	37,490
Asset retirement obligations	2,224	2,230
Total non-current liabilities	62,994	39,720
Total liabilities	1,598,293	1,809,530
Net assets		
Shareholders' equity		
Share capital	246,900	246,900
Capital surplus	246,447	246,447
Retained earnings	1,269,072	1,556,916
Treasury shares	(99,554)	(199,545)
Total shareholders' equity	1,662,865	1,850,717
Share acquisition rights	—	2,486
Total net assets	1,662,865	1,853,203
Total liabilities and net assets	3,261,158	3,662,734

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

(Unit: thousand yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net sales	3,816,112	4,480,592
Cost of sales	2,095,271	2,392,895
Gross profit	1,720,841	2,087,697
Selling, general and administrative expenses	1,018,034	1,172,936
Operating profit	702,806	914,761
Non-operating income		
Interest income	14	17
Subsidy income	25	3
Subsidy income	—	247
Gain on forfeiture of unclaimed dividends	—	3,305
Other	392	193
Total non-operating income	433	3,767
Non-operating expenses		
Interest expenses	4,342	4,673
Settlement payments	3,706	—
Loss on investments in investment partnerships	1,420	1,348
Foreign exchange losses	86	—
Other	223	1,316
Total non-operating expenses	10,182	7,338
Ordinary profit	693,057	911,189
Extraordinary losses		
Loss on retirement of non-current assets	38,097	11,893
Impairment loss	—	154,867
Total extraordinary losses	38,097	166,760
Profit before income taxes	654,959	744,429
Income taxes - current	263,923	287,856
Income taxes - deferred	(26,636)	(50,022)
Total income taxes	237,287	237,833
Net profit	417,672	506,595
Profit attributable to owners of parent	417,672	506,595

(Consolidated Statements of Comprehensive Income)

(Unit: thousand yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net profit	417,672	506,595
Comprehensive income	417,672	506,595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	417,672	506,595
Comprehensive income attributable to non- controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	654,959	744,429
Depreciation	80,120	94,262
Amortization of goodwill	23,059	23,059
Increase (decrease) in allowance for doubtful accounts	(4,505)	(2,310)
Increase (decrease) in provision for point card certificates	(2,343)	(7,097)
Increase (decrease) in provision for shareholder benefit program	11,541	16,655
Increase (decrease) in provision for bonuses	18,018	2,858
Increase (decrease) in provision for bonuses for directors (and other officers)	18,681	2,508
Interest and dividend income	(14)	(17)
Interest expenses	781	4,673
Loss on retirement of non-current assets	38,097	11,893
Impairment loss	—	154,867
Settlement payments	3,706	—
Decrease (increase) in trade receivables	(13,698)	(44,271)
Decrease (increase) in inventories	2,051	(13,905)
Increase (decrease) in trade payables	16,268	56,947
Increase (decrease) in accounts payable - other	(1,732)	(2,221)
Increase (decrease) in advances received	169,551	175,466
Increase (decrease) in accrued consumption taxes	10,216	23,340
Other	(13,490)	(1,525)
Subtotal	1,011,269	1,239,613
Interest and dividends received	14	17
Interest paid	(781)	(4,644)
Settlement paid	(1,706)	—
Income taxes paid	(212,757)	(287,109)
Net cash provided by (used in) operating activities	796,039	947,877
Cash flows from investing activities		
Payments into time deposits	—	(1,000,000)
Proceeds from sale of investment securities	20,000	—
Purchase of investment securities	—	(30,000)
Purchase of property, plant and equipment	(8,273)	(40,957)
Purchase of intangible assets	(176,479)	(182,527)
Proceeds from withdrawal of investments in silent partnership	—	1,265
Payments for investments in silent partnership	—	(9,000)
Proceeds from refund of leasehold and guarantee deposits	—	14,932
Payments of leasehold and guarantee deposits	(81,283)	(360)
Other	(12,000)	—
Net cash provided by (used in) investing activities	(258,036)	(1,246,647)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,000	(10,167)
Repayments of long-term borrowings	(26,136)	(25,192)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	55,641	—
Purchase of treasury shares	(99,133)	(99,991)
Dividends paid	(49,323)	(218,751)

Net cash provided by (used in) financing activities	(114,950)	(354,101)
Net increase (decrease) in cash and cash equivalents	423,052	(652,871)
Cash and cash equivalents at beginning of period	1,642,316	2,065,368
Cash and cash equivalents at end of quarter	2,065,368	1,412,497