

COMPANY RESEARCH AND ANALYSIS REPORT

I'LL Inc.

3854

Tokyo Stock Exchange Prime Market

27-Oct.-2022

FISCO Ltd. Analyst

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FISCO Ltd.

<https://www.fisco.co.jp>

Index

Summary	01
1. Overview of FY7/22 results	01
2. FY7/23 outlook	02
3. Growth strategy	02
Company overview	03
1. Company overview	03
2. History	04
Business overview	06
1. Overview of services	06
2. Main products	07
3. "CROSS-OVER Synergy" strategy	08
4. Characteristics and strengths	09
5. Strategy emphasizing profits	11
6. Strengthen service collaborations with business partners	12
7. Risks, income characteristics, and measures	13
Results trends	13
1. Overview of FY7/22 results	13
2. Trends by business segments	15
3. Financial conditions and management indicators	16
Outlook	17
1. FY7/23 outlook	17
2. Priority measures	18
Growth strategy	19
1. Three-year medium-term plan (rolling)	19
2. Basic strategy for growth	20
3. Business policy	22
Shareholder return policy	22
Sustainability Initiatives	23
1. Mission and Values	23
2. Arranging an environment in which employees can play active roles	24
3. SDGs initiatives	25

Summary

In FY7/22, operating profit set a new record high for the fourth consecutive period and the policies to improve gross profit were successful

I'LL Inc. <3854> (hereafter, also “the Company”) is a total system solutions company that helps mid-tier and small/medium-size companies enhance their management capabilities. The Company's business segments are the System Solutions Business with mainstay Aladdin Office series, a mission-critical operation management system, as the primary product and the Online Solutions Business (CROSS Business and Other Online Business) with CROSS MALL, a software product for integrated management of multiple EC sites, and the mainstay solution, CROSS POINT, a software product for integrated management of real-world store and EC customers and loyalty points, available as cloud services. The “CROSS-OVER Synergy” strategy is the Company's base strategy, and it supports the digital transformation (DX^{*1}) of companies through an IT-driven convergence of real-world and online capabilities. The Company aims to support value creation through a new concept of “BX^{*2},” thus not limiting itself to supporting efficiency gains through DX.

^{*1} Digital transformation (DX) is a concept that “wider IT usage changes people's lives in a more positive direction in all aspects” and conversion of existing business models and business methods through digital technology creates new value.

^{*2} This refers to backside transformation through the “CROSS-OVER Synergy” strategy, the Company's proprietary strategy that supports DX through an IT-driven convergence of real-world and online capabilities.

The Company is advancing strategies that emphasize profits, including strengthening process management and quality control during development and customization, improving productivity, and growing recurring-revenue sales, and these strategies are contributing to the improvement of the gross profit margin. The FY7/22 gross profit margin was 52.1% (an increase of 10.1 percentage points (pp) compared to FY7/19), and it improved significantly in both the System Solutions Business to 52.3% (up 10.7pp) and in the CROSS Business to 57.2% (up 2.6pp).

1. Overview of FY7/22 results

In the FY7/22 consolidated results^{*1}, net sales were ¥12,944mn, operating profit was ¥2,100mn, ordinary profit was ¥2,121mn, and profit attributable to owners of parent was ¥1,377mn. In terms of the forecast achievement rates, net sales were 2.7% below forecast, but operating profit was 5.0% higher than forecast, ordinary profit 4.7% higher than forecast, and profit attributable to owners of parent 6.2% higher than forecast, and operating profit set a new record high for the fourth consecutive period. Net sales were lower than forecast due to the effect of the change of accounting standards and also because in the System Solutions Business, the effects of a decline in initial products sales and the shortage of semiconductors, but sales recovered from the 3Q onwards. In profits, the policies the Company has continued to implement in the last few years to improve gross profit were successful and operating profit was higher than forecast. Also, recurring-revenue net sales^{*2} increased 16.0% YoY to ¥5,576mn and their percentage of Company-wide net sales rose 6.7pp to 43.1%, exceeding 40% for the first time. In addition, the Company-wide gross profit margin rose 5.6pp to 52.1% and exceeded 50% for the first time.

^{*1} Year on year comparisons have been omitted due to the application of Accounting Standard for Revenue Recognition, etc. from the start of FY7/22.

^{*2} Alongside the adoption of the Accounting Standard for Revenue Recognition, etc., from the start of FY7/22, supply product transactions have been excluded from recurring sales, and the YoY values are the values retroactively adjusted from the comparison with the values in FY7/21. Also, since FY7/22 3Q, consolidated offset processing between the parent and subsidiaries has been adopted for recurring sales.

Summary

2. FY7/23 outlook

For the FY7/23 consolidated results, the Company is forecasting that net sales will increase 8.9% YoY to ¥14,100mn, operating profit will grow 14.3% to ¥2,400mn, ordinary profit will rise 14.4% to ¥2,426mn, and profit attributable to owners of parent will increase 12.7% to ¥1,553mn. The outlook is for sales and profits to once again increase in both the System Solutions Business and the Online Solutions Business from capturing the needs for DX that are continuing to accelerate. Also, the recurring-revenue sales ratio is forecast to be 45%. In profits, the Company will concentrate temporarily on parts replacements for existing customers, so the growth of the operating profit margin is expected to slow down, while it will also move ahead with proposals to transition to the cloud. In terms of topics, it plans to provide the next-generation CROSS MALL service during FY7/23. This next-generation service will realize on the cloud not only “the integrated management of online shops” but also “the integrated management of operations as a whole” through functions in response to the shift to borderless conditions and to multiple channels, and data integration through an automated linkage function. The Company’s policy is to promote the BX it is advocating and to aim to realize value creation by improving customers’ work efficiency.

3. Growth strategy

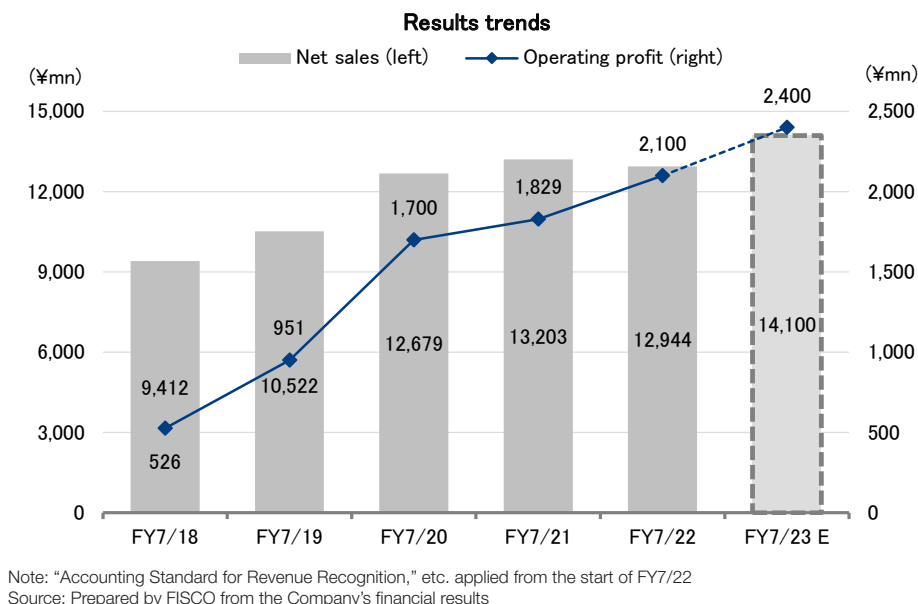
In the three-year medium-term management plan (FY7/23 to FY7/25, a rolling plan that is updated every year), the targets for FY7/24 are net sales of ¥15,400mn, operating profit of ¥3,000mn, an operating profit margin of 19.5%, ordinary profit of ¥3,026mn, and profit attributable to owners of parent ¥1,937mn, while the medium-term targets include an operating profit margin of 21.2% in FY7/25. After taking into consideration the rise in the cloud ratio and the progress made in the measures to improve profits, the Company upwardly revised the FY7/24 targets from the operating profit item down. As its basic strategy for growth, it intends to build a high-profit constitution by progressing the “CROSS-OVER Synergy” strategy and by providing to the markets the services and products it has developed as high-value-added, total-solutions packages. It is also aiming to further increase profits through the sustainable growth of the recurring business and the policies to improve profits in the initial products business.

The Company has set “BX” as a business policy and is not simply aiming to improve efficiency through DX alone, but also to realize value creation through reforms by organically providing services and consulting. In addition, based on its mission and values, it is aiming to create an even greater virtuous circle by promoting measures such as creating a corporate culture and preparing systems in which employees can play active roles, thereby improving results, enterprise value, and the environment.

Key Points

- Total system solutions company supporting customers’ enterprise capability through its “CROSS-OVER Synergy” strategy
- In FY7/22, every profit item was higher than forecast. Due to the improved gross profit margin, operating profit set a new record high for the fourth consecutive period
- In FY7/23, the forecasts are for higher sales and a double-digit increase in profits through capturing the needs for DX that continue to accelerate
- Aiming for acceleration in growth due to evolution of value creation support through BX

Summary



Company overview

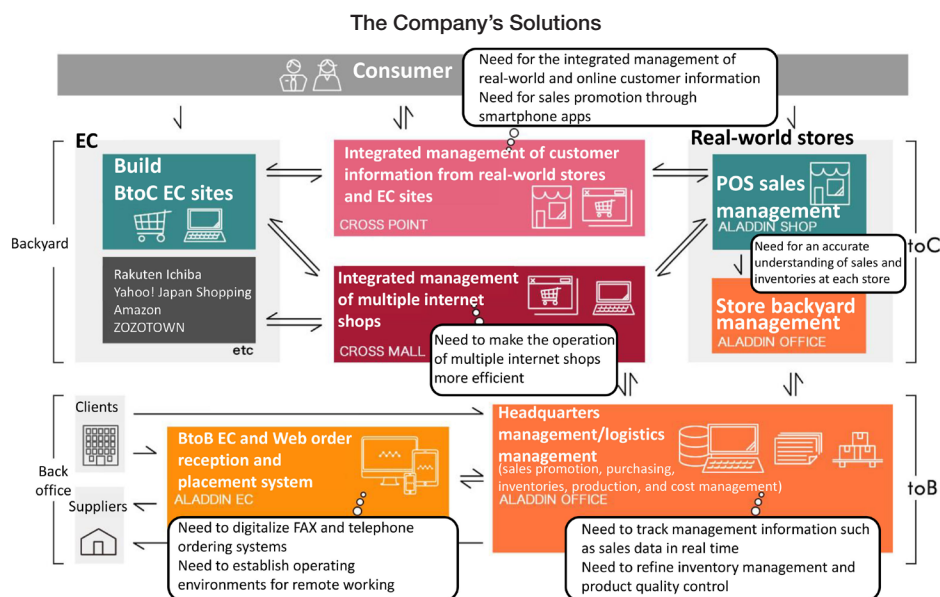
A total system solutions company supporting customers' enterprise capability

1. Company overview

The Company is a total system solution company that supports the enterprise capability of mid-tier and small/medium-size companies, which are its main customers, through various types of internally developed systems. With the mainstay, internally developed mission-critical operation management system Aladdin Office series, the Company supplies products and services to mid-tier and small/medium-size companies needing efficient use of IT to enhance management capabilities. By providing various types of systems, solutions, and services, the Company aims to realize not only efficiency support through DX but also value creation support through the new concept of "BX" through convergence of real-world and online capabilities with "CROSS-OVER Synergy" to support DX as its base strategy.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Company overview



Source: From the Company's results overview

At the end of FY7/22, the Company's headquarters are located in Kita-ku, Osaka, and its offices include the Osaka Headquarters, Tokyo Headquarters (Minato-ku, Tokyo), Nagoya Branch (Naka-ku, Nagoya). It also has research and development operations at the I'LL Matsue Laboratory (R&D center in Matsue, Shimane Prefecture). The Company also operates I'LL Career Colleges (ICCs) in Osaka and Tokyo as educational entities that offer individual and corporate training. The Group comprises the Company and one consolidated subsidiary (web-base.co.). Also, in June 2017, the Company invested in Sivira Inc. (additional investment made in June 2021) and concluded a capital and business alliance.

At the end of FY7/22, the Company had total assets of ¥9,576mn, net assets of ¥5,715mn, ¥354mn in share capital, an equity ratio of 59.7%, and had 25,042,528 shares (including 8,574 treasury shares) in outstanding share volume.

2. History

The Company was established as a sales company for office computers in February 1991, and subsequently expanded into proprietary software development and sales. It began its digital business design (DBD) business in January 2003 and established a unique strategy and made a full-scale entry into the online business in November 2003. It released Aladdin Office, a proprietary sales management software, in October 2004, CROSS MALL, a cloud-based software product for integrated management of multiple EC sites, in March 2009, and in April 2013, it released CROSS POINT, a software product for the integrated management of customers and loyalty points at both real-world stores and EC sites. The Company obtained ISO 27001 (ISMS) certification in September 2016 and in December 2020, it was certified as a "Shopify Expert" in the partner program for Shopify, a cloud-based multi-channel commerce platform.

The Company went public with a listing on the Osaka Stock Exchange (OSE) Hercules Market in June 2007 (subsequently listing on the OSE JASDAQ Market accompanying a merger of OSE markets in October 2010 and then on the Tokyo Stock Exchange (TSE) JASDAQ Growth Market accompanying a merger of OSE and TSE markets in July 2013). It changed to the TSE Second Section in June 2018 and moved to the TSE First Section in July 2019. In April 2022, it was moved to the TSE Prime Market as part of the TSE's market restructuring.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Company overview

Company history

Dates	Main items
February 1991	Founded with the aim of selling office computers and developing computer software (Fukushima-ku, Osaka)
September 1993	Moved the headquarters to Noda (Fukushima-ku, Osaka)
April 1996	Started the PC school business
September 2000	Started the @VAL job openings and job seeker information site
July 2001	Opened the Tokyo Headquarters in Shimbashi (Minato-ku, Tokyo)
April 2002	Moved the headquarters to Kita-ku (Osaka)
January 2003	Started the digital business design (DBD) business
November 2003	Entered the online business
September 2004	Acquired privacy mark certification
October 2004	Released proprietary sales management software Aladdin Office
August 2005	Started the web doctor business
June 2007	Listed shares on the Osaka Stock Exchange's Hercules Market
August 2008	Opened the Nagoya Branch in Sakae (Naka-ku, Nagoya)
March 2009	Released CROSS MALL, an ASP service for integrated management of multiple EC sites
October 2009	Opened the East Osaka Branch in Higashi-Osaka (Osaka)
October 2010	Listed shares on the Osaka Stock Exchange's JASDAQ Market accompanying a market merger by the Osaka Stock Exchange
December 2010	Moved the Tokyo Headquarters to Shibakoen (Minato-ku, Tokyo)
August 2011	Moved the Nagoya Branch to Nishiki (Naka-ku, Nagoya)
August 2011	Acquired Web Base as a subsidiary with the purchase of all shares
September 2012	Opened the Fukuoka Branch in Hakata-ku (Fukuoka) and the Sendai Branch in Aoba-ku (Sendai)
April 2013	Released CROSS POINT, a software product for integrated management of real-world stores and EC customers and loyalty points
July 2013	Listed shares on the Tokyo Stock Exchange's JASDAQ Growth Market accompanying the Osaka Stock Exchange and Tokyo Stock Exchange merger
August 2015	Moved the Nagoya Branch to the Urban net Fushimi Building in Nishiki (Naka-ku, Nagoya)
November 2015	Mission-critical system Aladdin Office for Foods won the 45th Food Industrial Technical Award
March 2016	Moved the Osaka Headquarters to Grand Front Osaka Tower B in Kita-ku (Osaka)
September 2016	Mission-critical system Aladdin Office for Foods won the 19th Excellent Food Machine and Materials Prize
September 2016	Obtained ISO 27001 (ISMS) certification
May 2017	Ranked No.1 in Toyo Keizai Online's White 500 Companies Best for Female Recruits
June 2017	Invested in Sivira and concluded a capital and business alliance
October 2017	Opened I'LL Matsue Laboratory in Matsue (Shimane Prefecture) as a next-generation cloud R&D development office
June 2018	Changed the stock listing to the Tokyo Stock Exchange's Second Section
July 2019	Changed the stock listing to the Tokyo Stock Exchange's First Section
November 2019	Ended service by the @VAL job openings and job seeker information site
March 2020	Introduced in the METI Kansai Bureau of Economy, Trade and Industry's Interesting Kansai Company Examples – New Signs from Company Visits – KIZASHI
December 2020	Obtained Shopify Experts certification as a Shopify partner
June 2021	Made additional investment in Sivira
April 2022	Moved to the Tokyo Stock Exchange Prime Market as part of the TSE's market restructure Services provided certified as tools of the Ministry of Economy, Trade and Industry's "IT deployment subsidies 2022"

Source: Prepared by FISCO from the Company's website and releases

Business overview

Distinctive characteristic is the “CROSS-OVER Synergy” strategy to support DX through IT-driven convergence of real-world and online

1. Overview of services

The Company's business segments are the System Solutions Business with mainstay Aladdin Office series, a mission-critical operation management system series, as the primary product and the Online Solutions Business (CROSS Business and Other Online Business) with CROSS MALL, a software product for integrated management of multiple EC sites, and the mainstay solution, CROSS POINT, a software product for integrated management of real-world store and EC customers and loyalty points, available as cloud services.



Source: From the Company's results overview

(1) System Solutions Business

The System Solutions Business designs and develops mission-critical systems and handles hardware maintenance, system operation support, network construction, and security management for customer companies almost entirely on its own. It primarily supplies the mainstay Aladdin Office series, an internally developed mission-critical operation management system with deployments at more than 5,000 companies and offers Aladdin Shop, a store management system for the fashion industry, Aladdin EC, a BtoB EC and online orders reception and placement system specifically for transactions between companies, and Aladdin Cloud, a data center-based IaaS* solution. The Company also operates the ICC Osaka School and Tokyo School as educational institutions that conduct training for individuals and companies.

* An acronym for Infrastructure as a Service. A service that provides infrastructure such as virtual servers and networks through the internet. Aladdin Cloud operations are carried out at a data center unlike Aladdin Office, which is operated on the client's premises.

Business overview

The Company aims to secure competitive advantages, including by developing systems that are tailored to the industries and business formats of its customer companies, conducting flexible customization, and enhancing product variations specialized for each industry. For after-sales as well, it is emphasizing the recurring business that acquires recurring revenue from maintenance and operations support. By industry, in 2006, it was the first IT company to be recognized as a supporting member of the Kansai Screw Cooperative, and utilizes this connection to conduct sales activities.

(2) Online Solutions Business

The Online Solutions Business comprises the CROSS Business and Other Online Business. The CROSS Business delivers cloud-based applications, and its main focuses are CROSS MALL, a software product for the integrated management of multiple EC sites, and CROSS POINT, a mainstay software product for the integrated management of customers and loyalty points at both real-world stores and EC sites. Profitability is high because these software products are offered as recurring services.

The Other Online Business consists of CROSS STAFF, a cloud-based staff management system for temporary staffing agencies (launched in 2016), BtoB EC assistance and web marketing assistance (corporate webpage production and operation assistance, EC site construction assistance, customer business analysis and strategy consulting, promotions, and updates and revisions based on log analysis results after webpage production).

2. Main products

Below is a list of the Company's main products and leading customer deployment examples. In April 2022, the services provided by the Company were certified as tools eligible for the IT Deployment Subsidies 2022 provided by the Ministry of Economy, Trade and Industry (certified in continuation from FY2020 and FY2021).

(1) Mission-critical operation management system for small/medium-size companies Aladdin Office and store management system Aladdin Shop (real-world)

These products support digitalization of operation management, including sales, inventory, production, and store activities, and improved management capabilities by promoting workstyle reforms with better operational efficiency and strengthening internal compliance. Leading deployment examples are shirt and necktie firm Maker's Shirt Kamakura, stocking and socks firm Fukusuke Corporation, ladies' fashion firm ANAP <3189>, high-end leather shoes firm Madras Inc., suitcase and carry-on bag manufacturer and distributor T&S Co., Ltd., Nagoya specialty Tenmusu firm Jiraiya, salt and rock salt wholesale firm Japan Seasoning, Co., Ltd., automotive brake part manufacturer DIXCEL Co., Ltd., screw specialty trading firm Touyo Screw Co., Ltd., bundling and packaging material wholesaler YANAGIDA CO., LTD., and stage lighting equipment importer and distributor Ken Production Services inc.

(2) BtoB EC and online orders reception and placement system Aladdin EC (online)

This product supports digitalization of orders reception and placement operation management between companies and internally and stronger sales through workstyle reforms with better operational efficiency and differentiation from other companies. Leading deployment examples are food trading firm PRECO GROUP (group led by Preco Foods Corporation), alcohol and alcohol-related product sales firm Suntory Marketing & Commerce Limited, furniture and interiors manufacturer FRANCE BED SALES Co., Ltd., producer and distributor of steamed chicken and other processed foods AMATAKE Co., Ltd., commissioned meal service and foodstuff distributor HITOWA Food Service Co., Ltd., cosmetics and beauty and health devices and goods firm Comfort Japan Inc., commercial alcohol wholesale firm Shibata-ya Co., Ltd., dairy product and Western confectionery firm Kurokawa Co., Ltd., bicycle firm RITEWAY (Riteway Products Japan), men's and ladies' apparel company GUEST LIST, medical equipment seller SHEEN MAN CO., LTD..

(3) Multiple EC site integrated management software CROSS MALL (online)

This product handles integrated management of multiple internet shops, including EC mall sites and EC carts, and boosts sales through workstyle reforms with better operational efficiency and reinforced EC initiatives. Leading deployment examples are craft beer production and sales firm YO-HO Brewing Co., Ltd., sporting goods sales firm Murasaki Sports Co., Ltd., ladies' fashion firm ANAP, men's fashion EC business P.B.I. Co., Ltd. with the Silver Bullet brand, eco-friendly product importer and wholesale firm e.oct Inc., and Maruhisa, operator of internet commerce kimono wholesaler Kimono Kyokomachi.

(4) Real-world store and EC customer and loyalty point integrated management software CROSS POINT (online)

This product supports integrated management of real-world store and EC customers and loyalty points through development of a real-world store and EC omni-channel and use of a smartphone app, etc., as well as improved sales via the omni-channel and expansion of the fan segment through enhanced branding. Leading deployment examples are shoe manufacturer and distributor REGAL CORPORATION <7938>, shirt and necktie firm Maker's Shirt Kamakura, stocking and socks firm Fukuske Corporation, babies', kids', and mothers' clothing firm BRANSHES, casual women's clothing "w closet" firm Wears Inc., American vintage Ameri EC firm B STONE, ladies' fashion EC "flower" operator Sola Of Tokyo Co., Ltd., and bag and other apparel planning, production, sales firm COO COMPANY LIMITED, and women's fashion retailer ANAP.

3. "CROSS-OVER Synergy" strategy

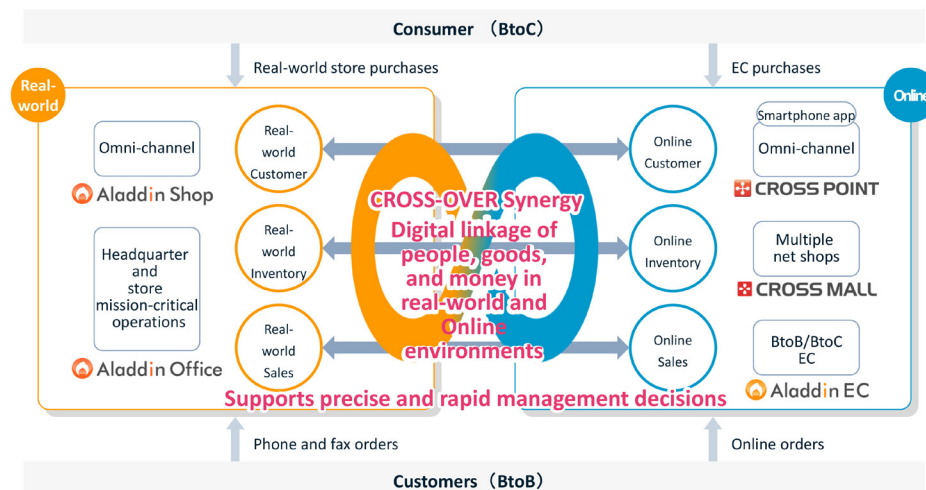
The Company is advancing the "CROSS-OVER Synergy" strategy which aims to enhance the enterprise capability of small and medium-size companies that require effective IT usage by developing and proposing solutions to the management challenges faced by these customers from both real-world and online perspectives. This strategy seeks realization of an "all one-stop" service that proposes a combination of mission-critical operation systems from the System Solutions Business (real-world) that support better operation efficiency and services from the Online Solutions Business (online environments) that assists reinforcement of sales capabilities and creation of stronger synergy effect.

The Company possesses robust offensive and defensive capabilities thanks to this "CROSS-OVER Synergy" strategy, and the number of client companies is on the rise. In FY7/22, the number of client companies increased 4.4% YoY to 7,075 companies (a 3.1% increase to 4,920 companies in the System Solutions Business and a 7.7% increase to 2,155 companies in the Online Solutions Business). An increase in the number of customers has also prompted a significant increase in the sales performance of recurring business, one of the Company's focuses, thereby enhancing profitability.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Business overview

Business model and “CROSS-OVER Synergy”



Source: From the Company's results overview

4. Characteristics and strengths

The Company's main characteristics and strengths are: (1) specialization in the mid-tier and small/medium-size company markets; (2) designated industry emphasis strategy; (3) strong sales and inventory management know-how; (4) product ecosystem strategy that realizes total solutions; (5) operations with engineers making up about 70% of employees; (6) ability to accommodate individual customization; (7) omni-channel strategy in retail business; (8) high proprietary product and service ratios; and (9) partner strategy.

(1) Specialization in mid-tier and small/medium-size company markets

The Company has delivered proprietary services that specialize in mid-tier and small/medium-size company markets since its founding. Small/medium-size companies with less than ¥5bn in annual sales account for roughly 90% of customer volume. In recognition of these efforts, the Company received the Special Award (Commerce and Information Policy Bureau Director-General's Award) in METI's "IT Management Awards for Small and Medium Enterprises 2011" in 2011. It also obtained certification as an "IT deployment assistance business" under the "services and other productivity improvement IT deployment assistance business" promoted by METI. Certified services are Aladdin Office, Aladdin EC, CROSS MALL, CROSS POINT, and CROSS STAFF.

(2) Designated industry emphasis strategy

Another strength is the Company's designated industry emphasis which places a heavy focus on industries with many small/mid-size companies in wholesale, retail, and manufacturing sectors. It forms operations with robust service and sales capabilities, including development of industry-specific systems and establishment of expert teams for individual industries, and thereby boosts new customer acquisition capabilities. Specifically, it positions apparel and fashion, food, medical equipment, screws and metal parts, and steel and non-ferrous metal industries as the five main industries. It seeks to deepen market coverage with industry-specialized package software Aladdin Office series and other products.

(3) Strong sales and inventory management know-how

Since its founding, the Company has consistently provided sales and inventory management software that requires understanding of customer operations. It has extensive deployments and know-how in real-world and online environments for manufacturing, wholesale, retail, and other business formats and industries and sales and inventory management with different management methods for each firm.

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(4) Product ecosystem strategy that realizes total solutions

The product ecosystem strategy that consists of multiple product groups is also a strength. The Company develops proprietary products and services that cover the internet field of building internet shops and related management assistance services, the real-world store and headquarter field of store sales management and backside inventory managements, and the real-world and online integration field of integrated management of inventories and loyalty points in real-world and EC operations. It is also capable of making hybrid proposals that combine various products and realizes total solutions for customers.

(5) Operations with engineers making up about 70% of employees

As of the end of July 2022, the composition of the Company's 820 employees (up 54 employees from the end of the previous fiscal year) was engineers at 73%, salespeople at 18%, and general staff at 9%. The Company places emphasis on post-system provision support too with an operation in which roughly 70% of employees are engineers. It intends to continue strengthening technology division personnel with the aim of having an organization that promotes cultivation of human resources who handle three roles (industry and operation know-how, mission-critical systems, and online) and reinforcement of technology capabilities. Meanwhile, the Company is also promoting an environment and product development to overcome labor-intensive production.

(6) Ability to accommodate individual customization

Given differences in operation implementation methods by industries and individual cases at mid-tier and small/medium-size companies, the Company adheres to a fundamental strategy of supporting individual customization of software that meets diverse needs. Meanwhile, the number of companies capable of handling individual customization of software has been trending lower in the software development market in recent years. This shift has lowered orders competition and is boosting profit margin.

(7) Omni-channel strategy in retail business

The retail industry has shown interest in recent years in omni-channel strategy that integrates real-world stores and online stores and realizes an environment and distribution paths in which customers are capable of purchasing products in the same way from all channels (sales channels and customer contact points). Since the Company has commercialized integration of real-world and online environments from its founding and accumulated business know-how and a track record that was not achieved in a short period of time, FISCO thinks it possesses an advantage in advancement of omni-channel strategy in the retail industry that cannot be copied by other firms.

(8) High proprietary product and service ratios

The Company promotes sales expansion mainly for its own products and services as an important aspect of the management policy of building an income structure that does not depend on sales of other company products, such as hardware, which is readily affected by price fluctuations and has low profit margins. Its own products and services (software, operation, maintenance, membership fees, etc.) hence have a large presence at about 70% of sales.

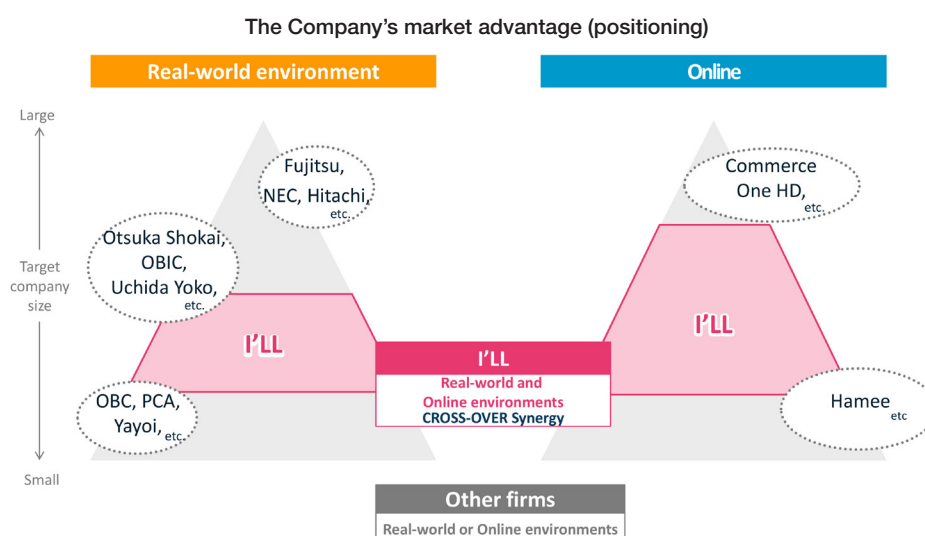
(9) Partner strategy

A feature of the Company is that it is also highly trusted by partners in new deal introductions and sales cooperation (banks, system integrators, IT equipment manufacturers, consultants, accounting offices, etc.). Deals introduced by partners represented 40.2% of new orders (on a value basis, end of FY7/22) in the System Solutions Business. In addition, inquiries via the Company's website accounted for 38.5% of new orders, while acquisitions through internal sales were 21.3%. The rising percentages of these pull-type sales activities including deals introduced by partners and inquiries via the Company's website have led to more efficient sales activities.

I'LL Inc. | 27-Oct.-2022
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Business overview

In this way, the Company has the competitive advantage of preparing human resources who become very familiar with different industries and work and have knowledge of mission-critical systems, and the internet, as well as a partner strategy. As a result, the System Solutions Business's competitive tender victory rate is 93.1% (FY7/22) and repeat orders rate is 98.4% (same), which can be said to show the height of its competitive advantages.



Source: From the Company's results overview

5. Strategy emphasizing profits

The Company is advancing strategies that emphasize profits, including strengthening process management and quality control during development and customization, improving productivity, and growing recurring-revenue sales.

As ways of strengthening process management, quality control and improving productivity in development and customization, the Company implements comprehensive measures to boost quality and productivity and gross profit margin enhancement measures, such as reducing customization steps and preventing trouble ahead of time through reinforced collaboration between sales and development teams at the orders stage. Since FY7/20, it integrated sales and support (system sales and system support) with organizational change and further enhanced collaboration. Additionally, despite the Company's support for individual customization as a fundamental strategy, it is improving its gross profit margin by expanding orders conforming to packaged functions to minimize customization and shortening lead time with enhanced quality and productivity. As a result of the above, in FY7/22, the gross profit margin was 52.1% (an increase of 10.1pp compared to FY7/19), and it improved significantly in both the System Solutions Business to 52.3% (up 10.7pp) and in the CROSS Business to 57.2% (up 2.6pp).

To expand recurring revenue sales, the Company's focuses include system maintenance services in the System Solutions Business and CROSS MALL and CROSS POINT in the Online Solutions Business. Performance in FY7/22 was strong, with ¥5,576mn in recurring net sales (up 16.0% YoY), ¥3,304mn in gross profit (up 18.4%), and 59.2% gross profit margin (up 1.1pp). It is particularly worth noting that the recurring-revenue sales ratio was 43.1%, reaching the range of 40-50% for the first time.

Business overview

Results trends by business

	FY7/19	FY7/20	FY7/21	FY7/22
Net sales	10,522	12,679	13,203	12,944
System Solutions Business	9,138	11,167	11,505	11,036
Online Solutions Business	1,384	1,512	1,698	1,907
CROSS Business	851	984	1,186	1,385
Other Online Business	533	527	512	522
Gross profit	4,422	5,664	6,137	6,738
System Solutions Business	3,805	4,951	5,298	5,775
Online Solutions Business	617	713	838	962
CROSS Business	464	569	667	792
Other Online Business	152	143	171	170
Gross profit margin	42.0%	44.7%	46.5%	52.1%
System Solutions Business	41.6%	44.3%	46.1%	52.3%
Online Solutions Business	44.6%	47.2%	49.4%	50.4%
CROSS Business	54.6%	57.8%	56.2%	57.2%
Other Online Business	28.5%	27.1%	33.4%	32.6%

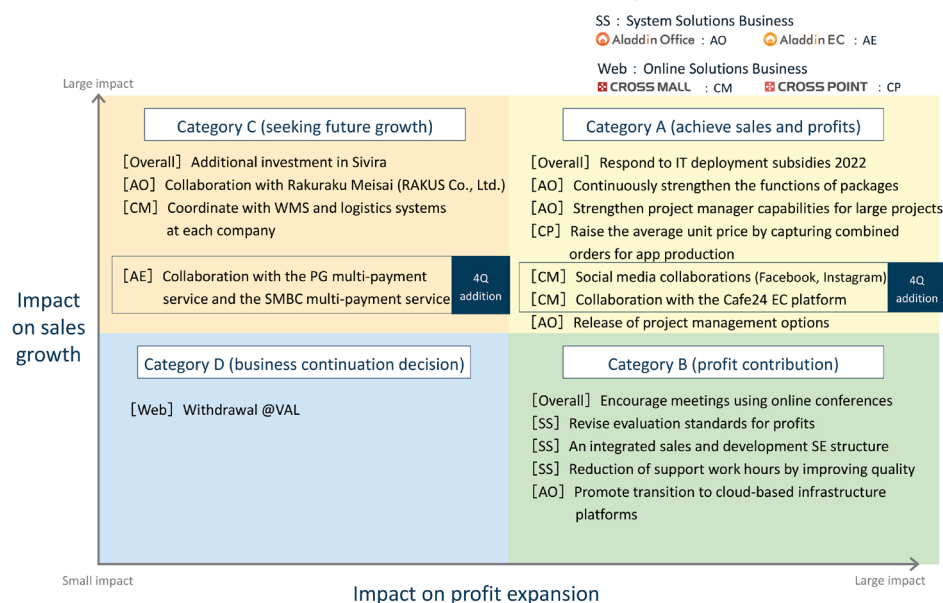
Note: Since FY7/22 4Q, has changed to consolidated offset processing between the parent and subsidiaries, so the results by business have been retroactively adjusted. There has been no change to the Company-wide results

Source: Prepared by FISCO from the Company's results overview

6. Strengthen service collaborations with business partners

The Company promotes strategies such as upgrading existing products, and forming service collaborations with business partners in various fields, as initiatives to drive further sales growth and profit expansion.

Initiatives to Drive Growth and Profit Expansion



Source: From the Company's results overview

As a recently upgraded version of an existing product, the System Solutions Business released a project management option for Aladdin Office (September 2022).

Business overview

As the service collaborations with business partners in FY7/22, the Online Solutions Business started collaborations for CROSS MALL with Facebook's and Instagram's shop functions (September 2021), and also a collaboration for order and inventory information with d-Shopping of NTT DOCOMO Inc. (October 2021); an automated collaboration with LogiMoPro, which is the cloud logistics outsourcing service of SEICHO Inc. (December 2021); a collaboration for order and inventory information with RoomClip Shopping, which is the EC shopping mall of RoomClip Inc. (January 2022); a collaboration for order and inventory information with TANP, the EC shopping mall specializing in gifts of Gracia Inc. (March 2022); an automated collaboration with the fulfillment service (multi-channel contract) of Yamato Transport Co., Ltd. (May 2022); an automated collaboration with SmartShip, which is the logistics platform of Qxpress Corp.; and a collaboration for order and inventory information with Cafe24, the EC platform of CAFE24 JAPAN Co. Ltd. (June 2022). In addition, recently the System Solutions Business began collaborations of Aladdin EC with the PG Multi-payment Service, which is the comprehensive payment service of GMO Payment Gateway <3769>, and with the SMBC Multi-payment Service, which is the payment service of SMBC GMO PAYMENT Co. Ltd. (August 2022).

In conjunction with the capital and business alliance between Sivira and Dentsu Group Inc. <4324>, in June 2021, the Company made an additional investment in Sivira, with which the Company has a capital and business alliance, in order to maintain the ownership ratio. By further strengthening the alliance, the Company plans to pursue new services offering both security and convenience.

7. Risks, income characteristics, and measures

General risks in the information systems and services industry include competition for orders, longer development periods accompanying increasingly larger projects, individual projects becoming unprofitable, delays in addressing technological innovations, securing human resources, and other factors. In the Company's case, however, since it mainly develops and sells package software, there is less risk of incurring losses on individual projects compared to system development companies that primarily handle consigned development work. On the other hand, the Company encounters profit margin setback from increases in process steps and software bugs in development and customization because it pursues differentiation from rivals through the provision of flexible customization suited to customers. It is addressing this challenge by promoting a strategy that places stronger emphasis on profits, and improving the gross profit margin.

Results trends

FY7/22 results for all profit items exceeded forecasts. Operating profit achieved a new record high for the fourth consecutive period due to the improved gross profit margin

1. Overview of FY7/22 results

In the FY7/22 consolidated results, net sales were ¥12,944mn, operating profit was ¥2,100mn, ordinary profit was ¥2,121mn, and profit attributable to owners of parent was ¥1,377mn. The effects of adopting the Accounting Standard for Revenue Recognition, etc., were increases in net sales by ¥570mn, costs of sales by ¥102mn, and operating profit by ¥468mn but decreases in non-operating revenue by ¥1mn, while ordinary profit and profit before income taxes both increased ¥466mn.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Results trends

FY7/22 Consolidated Results

	FY7/21		Forecast	FY7/22		Forecast achievement rate
	Results	Composition ratio		Results	Composition ratio	
Net sales	13,203	-	13,300	12,944	-	-2.7%
System Solutions Business	11,505	87.1%	-	11,036	85.3%	-
Online Solutions Business	1,698	12.9%	-	1,907	14.7%	-
CROSS Business	1,186	9.0%	-	1,385	10.7%	-
Other Online Business	512	3.9%	-	522	4.0%	-
Recurring net sales	4,808	36.4%	-	5,576	43.1%	-
Gross profit	6,137	46.5%	-	6,738	52.1%	-
System Solutions Business	5,298	46.1%	-	5,775	52.3%	-
Online Solutions Business	838	49.4%	-	962	50.4%	-
CROSS Business	667	56.2%	-	792	57.2%	-
Other Online Business	171	33.4%	-	170	32.6%	-
Gross profit from recurring business	2,791	58.1%	-	3,304	59.2%	-
SG&A expenses	4,307	32.6%	-	4,637	35.8%	-
Operating profit	1,829	13.9%	2,000	2,100	16.2%	5.0%
Ordinary profit	1,856	14.1%	2,026	2,121	16.4%	4.7%
Profit attributable to owners of parent	1,224	9.3%	1,297	1,377	10.6%	6.2%

Note: The Accounting Standard for Revenue Recognition, etc., was adopted from FY7/22, so YoY increase/decrease rates are not shown.

Since FY7/22 4Q, has changed to consolidated accounting offset processing between the parent and subsidiaries, so the results by business have been retroactively adjusted.

Following the change of accounting standard from FY7/22, supply product transactions have been excluded from recurring sales, so the previous values have been retroactively adjusted. Also, since FY7/22 3Q, consolidated offset processing between the parent and subsidiaries has been adopted for recurring sales, so the past results have also been retroactively adjusted.

The percentages of gross profit by business show the percentages relative to net sales by business (the gross profit margin by business)

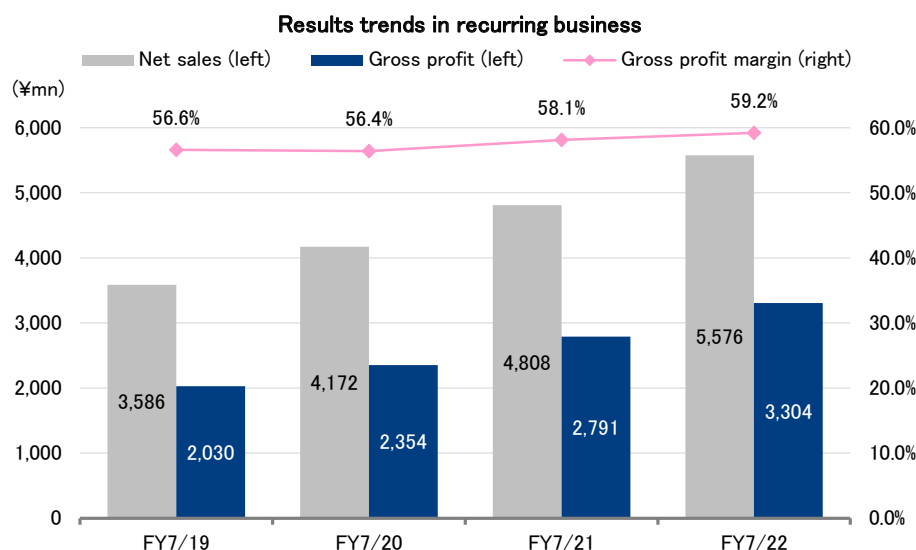
Source: Prepared by FISCO from the Company's financial results and results overview

The Accounting Standard for Revenue Recognition, etc., was adopted from the start of FY7/22, so the YoY increase-decrease rates have not been published. For the forecast achievement rates, net sales were 2.7% below forecast, but operating profit was 5.0% above forecast, ordinary profit 4.7% above forecast, and profit attributable to owners of parent 6.2% above forecast, while operating profit achieved a new record high for the fourth consecutive period. Net sales were affected by the change of accounting standard, while also in the System Solutions Business, they were affected by the decline in initial product sales and the semiconductor shortage, but they recovered from the 3Q onwards. For profits, the policies to improve gross profit implemented continuously in the last few years were successful, and operating profit was higher than forecast.

Recurring-revenue net sales increased 16.0% YoY to ¥5,576mn and their percentage of Company-wide net sales rose 6.7pp to 43.1%, exceeding 40% for the first time. Recurring-revenue gross profit increased 18.4% to ¥3,304mn, and the recurring-revenue gross profit margin rose 1.1pp to 59.2%.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Results trends



Note: Alongside the adoption of the Accounting Standard for Revenue Recognition, etc., from the start of FY7/22, supply product transactions have been excluded from recurring sales, so the previous values have been retroactively adjusted. Also, since FY7/22 3Q, consolidated offset processing between the parent and subsidiaries has been adopted for recurring sales, so the past results have also been retroactively adjusted.
Source: Prepared by FISCO from the Company's results overview

The Company-wide gross profit margin rose 5.6pp YoY to 52.1%, exceeding 50% for the first time. The SG&A expenses ratio increased 3.2pp to 35.8%. This was mainly due to an increase in personnel expenses in order to steadily secure essential employees and to raise the level of bonuses, and also due to factors including the increases in rent at the Osaka headquarters and in expenses in relation to the partial resumption of events, but these increases were still within the scope of the initial plan. As a result of the above, the operating profit margin rose 2.3pp to 16.2%. As the factors causing operating profit to increase and decrease*, the main factors behind the increase were increases in gross profit by ¥476mn in the System Solutions Business and by ¥124mn in the Online Solutions Business, while the main factor behind the decrease was a ¥330mn increase in SG&A expenses (personnel expenses increased ¥167mn and other SG&A expenses increased ¥162mn).

* The Accounting Standard for Revenue Recognition, etc., was adopted from the start of FY7/22, so the comparisons are simple comparisons under the former accounting standard and are shown as reference values.

Gross profit margin rose in both the System Solutions Business and the Online Solutions Business

2. Trends by business segments

(1) System Solutions Business

In the System Solutions Business, net sales were ¥11,036mn, gross profit was ¥5,775mn, and gross profit margin was 52.3%.

Results trends

Net sales were lower than forecast partly due to the impact of delays in deliveries of server devices due to the semiconductor shortage, and also because of the decline in initial product sales caused by the increase in cloud projects. Conversely, recurring-revenue sales grew due to the increase in cloud projects, while the policies to improve gross profit, which include improving the accuracy of estimates by the integrated production and sales of SE sales and development, realizing improved system quality and stable operations, and continuously strengthening the functions of package software, were successful, so the gross profit margin rose 6.2pp. Also, due to the increases in sales discussions for large-scale systems and in cross-sales, the number of orders (an index with FY7/18 set as 100) was 121 for initial product sales and 183 for recurring sales, which were new record highs.

(2) Online Solutions Business

In the Online Solutions Business, net sales were ¥1,907mn, gross profit was ¥962mn, and gross profit margin was 50.4%. Within these amounts, in the CROSS Business, net sales were ¥1,385mn, gross profit was ¥792mn, and the gross profit margin was 57.2%, while in the Other Online Business, net sales were ¥522mn, gross profit was ¥170mn, and the gross profit margin was 32.6%. Also, CROSS MALL's recurring-revenue net sales increased 14% YoY, while CROSS POINT's recurring-revenue net sales grew 24%.

The impact of the change of accounting standard was negligible and the Company maintained a cruising speed and continued to strengthen collaborations with cross-border EC. In the mainstay CROSS Business, there was a sense of various companies taking a break from launching new EC businesses due to the impact of the novel coronavirus pandemic, but through referrals from collaboration partners and existing customers, the Company maintained the number of new contractors and the contract cancellation rate at basically the same levels as in the previous period. In profits, even while developing the next-generation CROSS MALL service, it maintained the high gross profit margin by increasing referrals for sales discussions.

A sound financial standing

3. Financial conditions and management indicators

At the end of FY7/22, total assets had increased ¥1,126mn from the end of the previous period to ¥9,576mn, mainly because contract assets rose ¥1,481mn. Total liabilities increased by ¥1mn to ¥3,861mn, with the main items being that income taxes payable increased ¥127mn, but accrued consumption taxes decreased ¥270mn. Total net assets increased ¥1,125mn to ¥5,715mn due to the accumulation of retained earnings. As a result, the equity ratio rose 5.4pp to 59.7%.

Cash flow from operating activities temporarily decreased to ¥1,134mn. This was because of the upfront purchases of server devices and other equipment to avoid the risk of delayed deliveries due to the semiconductor shortage and also because of the increase in trade receivables (contract assets) following the change of accounting standard, so is not a cause for concern. At FISCO, we think that the Company's financial soundness continues to be excellent.

Results trends

Consolidated balance sheets and management indicators

	End-FY7/19	End-FY7/20	End-FY7/21	End-FY7/22	Change
(¥mn)					
Total assets	6,646	7,585	8,449	9,576	1,126
Current assets	4,409	4,993	6,087	7,249	1,162
Non-current assets	2,236	2,591	2,362	2,326	-35
Total liabilities	3,794	3,871	3,860	3,861	1
Current liabilities	2,335	2,366	2,246	2,134	-112
Non-current liabilities	1,459	1,505	1,613	1,727	113
Total net assets	2,851	3,713	4,589	5,715	1,125
(Management indicators)					
Current ratio	188.8%	211.0%	271.0%	339.7%	68.7pt
Non-current (assets) ratio	78.4%	69.8%	51.5%	40.7%	-10.8pt
Equity ratio	42.9%	49.0%	54.3%	59.7%	5.4pt

Source: Prepared by FISCO from the Company's financial results

Consolidated statements of cash flow

	FY7/19	FY7/20	FY7/21	FY7/22
(¥mn)				
Cash flow from operating activities	1,006	2,088	2,027	1,134
Cash flow from investing activities	-600	-587	-216	-482
Cash flow from financing activities	-420	-663	-551	-465
Cash and cash equivalents at end of the period	1,356	2,194	3,453	3,640

Source: Prepared by FISCO from the Company's financial results

Outlook

The FY7/23 outlook is for higher sales and profits to increase by double digits by capturing needs for DX that continue to accelerate

1. FY7/23 outlook

For the FY7/23 consolidated results, the Company is forecasting that net sales will increase 8.9% YoY to ¥14,100mn, operating profit will grow 14.3% to ¥2,400mn, ordinary profit will rise 14.4% to ¥2,426mn, and profit attributable to owners of parent will increase 12.7% to ¥1,553mn. Also, the 1H forecasts are that net sales will increase 18.2% YoY to ¥7,147mn, operating profit will rise 33.8% to ¥1,133mn, ordinary profit will grow 33.0% to ¥1,143mn, and profit attributable to owners of parent will increase 29.9% to ¥732mn, so the forecasts are for results to be slightly higher in the 2H.

FY7/23 Consolidated Results Forecast

	FY7/22		FY7/23			
	Full-year result	% of sales	1H forecast	Full-year forecast	% of sales	YoY
Net sales	12,944	-	7,147	14,100	-	8.9%
Operating profit	2,100	16.2%	1,133	2,400	17.0%	14.3%
Ordinary profit	2,121	16.4%	1,143	2,426	17.2%	14.4%
Profit attributable to owners of parent	1,377	10.6%	732	1,553	11.0%	12.7%

Source: Prepared by FISCO from the Company's financial results

Outlook

The outlook is for sales and profits to once again increase in both the System Solutions Business and the Online Solutions Business from capturing the needs for DX that are continuing to accelerate. Also, the recurring-revenue sales ratio is forecast to be 45%. In profits, the Company will concentrate temporarily on parts replacements at existing customers, so the growth of the operating profit margin is expected to slow down, while it will also advance proposals to transition to the cloud.

Plans to provide the next-generation CROSS MALL service

2. Priority measures

(1) Acquiring and responding to projects for large-scale systems

The Company will strengthen contact with partners that have large-scale projects, while it will also continue to enhance functions through upgrading micro versions, and thereby expand the target group for medium-scale projects. It will also continue recruitment activities, mainly of excellent engineers.

(2) Expand the sales areas and create new customer contact points

The Company will focus on certain industries and work to expand the sales areas around Tokyo, Nagoya, and Osaka, while it will also acquire partners according to the progress made in regional development. It also plans to open a show room in Kanda (Tokyo) in FY7/23 for backyard support. In addition, it will deepen contact points with large companies and progress deployments to their affiliated companies.

(3) Strengthen profitability

Sales and SE of the Tokyo headquarters, which previously had been on separate floors, will be placed on the same floors for each target industry, and collaborations will be further deepened. Also, the support call center will take the lead to strengthen the movement of reflecting customers' requests in packages, while the Company will also work to strengthen functions and improve customization efficiency by continuously upgrading the product versions.

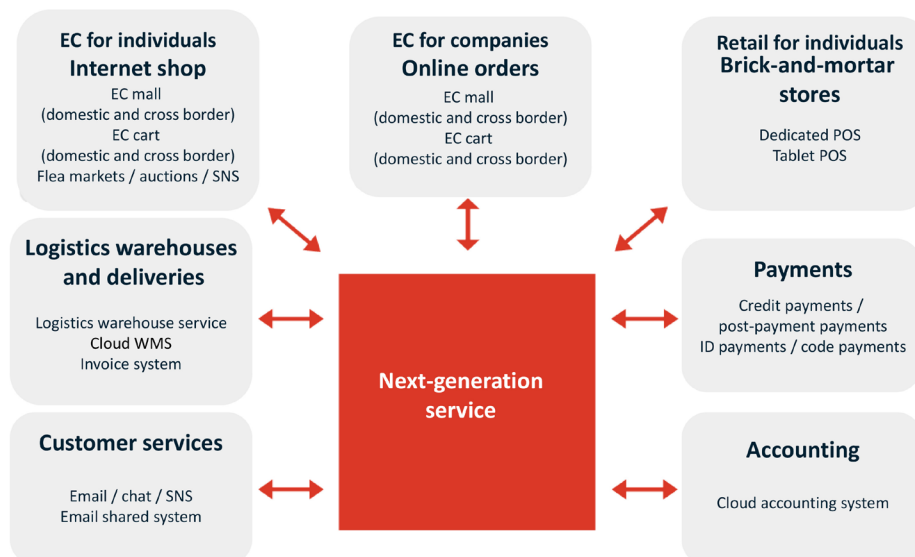
(4) Provide the next-generation CROSS MALL service

To support the integrated management of backyard and back-office operations that are further developing responses to borderless conditions and multiple channels, the Company plans to provide the next-generation CROSS MALL service during FY7/23. This next-generation service will realize on the cloud not only "the integrated management of online shops" but also "the integrated management of operations as a whole" through functions in response to the shift to borderless conditions and to multiple channels, and data integration through an automated linkage function. The Company's policy is to promote the BX it is advocating and to aim to realize value creation by improving customers' work efficiency.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Outlook

Next-generation CROSS MALL service



Source: From the Company's results overview

Growth strategy

In the three-year (rolling) plan, has upwardly revised every FY7/24 profit target

1. Three-year medium-term plan (rolling)

For its medium-term management plan, the Company's policy is to adopt a rolling plan in which it can revise the targets at any time, such as to respond to rapid changes to its business environment. Based on this policy, in September 2022, it formulated the three-year medium-term management plan with FY7/25 as its final fiscal year. The plan's management targets for FY7/24 are net sales of ¥15,400mn, operating profit of ¥3,000mn, an operating profit margin of 19.5%, ordinary profit of ¥3,026mn, and profit attributable to owners of parent ¥1,937mn, while the targets for FY7/25 are net sales of ¥17,000mn, operating profit of ¥3,600mn, an operating profit margin of 21.2%, ordinary profit of ¥3,626mn, and profit attributable to owners of parent of ¥2,321mn. As previously stated, the growth of operating profit is expected to slow down in FY7/23, but in consideration of the rise of the cloud ratio and the progress made in the measures to improve profits, the Company has upwardly revised the FY7/24 targets from the operating profit item down.

Growth strategy

Management targets of the medium-term management plan

	FY7/22 Results	FY7/23 Target	FY7/24 Target	FY7/25 Target
Net sales	12,944	14,100	15,400	17,000
Operating profit	2,100	2,400	3,000	3,600
Operating profit margin	16.2%	17.0%	19.5%	21.2%
Ordinary profit	2,121	2,426	3,026	3,626
Profit attributable to owners of parent	1,377	1,553	1,937	2,321

Source: Prepared by FISCO from the Company's results overview

Through supplementing product variations and strengthening the capabilities of each product, the scale of ordered projects has been increasing every year. The number of partner companies that the Company is collaborating with is also steadily increasing, and it seems that in conjunction with inquiries, such as those via the website, an improvement in the effectiveness of sales discussions can be seen. For the demand from existing customers to replace systems, the Company is maintaining a high repeat rate compared to other companies in the systems industry, and it is thought that it will trend strongly in the future as well.

2. Basic strategy for growth

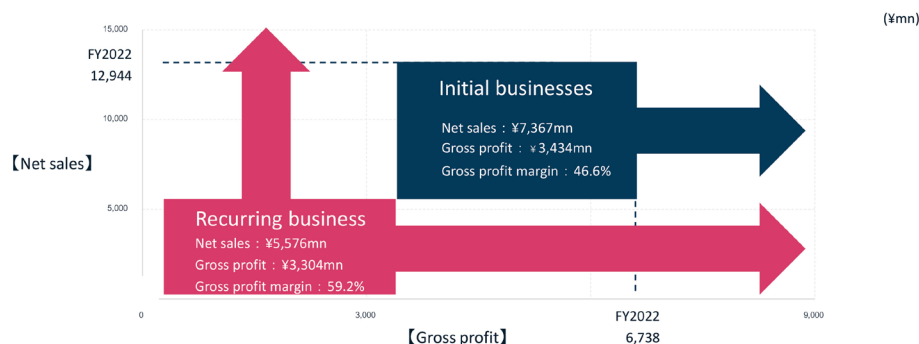
As the basic strategy for growth, the aims are to strengthen the Company-wide sales system and to further improve the effectiveness of sales discussions and the content of proposals by each sales representative. The Company intends to improve the profit margin by realizing high-value-added proposals that integrate the real world and online and by aiming to increase sales, centered on the recurring business. Its policy is to build a high-profit constitution by progressing the "CROSS-OVER Synergy" strategy and by providing to the markets the services and products it has developed as high-value-added, total-solutions packages.

As a medium-term target, the Company is aiming to achieve an operating profit margin of 21.2% in FY7/25 through continued growth in recurring business and measures to improve profitability of initial product sales. Specifically, it aims to further raise gross profit margin through measures such as proactively developing cloud-based products in order to raise the ratio of sales from recurring businesses, which have relatively higher gross profit margins than initial businesses, as well as strengthening packaged functions and bolstering project management with an integrated production and sales system.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Growth strategy

Illustration of profit growth



Expand recurring business

Through the active development of cloud products, increase the percentage of net sales provide by the recurring business, which has a high gross profit margin compared to the initial products business

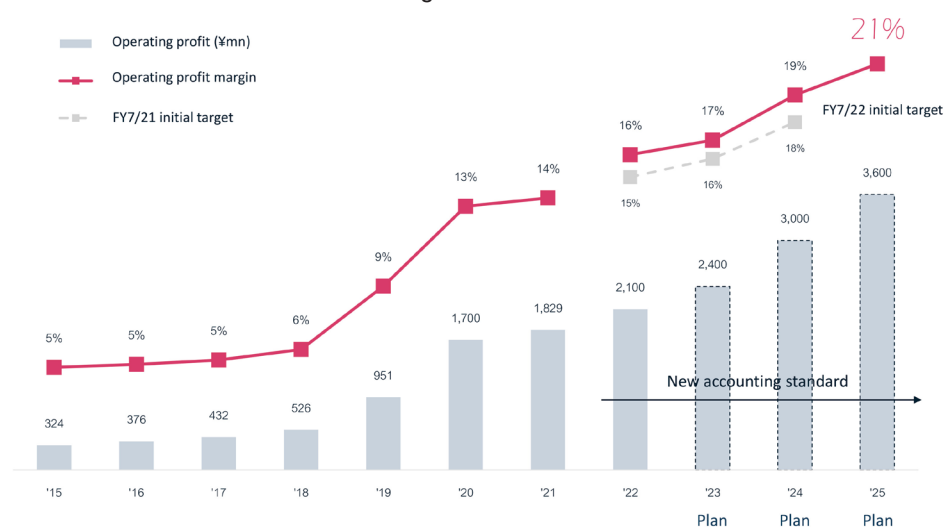
Further raise gross profit margin

Develop policies to further improve the gross profit margin in both the initial products business and the recurring business

- Strengthen package functions
- Strengthen project management through a system of integrated production and sales, etc.

Source: From the Company's results overview

Profit growth simulation



Source: From the Company's results overview

Aiming for acceleration in growth due to evolution of value creation support through BX

3. Business policy

The Company has also established “BX” as a business policy. This refers to backside transformation through the Company’s proprietary “CROSS-OVER Synergy” strategy that supports DX with an IT-driven convergence of real-world and online. This aims to not simply increase efficiency through DX, but also aims to realize value creation through organic service proposals and changes through consulting. This concept is based on the fact that it is becoming important for corporate value creation to be able to exert synergistic effects without separating the efficiency of online from the digitization of sites, offices, and stores. At FISCO, we think further growth acceleration of the Company can be expected as it supports all types of companies through backside transformation.

Shareholder return policy

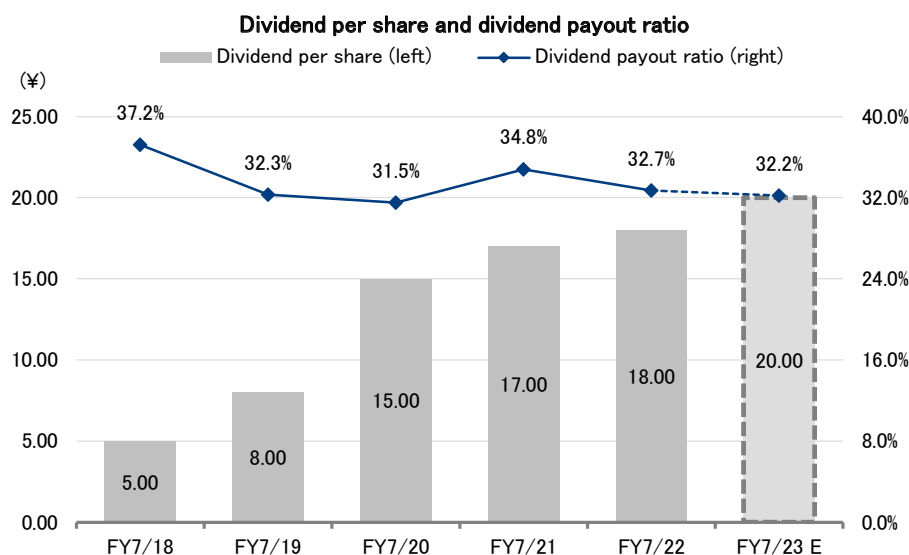
Targets a dividend payout ratio of at least 30%, DOE of at least 8%, and a stable dividend

The Company’s basic policy is to pay a dividend based on results while comprehensively considering things like management and the balance between retained earnings for maintaining and strengthening its competitiveness in the industry and return on equity (ROE) when allocating profits. The Company targets a dividend payout ratio of at least 30% and dividend on equity (DOE) of at least 8% with a stable dividend as an indicator.

Based on this basic policy, in FY7/22, the Company increased the annual dividend by ¥1.00 YoY to ¥18.00 (¥8.00 at the end of 2Q and ¥10.00 at the period end) for a dividend payout ratio of 32.7%. For FY7/23, it plans to increase the annual dividend by ¥2.00 YoY to ¥20.00 (¥10.00 at the end of 2Q and ¥10.00 at the period end) for a dividend payout ratio of 32.2%. Alongside the growth of earnings, it is expected to further enhance returns to shareholders.

I'LL Inc. | 27-Oct.-2022
3854 Tokyo Stock Exchange Prime Market | <https://www.ill.co.jp/ir/>

Shareholder return policy



Note: The Company conducted 2-for-1 stock splits on August 1, 2018 and November 1, 2019 and has retroactively adjusted figures for FY7/19 and prior fiscal years accordingly
Source: Prepared by FISCO from the Company's financial results

Sustainability Initiatives

Aiming to improve the environment for an even more virtuous circle

1. Mission and Values

The Company's mission is "Always free, love & dream with you. That is our responsibility," and it considers its social responsibility to be placing importance not only on profit-making activities through its businesses, but also on being able to feel "free, love & dream" through its businesses.

Also, the Company's values are "Giving dreams to society through 'BX'" (With Society), "Conducting management together with the environment and creating a world with zero excess stock" (With the Environment), "Developing a corporate culture and systems in which each and every employee can demonstrate their abilities," (With Coworkers), and "Maintaining transparent and sound management and improving enterprise value alongside corporate growth" (With Shareholders).

In "Giving dreams to society through 'BX'," the Company is creating opportunities for new value creation by supporting opening-up from "simple" work through "BX" in order to help build a better society, and also helping to realize diverse workstyles, such as teleworking, aiming for a society in which everyone can play an active role. In addition, it places trust with customers and partners as its top priority and is building relationships not merely as "a business partner" but relationships of co-prosperity in which each partner can grow by working together collaboratively.

Sustainability Initiatives

In “Conducting management together with the environment and creating a world with zero excess stock,” the Company is enhancing its disclosure of environment-related information in support of TCFD (the Task Force on Climate Related Financial Disclosures) and is actively working to achieve the goal of reducing emissions of GHG (greenhouses gases) by half by FY2030 and to effectively zero by FY2050. Also, through “BX,” it intends to increase the accuracy of stock management and forecasts and to work together with customers to help resolve the social problems of apparel loss and food loss.

In “Developing a corporate culture and systems in which each and every employee can demonstrate their abilities,” the Company is working to foster autonomy among its employees and to build a corporate culture that enables them to work freely with dreams. It is also establishing a fair evaluation system that rewards “people who work hard” regardless of their race, gender, age, or position. In addition, it is establishing an environment in which employees are not restricted by work hours or work places and in which even employees who are raising children, providing nursing care, and living in regional areas can still demonstrate their abilities.

In “Maintaining transparent and sound management and improving enterprise value alongside corporate growth,” the Company is maintaining sound management in which various opinions are reflected through a system of having five independent external directors (from among 14 directors in total), including people with corporate officer experience in major companies, lawyers, and accountants. It is also actively holding dialogues with stakeholders (shareholders, customers, business partners, and employees) and reflecting their opinions in management.

2. Arranging an environment in which employees can play active roles

Among these values, the Company places particular importance on “Developing a corporate culture and systems in which each and every employee can demonstrate their abilities.” Its human resources development policy is to foster autonomy among its employees and to build a corporate culture that enables them to work freely with dreams, and it is working to prepare an environment in which employees can play active roles. Specifically, to create a corporate culture, it is promoting glass (transparent) management, a culture that praises people who take on challenges and does not criticize their failures, diverse workstyles tailored to the individual, and training for new employees from the president himself. For systems as well, it has set a system for dinner meetings with the president and executive offers and annual prizes, and also systems in which women can work with peace of mind, including paid menstrual leave and a flextime system, and a fair evaluation system of “correctly evaluating people who work hard.” Also, it encourages employees to send email messages to enable them to directly message the president and officers.

Through these efforts to prepare a work environment, in FY7/22, the employee turnover rate (standalone) was 2.8% (2.4% for men and 3.8% for women). Also, the percentage of eligible women taking maternity leave (FY7/22) was 100% for the fifth consecutive period and the percentage of eligible men taking childcare leave (FY7/22) rose to 30%. In an engagement survey conducted in July 2022, the Company achieved high scores that exceeded the industry average for every item. Going forward also, it is aiming to improve the work environment and create an even more virtuous circle.

Sustainability Initiatives

3. SDGs initiatives

The Company also actively conducts initiatives for SDGs. To give some examples, as part of its series of social-contribution activities, in 2021, continuing on since 2019, it was a sponsor of “MOVE FES.2021 Supported by ONESTORY,” which is an event held by the WITH ALS organization that conducts awareness-raising activities on the intractable disease ALS (amyotrophic lateral sclerosis). Also, as a regional-support initiative (Matsue City, Shimane Prefecture), at I'LL Matsue Lab which was opened in 2017, it conducts local recruitment centered on Shimane University and Matsue National College of Technology and has opened the IT Exchange Space on the first floor of the office, where it conducts activities to raise interest in IT skills. In addition, as an activity that shines a light on backyard staff who work behind the scenes to support online shops, it plans and manages “BACKYARD FES,” which conducts the online shop backyard awards and exchanges of people and information. Further, as an activity toward the practical utilization of blockchain, the Company is working together with Sivira, in which it has invested, toward the practical realization of a next-generation platform that can achieve both safety and convenience for the EC industry.

SDGs initiatives

WITH BACKYARD

Bringing attention to people working behind the scenes



In order to shed light on people working hard behind the scenes of online stores and to support the creative operations of online shops, the Company plans and holds events such as “BACKYARD FES” (an event to recognize such workers and provide a place for them to network and mingle with others in their field) and also as operates “B.V.” a media outlet specifically for people working behind the scenes at online shops.



WITH PARTNERS

Activities to make practical use of blockchain



The Company has partnered with Sivira, which is developing blockchain technology that uses cryptographic technology based on advanced mathematical theory, consensus building algorithms, and distributed technology to achieve zero downtime and make data falsification and fraud impossible, and the two companies are jointly working on the practical application of a next-generation platform that achieves both safety and convenience in the rapidly expanding EC industry.



WITH MATSUE

R&D activities in Matsue, Shimane Prefecture



In 2017, the Company opened the I'LL Matsue Laboratory (R&D base) in Matsue, Shimane Prefecture, an area that supports the IT industry.



WITH ALS

ALS awareness-raising activities



Since 2019, the Company has continuously supported MOVE FES.2021 Supported by ONESTORY, a festival to raise awareness of ALS organized by WITH ALS. The theme of the event was “Light of Hope” and it aimed to shine a light of hope on all people, regardless of whether or not they have a disability such as ALS.



※Pictures from Move Fes. Official Facebook

Source: Prepared by FISCO from the Company's results overview

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