

COMPANY RESEARCH AND ANALYSIS REPORT

I'LL Inc.

3854

Tokyo Stock Exchange Prime Market

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Summary

FY7/23 targets upwardly revised amid favorable business conditions

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 mainstay software product for integrated management of multiple EC sites, and CROSS POINT, a mainstay 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 DX is an abbreviation of digital transformation, and represents the idea that “wider IT usage changes people’s lives in a more positive direction in all aspects” and that the 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.

1. Overview of 1H FY7/23 results

In 1H FY7/23 consolidated results, net sales increased 25.6% year on year (YoY) to ¥7,591mn, operating profit rose 95.8% to ¥1,659mn, ordinary profit grew 94.6% to ¥1,672mn, and profit attributable to owners of parent increased 96.0% to ¥1,105mn. Both sales and profits reached new record highs. Consolidated results outperformed initial targets across the board, with net sales exceeding the target by 6.2%, operating profit by 46.5%, ordinary profit by 46.4%, and profit attributable to owners of parent by 51.0%. Per-project profit margins have been increasing amid a scenario of achieving reduced after-sales support workloads through better-than-anticipated productivity gains given success attained with respect to integrating production and sales as well as strengthening package functions. The gross profit margin rose by 2.8pp backed by an increase in recurring net sales. The Company has been encountering diminishing effects of delays in server device deliveries caused by semiconductor shortages.

2. FY7/23 outlook

Having upwardly revised the FY7/23 consolidated results on February 24, 2023, the Company forecasts that net sales will increase 15.9% YoY to ¥15,000mn, operating profit will grow 47.6% to ¥3,100mn, ordinary profit will rise 47.4% to ¥3,126mn, and profit attributable to owners of parent will increase 48.3% to ¥2,044mn. The Company has been performing well in terms of its rates of achieving the upwardly revised full-year forecasts, with the achievement rate at 50.6% for net sales, 53.5% for operating profit, 53.5% for ordinary profit, and 54.1% for profit attributable to owners of parent. As for its outlook for 2H, the Company anticipates net sales on par with those of 1H given that it has been encountering robust orders and unimpeded progress in terms of carrying out projects. In profits, whereas the Company has plans that include undertaking investment geared to the future by increasing base pay beginning with salaries for April 2023, engaging in ongoing initiatives to strengthen package functions, and fortifying regularly implemented vulnerability checks, it seems likely that such outlays will be absorbed by higher sales and rising profit margins. At FISCO, we deem it highly likely that results will outperform the upwardly revised forecasts given factors that include a favorable business environment and the notion that the Company’s ratio of sales from recurring business and its gross profit margin are on an upward trajectory.

Summary

3. Growth strategy

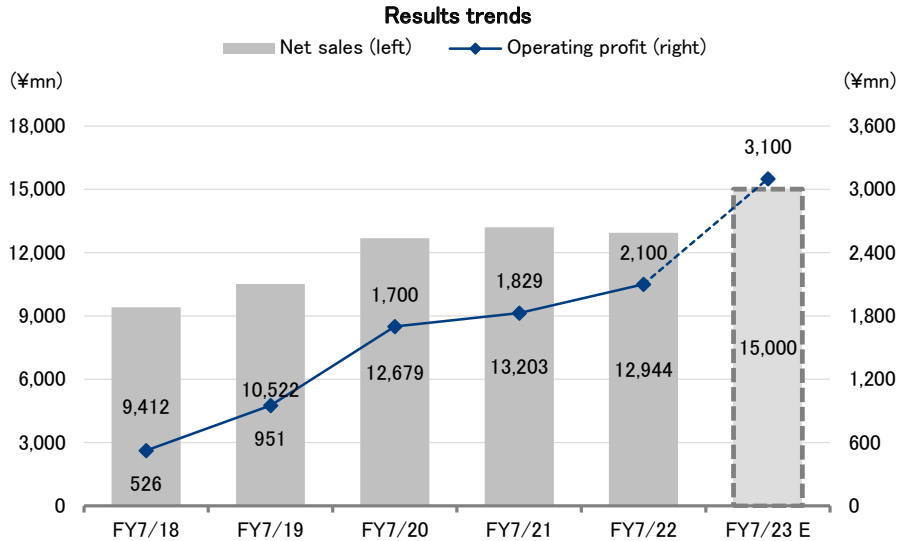
For its medium-term management plan, the Company's policy is to adopt a rolling plan in which it can revise the targets at any time, in response to rapid changes to its business environment, etc. Whereas the Company formulated its three-year medium-term management plan with FY7/25 as the plan's final fiscal year in September 2022, it has since upwardly revised its FY7/23 targets given the favorable business developments in 1H FY7/23. The new forecasts project net sales of ¥15,000mn (6.4% higher than the initial forecast), gross profit of ¥8,200mn (8.9% higher), and a gross profit margin of 54.7% (1.3pp higher). Meanwhile, the Company intends to disclose its targets for FY7/24 and FY7/25 as soon as it becomes possible to establish a reasonable outlook. The Company is enlisting a policy of generating higher net sales that entails initiatives fueled by the government's strategy of promoting digital transformation (DX). With respect to the System Solutions Business, this will involve extending its sales territory to regional cities premised on the notion of there being full online support beyond that traditionally available in Tokyo, Nagoya, and Osaka. With respect to the CROSS Business, this will involve successively expanding the portfolio of collaboration partners with its sights set on mounting needs in cross-border e-commerce. The Company is enlisting a policy of improving profits. In part this entails raising the ratio of sales from recurring business, which have relatively higher gross profit margins than initial businesses, as a result of proactively developing cloud-based products and reducing after-sales support workloads by harnessing stable operations. This also entails aiming to further raise gross profit margin through efforts that include strengthening packaged functions and bolstering project management with an integrated production and sales system.

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. At FISCO, we think further growth acceleration of the Company can be expected as it supports all types of companies through backside transformation.

Key Points

- Total system solutions company supporting customers' enterprise capability through its "CROSS-OVER Synergy" strategy
- Both net sales and operating profit were at new record highs in 1H FY7/23. Gross profit margin increased due to higher recurring net sales and efforts to strengthen package functions
- FY7/23 results forecasts have been upwardly revised with 2H net sales projected to be on par with those of 1H amid robust orders and unimpeded progress in carrying out projects
- The three-year (rolling) plan has been upwardly revised with respect to its FY7/23 targets. The Company aims to accelerate growth by prompting evolution of value creation support through backside transformation (BX)

Summary



Note: "Accounting Standard for Revenue Recognition", etc. applied from the start of FY7/22
 Source: Prepared by FISCO from the Company's financial results

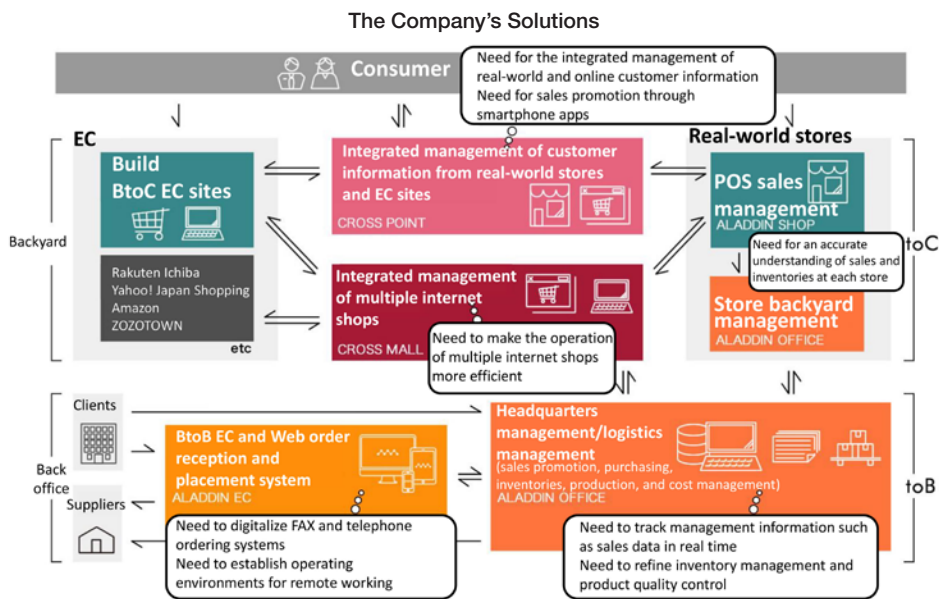
Company overview

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.

Company overview



Source: From the Company's results overview

As of the end of 1H FY7/23, 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 1H FY7/23, the Company had total assets of ¥10,497mn, net assets of ¥6,566mn, ¥354mn in share capital, an equity ratio of 62.6%, and had 25,042,528 shares (including 9,419 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 E-commerce websites, 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. Recent developments have included launch in December 2022 of BACKYARD™, the industry's first backyard* platform.

* The term "backyard" refers to the people, teams and sites that handle order processing, inquiry responses, inventory management, product registration and other such tasks behind the scenes at companies, online stores, and real-world stores.

Company overview

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.

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 E-commerce websites
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 E-commerce 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"
December 2022	Launched BACKYARD™, the industry's first backyard platform

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 E-commerce websites, and the mainstay solution, CROSS POINT, a software product for integrated management of real-world store and E-commerce customers and loyalty points, available as cloud services.

Business activities



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 B2B E-commerce platform 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 E-commerce websites, and CROSS POINT, a mainstay software product for the integrated management of customers and loyalty points at both real-world stores and E-commerce websites. 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), B2B E-commerce platform assistance and web marketing assistance (corporate webpage production and operation assistance, E-commerce websites 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 management, 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) B2B E-commerce platform 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.

Business overview

(3) Multiple E-commerce websites integrated management software CROSS MALL (online)

This product handles integrated management of multiple online shops, including online marketplaces and E-commerce platforms, and boosts sales through workstyle reforms with better operational efficiency and reinforced E-commerce 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 E-commerce 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 E-commerce kimono wholesaler "Kimono Kyokomachi".

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

This product supports integrated management of real-world store and E-commerce customers and loyalty points through development of a real-world store and E-commerce 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 Fukusuke Corporation, babies', kids', and mothers' clothing firm BRANSHES, casual women's clothing "w closet" firm Wears Inc., Ameri vintage "Ameri" E-commerce firm B STONE, ladies' fashion E-commerce "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.

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.

Business overview

(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.

(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 online field of building online 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 E-commerce 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 knowhow, 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 can purchase 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.

Business overview

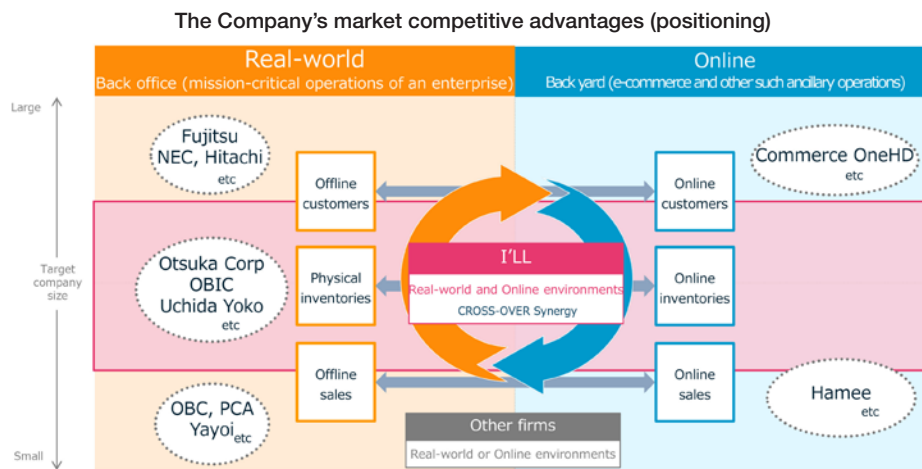
(8) High proprietary product and service ratios

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% (4.0pp higher than the end of the previous fiscal year) 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% (3.4pp higher) of new orders, while acquisitions through internal sales were 21.3% (7.4pp lower). 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.

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 online shops, as well as a partner strategy. As a result, the System Solutions Business's competitive tender victory rate is 93.1% (FY7/22) and the 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

Business 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 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).

Results trends by business

	(¥mn)			
	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 Companywide results

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

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 from recurring business (up 18.4%), and 59.2% gross profit margin from recurring business (up 1.1pp). It is particularly worth noting that the ratio of sales from recurring business was 43.1%, reaching the range of 40-50% for the first time.

Business overview

6. Strengthen service collaborations with collaboration partners

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

As the service collaborations with collaboration 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 online marketplace of RoomClip Inc. (January 2022); a collaboration for order and inventory information with TANP, the online marketplace 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 E-commerce platform of CAFE24 JAPAN Co. Ltd. (June 2022).

As for service collaborations with collaboration partners in FY7/23, the System Solutions Business began collaboration for Aladdin Office with the Money Forward Cloud Accounting Plus accounting software package for medium-sized enterprises and listed companies of Money Forward <3994> (April 2023); collaborations for 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), and; collaboration for Aladdin Cloud with the Verona cloud zero trust service of AMIYA Corporation (January 2023). Meanwhile, the Online Solutions Business started collaboration for CROSS MALL with the Recustomer purchasing experience platform of Recustomer, Inc. (September 2022); automated collaboration with the Air Logi e-commerce cloud warehouse management system (WMS) of Commerce Robotics Inc. (January 2023), and; collaboration with the Mercari Shops e-commerce platform of Souzoh, Inc. (April 2023).

As for versions of existing products upgraded in FY7/23, the System Solutions Business released a product management option for Aladdin Office (September 2022) and started providing optional functions of Aladdin Workflow for strengthening the voucher approval functions of Aladdin Office (March 2023). The Online Solutions Business launched BACKYARD™, the industry's first backyard platform for supporting operations behind the scenes, serving as a next-generation service of CROSS MALL (December 2022). The platform provides multifaceted backyard support enlisting content encompassing cloud services, events, awards, media, real space, and tools, thereby helping to streamline operations while also enabling backside transformation (BX) that gives rise to transformation from operations behind the scenes. In January 2023 the Company launched access to the platform on a trial basis and subsequently released its BACKYARD AWARD for recognizing backyard operations on the BACKYARD™ website. The Company plans to begin accepting new applications for the service in spring 2023 and aims to achieve full-scale operation sometime between autumn 2023 and spring 2024.

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

Both net sales and operating profit were at new record highs in 1H FY7/23. Gross profit margin increased due to higher recurring net sales and efforts to strengthen package functions

1. Overview of 1H FY7/23 results

In 1H FY7/23 consolidated results, net sales increased 25.6% YoY to ¥7,591mn, operating profit rose 95.8% to ¥1,659mn, ordinary profit grew 94.6% to ¥1,672mn, and profit attributable to owners of parent increased 96.0% to ¥1,105mn. Both sales and profits were a new record high. Consolidated results outperformed initial targets across the board, with net sales exceeding the target by 6.2%, operating profit by 46.5%, ordinary profit by 46.4%, and profit attributable to owners of parent by 51.0%.

Results trends

1H FY7/23 Consolidated Results

(¥mn)

	1H FY7/22		1H FY7/23		% change		
	Results	Composition ratio	Initial target	Results	Composition ratio	YoY	Initial target vs. results
Net sales	6,045	-	7,147	7,591	-	25.6%	6.2%
System Solutions Business	5,118	84.7%	-	6,569	86.5%	28.4%	-
Online Solutions Business	927	15.3%	-	1,021	13.5%	10.1%	-
CROSS Business	675	11.2%	-	748	9.9%	10.8%	-
Recurring net sales	2,701	44.7%	-	3,039	40.0%	12.5%	-
Gross profit	3,128	51.7%	-	4,136	54.5%	32.2%	-
System Solutions Business	2,666	52.1%	-	3,614	55.0%	35.6%	-
Online Solutions Business	461	49.7%	-	521	51.0%	13.0%	-
CROSS Business	382	56.7%	-	431	57.6%	12.8%	-
Gross profit from recurring business	1,590	58.9%	-	1,795	59.1%	12.9%	-
SG&A expenses	2,280	37.7%	-	2,476	32.6%	8.6%	-
Operating profit	847	14.0%	1,133	1,659	21.9%	95.8%	46.5%
Ordinary profit	859	14.2%	1,143	1,672	22.0%	94.6%	46.4%
Profit attributable to owners of parent	563	9.3%	732	1,105	14.6%	96.0%	51.0%

Note: 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)

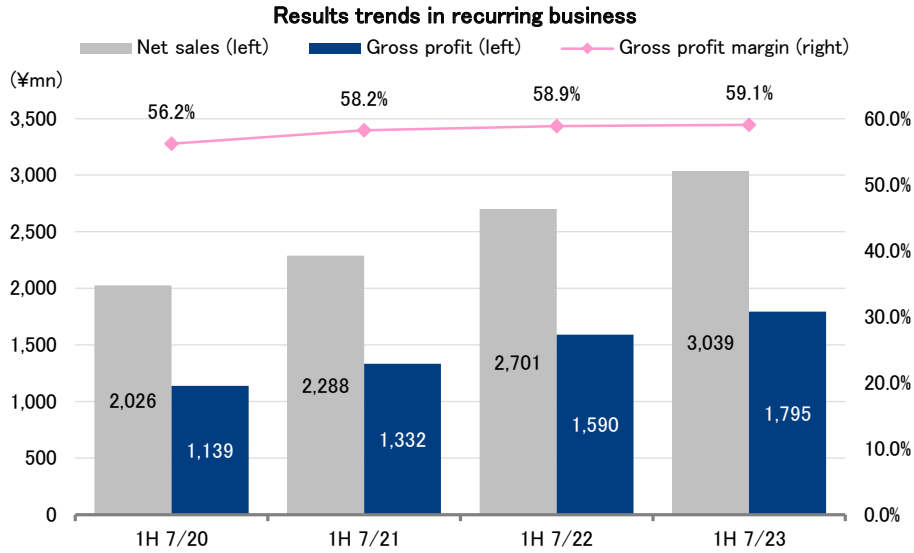
Source: Prepared by FISCO from the Company's financial results and results overview

The business environment remains robust as exemplified by a high volume of inquiries via the Company's website. Net sales increased and marked a new record-high surpassing net sales of 2Q FY7/20 (¥6,957mn) when the Company encountered special demand, due to factors that include diminishing effects of delays in server device deliveries caused by semiconductor shortages in the previous fiscal year. In profits, the gross profit margin increased 2.8pp YoY to 54.5% amid higher recurring net sales and initiatives to strengthen package functions. Whereas SG&A expenses rose 8.6% due to factors that include an increase in employee headcount, payment of a year-end bonus to the entire workforce, events held to commemorate establishment of the Company, and resumption of trade shows and other such events, the SG&A expenses ratio declined 5.1pp to 32.6%. As a result, the operating profit margin increased 7.9pp to 21.9%, thereby yet again surpassing the 20% threshold as had been the case in 1Q.

Turning to factors attributable to increases and decreases in operating profit, the main positive factors were increases in gross profit by ¥948mn in the System Solutions Business and by ¥59mn in the Online Solutions Business, while the main negative factor was a ¥196mn increase in SG&A expenses (personnel expenses increased ¥133mn and other SG&A expenses increased ¥62mn).

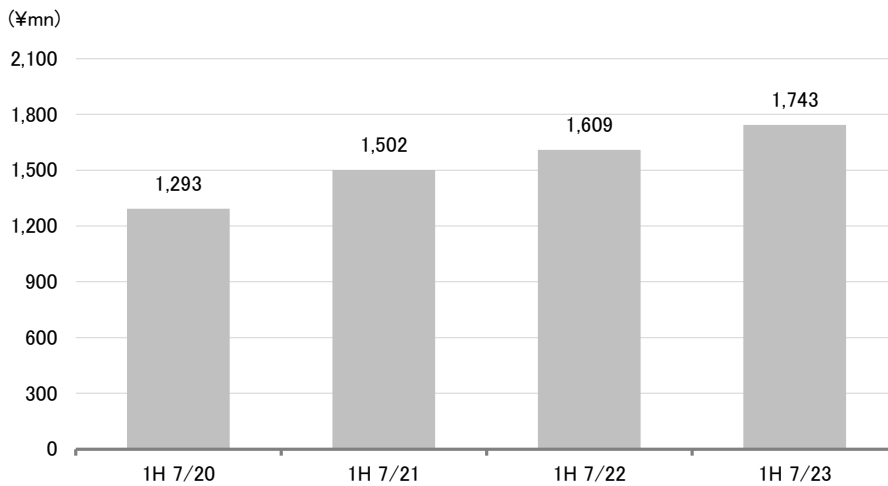
Recurring net sales increased 12.5% YoY to ¥3,039mn and their percentage of Company-wide net sales decreased 4.7pp to 40.0%. Gross profit from recurring business increased 12.9% to ¥1,795mn, and the gross profit margin from recurring business rose 0.2pp to 59.1%.

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 past results 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

Trends in personnel expenses



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

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 increased 28.4% YoY to ¥6,569mn, gross profit up 35.6% to ¥3,614mn, and gross profit margin rose 2.9pp to 55.0%. The System Solutions Business achieved double-digit growth with respect to both net sales and gross profit thanks to strong orders and consistent progress in carrying out projects. The significant gain in the gross profit margin is attributable to: improvement in system quality and stable operations brought about by integrated production and sales; productivity gains amid sustained efforts to strengthen package functions; a greater number of large projects as a result of developing stronger relationships with business partners; project management know-how accumulated with respect to large projects; an increase in orders for hardware replacement associated with conclusion of server maintenance support, as well as orders for software replacement and modifications associated with such hardware, and; expanded recurring sales volume. The Company has been encountering diminishing effects of delays in server device deliveries caused by semiconductor shortages. In terms of number of orders, the System Solutions Business achieved record highs with initial product sales of 134 and recurring sales of 188, relative to an index of 100 set for 1H FY7/19.

(2) Online Solutions Business

In the Online Solutions Business, net sales increased 10.1% YoY to ¥1,021mn, gross profit up 13.0% to ¥521mn, and gross profit margin rose 1.3pp to 51.0%. In the CROSS Business, net sales increased 10.8% to ¥748mn, gross profit gained 12.8% to ¥431mn, and gross profit margin climbed 0.9pp to 57.6%. Also, CROSS MALL's recurring net sales increased 10% YoY and CROSS POINT's recurring net sales grew 14%. The Online Solutions Business achieved double-digit growth in terms of both net sales and gross profit, with the gross profit margin exceeding that of 1H FY7/22 driven by results of the CROSS Business even amid parallel development the BACKYARD™ platform. The financial results were also buoyed due to many sales discussions made possible as a result of referrals from customers and collaboration partners.

Financial soundness continues to be excellent

3. Financial conditions and management indicators

At the end of 1H FY7/23, total assets had increased ¥920mn from the end of the previous period to ¥10,497mn. This was mainly attributable to increases of ¥519mn in cash and cash equivalents and ¥257mn in notes and accounts receivable - trade, and contract assets, against a decrease of ¥183mn in software. Total liabilities increased ¥69mn to ¥3,931mn. Total net assets increased ¥850mn to ¥6,566mn largely due to accumulation of retained earnings. As a result, the equity ratio rose 2.9pp to 62.6%. At FISCO, we think that the Company's financial soundness continues to be excellent, with no cause for concern.

Results trends

Consolidated balance sheets and management indicators

	End-FY7/20	End-FY7/21	End-FY7/22	End-1H FY7/23	Change
	(¥mn)				
Total assets	7,585	8,449	9,576	10,497	920
Current assets	4,993	6,087	7,249	8,144	894
Non-current assets	2,591	2,362	2,326	2,353	26
Total liabilities	3,871	3,860	3,861	3,931	69
Current liabilities	2,366	2,246	2,134	2,125	-8
Non-current liabilities	1,505	1,613	1,727	1,805	78
Total net assets	3,713	4,589	5,715	6,566	850
(Management indicators)					
Current ratio	211.0%	271.0%	339.7%	383.1%	43.4pt
Non-current (assets) ratio	69.8%	51.5%	40.7%	35.8%	-4.9pt
Equity ratio	49.0%	54.3%	59.7%	62.6%	2.9pt

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

Outlook

FY7/23 results forecasts have been upwardly revised with 2H net sales projected to be on par with those of 1H amid robust orders and unimpeded progress in carrying out projects

● FY7/23 outlook

The Company upwardly revised its forecasts for FY7/23 consolidated results on February 24, 2023, and projects that net sales will increase 15.9% YoY to ¥15,000mn, operating profit will grow 47.6% to ¥3,100mn, ordinary profit will rise 47.4% to ¥3,126mn, and profit attributable to owners of parent will increase 48.3% to ¥2,044mn.

FY7/23 Consolidated Results Forecast

	FY7/22		FY7/23			YoY	1H achievement rate
	Results	% of sales	Initial forecasts	Revised forecasts	% of sales		
Net sales	12,944	-	14,100	15,000	-	15.9%	50.6%
Operating profit	2,100	16.2%	2,400	3,100	20.7%	47.6%	53.5%
Ordinary profit	2,121	16.4%	2,426	3,126	20.8%	47.4%	53.5%
Profit attributable to owners of parent	1,377	10.6%	1,553	2,044	13.6%	48.3%	54.1%

Note: FY7/23 revised forecasts are the forecasts announced on February 24, 2023
 Source: Prepared by FISCO from the Company's financial results

Outlook

The forecasts have been upwardly revised against a backdrop of net sales and profit outperforming the initial forecasts, given that net sales benefitted from diminishing effects of delays in server device deliveries caused by semiconductor shortages, and given that profits benefitted from increases in the ratio of sales from recurring business and the gross profit margin. In terms of profit margins, per-project profit margins have been increasing amid a scenario of achieving reduced after-sales support workloads through better-than-anticipated productivity gains given success attained with respect to integrating production and sales as well as strengthening package functions. Moreover, revenues gained momentum under a scenario where the Company managed to tap into greater-than-anticipated demand for software modifications and updates accompanying hardware replacement demand associated with expirations of manufacturer support, as had been anticipated at the outset of the financial period.

The Company has been performing well in terms of its rates of achieving the upwardly revised full-year forecasts, with the achievement rate at 50.6% for net sales, 53.5% for operating profit, 53.5% for ordinary profit, and 54.1% for profit attributable to owners of parent. As for its outlook for 2H, the Company anticipates net sales on par with those of 1H given that it has been encountering robust orders and unimpeded progress in terms of carrying out projects. Japan's Qualified Invoice System, slated to take effect in October 2023, is likely to have a limited impact on the Company's earnings results. This is due to a situation where its existing customers have been slow to respond to the new system, while any such revenues are likely to be confined to a last-minute rush of software modifications in the latter half of 2H FY7/23. In profits, whereas the Company has plans that include undertaking investment geared to the future by increasing base pay beginning with salaries for April 2023, engaging in ongoing initiatives to strengthen package functions, and fortifying regularly implemented vulnerability checks, it seems likely that such outlays will be absorbed by higher sales and rising profit margins. At FISCO, we deem it highly likely that results will outperform the upwardly revised forecasts given factors that include a favorable business environment and the notion that the Company's ratio of sales from recurring business and its gross profit margin are on an upward trajectory.

Growth strategy

In the three-year (rolling) plan, has upwardly revised the FY7/23 forecasts

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

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. Whereas the Company formulated its three-year medium-term management plan with FY7/25 as the plan's final fiscal year in September 2022, it has since upwardly revised its FY7/23 targets given the favorable business developments in 1H FY7/23. The new forecasts project net sales of ¥15,000mn (6.4% higher than the initial forecast), gross profit of ¥8,200mn (8.9% higher), gross profit margin of 54.7% (1.3pp higher), operating profit of ¥3,100mn (29.2% higher), and profit attributable to owners of parent of ¥2,044mn (31.6% higher). Meanwhile, the Company intends to disclose its targets for FY7/24 and FY7/25 as soon as it becomes possible to establish a reasonable outlook. It is worth noting that whereas the Company is set to encounter scenarios where its customers implement the Qualified Invoice System in October 2023 and face conclusion of Windows Operating System support in 2025, such developments are unlikely to affect the Company's results to the extent that would occur under a scenario of special demand brought about by larger projects.

Growth strategy

Three-year (rolling) plan

	FY7/22 Results	FY7/23		FY7/24 Target	FY7/25 Target
		Initial target	Revised target		
Net sales	12,944	14,100	15,000	15,400	17,000
Gross profit	6,738	7,529	8,200	8,378	9,317
Gross profit margin	52.1%	53.4%	54.7%	54.4%	54.8%
Operating profit	2,100	2,400	3,100	3,000	3,000
Operating profit margin	16.2%	17.0%	20.7%	19.5%	21.2%
Profit attributable to owners of parent	1,377	1,553	2,044	1,937	2,321

Note: Revised targets for FY7/23 are based on figures announced on March 7, 2023.
 Targets for FY7/24 and FY7/25 to be updated as soon as it becomes possible to establish reasonable outlook
 Source: Prepared by FISCO from the Company's results overview

2. Basic policy

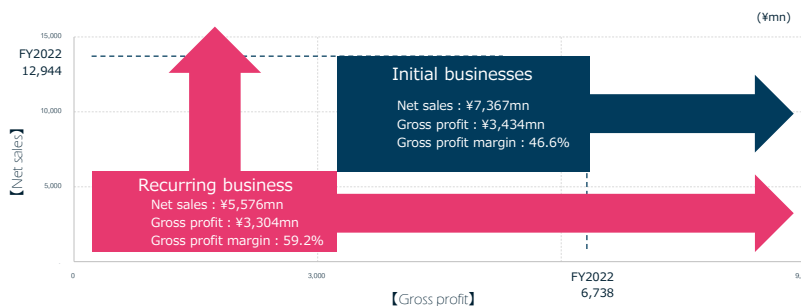
(1) Policy for achieving net sales growth

Both the System Solutions Business and the Online Solutions Business have set in-house targets for achieving double-digit growth fueled by the Japanese government's strategy of promoting digital transformation (DX). The System Solutions Business will accordingly extend its sales territory to regional cities premised on the notion of there being full online support beyond that traditionally available in Tokyo, Nagoya, and Osaka. Meanwhile, the CROSS Business accordingly plans to successively expand the portfolio of collaboration partners with its sights set on mounting needs in cross-border e-commerce.

(2) Policy for achieving profit growth

The Company has continued to improve its gross profit margin, and is aiming to achieve an operating profit margin of 20% in FY7/23. Specifically, it aims to further raise gross profit margin through measures such as proactively developing cloud-based products and reducing after-sales support workloads through stable operation 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.

Priority measures for achieving 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 margins

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

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

*In accordance with changes in accounting standards, results for FY7/22 have been restated to exclude transactions involving supply products from recurring business

Source: From the Company's results overview

Growth strategy

(3) Initiatives in FY7/23

a) 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.

b) Expand the sales areas and create new customer contact points

The Company will focus on certain industries and work to gradually expand its sales areas in Tokyo, Nagoya, and Osaka regions, while it also acquires partners in alignment with progress made in regional development. In addition, it will deepen contact points with large companies and progress deployments to their affiliated companies.

c) Strengthen profitability

The Company will position sales and development system engineers (SEs) for each target industry on the same floor and further deepen collaborations with the adoption of free-addressing office arrangements. In so doing, it seeks to increase profitability and improve quality enlisting integrated production and sales, while further reducing after-sales support workloads. Also, the support call center will take the lead in redoubling efforts to ensure that customer requests are reflected in solutions packages.

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.

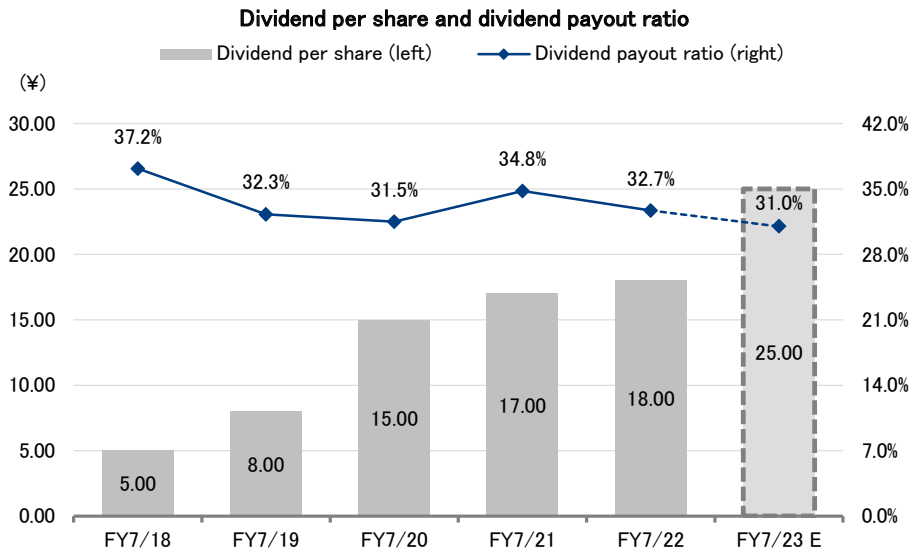
Shareholder return policy

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% as indicators of stable dividends.

Shareholder return policy

The Company has adjusted dividend amounts for FY7/23 in alignment with upward revisions of the 1H and full-year earnings forecasts. It has accordingly increased the interim dividend and the year-end dividend by ¥1.00 and ¥4.00, respectively, relative to the initial plan. As a result, it intends to increase the annual dividend by ¥7.00 YoY to ¥25.00 (¥11.00 at the end of 2Q and ¥14.00 at year-end) for a dividend payout ratio of 31.0%. Alongside the growth of earnings, it is expected to further enhance returns to shareholders.



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).

Sustainability initiatives

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.

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) which was determined at the Board of Directors meeting in July 2022, 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 officers 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. Sustainability initiatives

The Company also actively conducts initiatives for sustainability. To give some examples, as part of its series of social-contribution activities, continuing since 2021, it was a sponsor of “MOVE FES.2023 Supported by AIRU,” which is an event held by the General Incorporated Association WITH ALS 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. 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 E-commerce industry.

Sustainability 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 provides useful opportunities and content for backyard personnel 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), “B.Y.,” a media outlet specifically for people working behind the scenes at online shops, and releasing its BACKYARD AWARD, the first platform in the industry for recognizing backyard operations.



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. The Company continuously recruits personnel locally, and has also made office space on the first floor available to the public as an IT networking space for students and working people to gather and as a base for programs to enhance IT skills and increase interest in this field.



WITH ALS
 ALS awareness-raising activities



Carrying on from 2021, the Company will support the MOVE FES.2023 Supported by AIRU festival for raising awareness of ALS, organized by WITH ALS. Enlisting the theme of “Unreal Reality,” the event seeks to expand support for ALS worldwide in order that the now unrealistic future where ALS has been cured can become a reality.



Source: From the Company's results overview



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