

COMPANY RESEARCH AND ANALYSIS REPORT

I'LL INC.

3854

Tokyo Stock Exchange Prime Market

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Summary

Defining the period for three-year medium-term management plan as “Acceleration of Growth Investment”

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. Under the proprietary CROSS-OVER Strategy, which integrates real-world and online capabilities, the Company aims to realize value creation support through BX* that not only helps enhance efficiency through DX, but also transforms backyard operations which are becoming increasingly complex day by day.

* BX is an abbreviation of backside transformation. It is a concept in which value creation is realized through transformation from the backside based on the Company's proprietary CROSS-OVER Strategy.

1. Sales and profit both increased by double digits and reached record-high results in line with forecasts in FY7/25

The Company operates the System Solutions Business with the mainstay Aladdin Office series, a mission-critical operation management system series, and the Online Solutions Business (CROSS Business and Other Online Business) with its mainstay services CROSS MALL, a cloud-based software product for integrated management of multiple e-commerce websites, and CROSS POINT, a software product for integrated management of real-world stores and e-commerce customers and loyalty points. It began rolling out BACKYARD, a backyard platform as a cloud service that realizes BX. The Company is promoting the strategy to form a virtuous cycle spiral that will lead to higher gross profit margins through realization of comprehensive improvements in quality and productivity and expansion of recurring revenue sales including efforts to reduce customization man-hours and prevent problems ahead of time through the integrated production and sales system.

In FY7/25 consolidated results, net sales increased 10.2% year on year (YoY) to ¥19,294mn, operating profit rose 13.0% to ¥4,818mn, ordinary profit increased 11.3% to ¥4,767mn, and profit attributable to owners of parent increased 20.8% to ¥3,488mn, reaching record-high results with double-digit growth in line with forecasts. In regard to sales, the Company steadily captured strong DX demand, and in regard to profit, it offset an increase in personnel expenses by expanding recurring revenue sales and enhancing productivity. The operating profit margin rose 0.6 percentage points (pp) to 25.0%. On the company-wide basis, recurring net sales rose 15.3% to ¥8,319mn, while gross profit from recurring business rose 14.8% to ¥4,894mn. Although the gross profit margin on recurring business decreased slightly, the coverage ratio for SG&A expenses against gross profit from recurring business exceeded 80%.

2. Sales and profit both forecast to increase and reach record highs in FY7/26

In Outlook for FY7/26 consolidated results, the Company is forecasting net sales to increase 7.3% YoY to ¥20,700mn, operating profit to increase 8.9% to ¥5,250mn, ordinary profit to increase 10.6% to ¥5,275mn, and profit attributable to owners of parent to increase 6.8% to ¥3,725mn. The Company forecasts sales and profit growth and record-high results. Although personnel expenses and other costs will increase as the Company accelerates growth investment, projects are expected to progress steadily amid strong DX demand. As for the order environment for the System Solutions Business, the Company anticipates that, besides DX demand, demand for replacing legacy systems such as office computers with open architecture systems will remain at a high level, and projects are expected to grow larger in size. There is an increasing trend in business negotiations due to the end of support for Windows Server OS in January 2027. In light of changes in the EC market, the Online Solutions Business will promote an increase in average customer spending through cross-selling including branding support and other services.

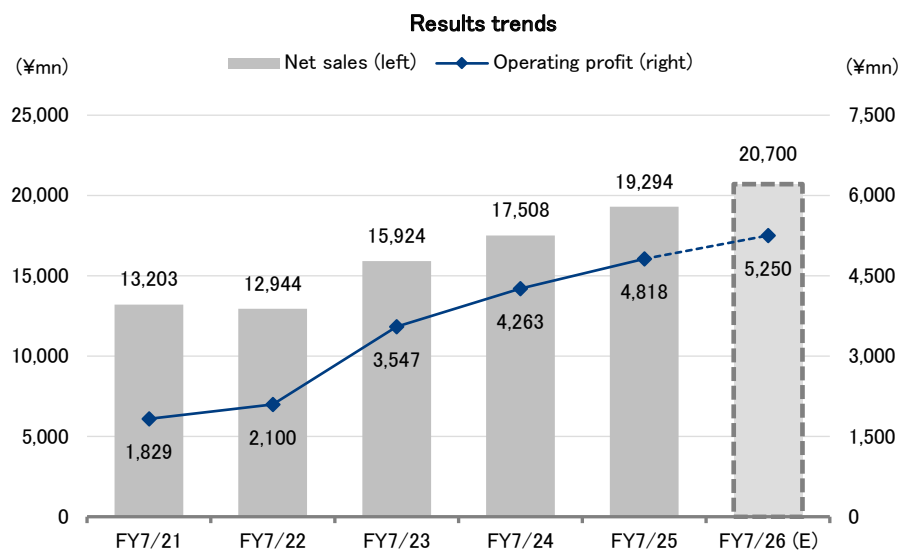
Summary

3. Defining FY7/26–FY7/28 as “Acceleration of Growth Investment”

With the three-year medium-term management plan (a rolling plan encompassing FY7/26–FY7/28) formulated in September 2025, the Company set the targets for FY7/28, the final year of that plan, including net sales of ¥24,300mn, operating profit of ¥6,312mn, and profit attributable to owners of parent of ¥4,334mn. With the understanding that the business environment has entered a period of change including rapid evolution of AI technologies and other transformations, the Company presented a new future vision, “As an Industrial Platform Provider, we drive supply chain transformation to enhance users’ corporate value,” in order to further enhance its existing strengths and maximize its corporate value for the future. In addition, it defined the project period as “Acceleration of Growth Investment” for building the business and management foundations necessary to realize future growth. The Company will establish a new business model and promote internal structure reforms, drawing a new growth trajectory and accelerating growth in the medium to long term.

Key Points

- A total system solutions company supporting the enterprise capability of mid-tier and small/medium-size companies
- Sales and profit both increased by double digits and reached record-high results in line with forecasts in FY7/25
- Sales and profit both forecast to increase and reach record highs in FY7/26
- Defining FY7/26–FY7/28 as “Acceleration of Growth Investment”



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

Company profile

A total system solutions company supporting customers' enterprise capability

1. Company profile

The Company is a total system solutions 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. Under the proprietary CROSS-OVER Strategy, which integrates real-world and online capabilities, the Company aims to realize value creation support through BX that not only helps enhance efficiency through DX, but also transforms backside (back office, backyard) operations which are becoming increasingly complex day by day.

At the end of FY7/25, the Company had total assets of ¥15,768mn, net assets of ¥11,286mn, an equity ratio of 71.6%, and the total number of issued shares was 25,042,528 (including 13,039 treasury shares). The Company's headquarters are located in Kita-ku, Osaka, and its offices include the Osaka Headquarters, Tokyo Headquarters (Minato-ku, Tokyo), and 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) and a showroom at BACKYARD TOKYO (Chiyoda-ku, Tokyo). The Company also operates ICC (I'LL Career Colleges) in Osaka and Tokyo 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.

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 released Aladdin Office, a proprietary sales management software, in October 2004, CROSS MALL, a 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 e-commerce sites, and in December 2022, it released BACKYARD, a backyard platform. In terms of stocks, the Company went public with a listing on the Osaka Securities Exchange (OSE) Hercules Market in June 2007, and subsequently was listed 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.

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Company profile

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 Securities Exchange's Hercules Market
August 2008	Opened the Nagoya Office in Sakae (Naka-ku, Nagoya)
March 2009	Released CROSS MALL, an ASP service for integrated management of multiple e-commerce websites
October 2010	Listed shares on the Osaka Securities Exchange's JASDAQ Market accompanying a market merger by the Osaka Securities Exchange
December 2010	Moved the Tokyo Headquarters to Shibakoen (Minato-ku, Tokyo)
August 2011	Moved the Nagoya Office to Nishiki (Naka-ku, Nagoya) Acquired web-base.co. as a subsidiary with the purchase of all shares
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 Securities Exchange and Tokyo Stock Exchange merger
August 2015	Moved the Nagoya Office 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 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
December 2022	Launched BACKYARD™, the industry's first backyard platform
March 2023	Strengthened the document approval feature of Aladdin Office, released as the optional function Aladdin Workflow
October 2023	Opened BACKYARD TOKYO in Chiyoda-ku, Tokyo
February 2024	Received a Management level B- score in the climate change questionnaire of the CDP, an international NGO
May 2024	I'LL services approved as tools covered by METI's IT introduction subsidy 2024 (for five consecutive years since FY2020)
August 2024	Renamed the Nagoya Office to the Nagoya Branch
January 2025	CROSS MALL selected as the first certified service under the SSP Program of eBay Japan Inc.

Source: Prepared by FISCO from the Company's annual securities reports, website, and releases

Business overview

Supporting BX through the integration of real-world and online capabilities

1. Overview of services

The Company operates the System Solutions Business with the mainstay Aladdin Office series, a mission-critical operation management system series, and the Online Solutions Business (CROSS Business and Other Online Business) with its mainstay services CROSS MALL, a cloud-based software product for integrated management of multiple e-commerce websites, and CROSS POINT, a software product for integrated management of real-world stores and e-commerce customers and loyalty points. It began rolling out BACKYARD, a backyard platform as a cloud service that realizes BX. It advances BX by integrating real-world and online capabilities in a way that supports the transformation of the business processes of customer companies.

Main solutions and services by business



Source: The Company's results overview materials

(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, 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 and online ordering/receiving 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.

* An acronym for Infrastructure as a Service. A service that provides infrastructure such as virtual servers and networks through the Internet. In Aladdin Cloud operations, Aladdin Office is operated at a data center instead of on the client's premises, which is the conventional way.

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, and it is focusing on the recurring business that acquires recurring revenue on an ongoing basis from maintenance and operations support. In addition, in April 2025, the Company began offering the membership website I'LL Navi to customer companies using Aladdin Office and Aladdin EC. The Company aims to improve support quality and customer satisfaction through two-way communication with customer companies.

(2) Online Solutions Business

In the CROSS Business in the Online Solutions Business, its mainstays are CROSS MALL and CROSS POINT. In addition, in November 2023, the CROSS Business began rolling out BACKYARD, a backyard platform as a cloud service that realizes BX. The Other Online Business provides CROSS STAFF, a cloud-based staff management system for temporary staffing agencies, B2C e-commerce platform assistance, and online marketing assistance (corporate website 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 website production).

The main products support digitalization of orders reception and placement operation management between companies and internally

2. Main products

The mission-critical operation management system Aladdin Office series for mid-tier and small/medium-size companies supports digitalization of operation management, including sales, inventory, production, and store management, and has improved management capabilities by promoting workstyle reforms with better operational efficiency and strengthening internal compliance. Leading deployment examples include shirt and necktie firm Maker's Shirt Kamakura Co., Ltd., stocking and socks firm Fukuske Corporation, ladies' fashion firm ANAP Holdings <3189>, high-end leather shoes firm Madras Inc., functional food ingredient development and sales company Pharma Foods International <2929>, long-standing restaurant and bento box/side dish supplier NADAMAN CO., LTD., water dispenser and rental equipment delivery service operator NAC <9788>, school lunch ingredient provision organization Osaka School Lunch Association, steel trading specialist FUJIWARA STEEL MATERIALS CO.,LTD., metal processing and precision machinery component supplier SATAKE Precision Technology Co., Ltd., and specialist trader in power tools and other professional tools Into Sangyo Co., Ltd.

The Aladdin EC B2B e-commerce and online ordering/receiving platform 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 alcohol and alcohol-related product sales firm SUNTORY MARKETING&COMMERCE LIMITED, furniture and interiors manufacturer FRANCE BED 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., hair care product company Techno-Eight, dairy product and Western confectionery firm Kurokawa Co., Ltd., bicycle firm RITEWAY (Riteway Products Japan), and medical equipment seller SHEEN MAN CO., LTD.

Business overview

The CROSS MALL software product for integrated management of multiple e-commerce websites 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 YOHO Brewing Company, sporting goods sales firm Murasaki Sports Co., Ltd., sneaker shop atmos, 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 Co., Ltd., operator of e-commerce kimono wholesaler "Kimono Kyokomachi."

The CROSS POINT software product for the integrated management of customers and loyalty points at both real-world stores and e-commerce websites supports integrated management of real-world stores 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 Fukuske, babies', kids', and mothers' clothing firm BRANSHES Co., Ltd., ladies' fashion e-commerce "flower" operator Sola Of Tokyo Co., Ltd., and bag and other apparel planning, production, and sales firm COO COMPANY LIMITED. In September 2025, the Company launched an industry-academia collaboration project with the Haag Laboratory at the Faculty of Economics, Kokugakuin University, to create fans for companies using its CROSS POINT. The project supports companies to create fans for them.

The backyard platform BACKYARD is a cloud service for supporting backyard operations, which are becoming increasingly complex day by day, across business formats such as wholesale, retail, and e-commerce, and realizes BX by transforming the operations from the backside. It has management and collaboration functions that support borderless and multiple channels, efficiency gains through automatic processing, and data fusion to achieve unified management of all backyard operations, covering not only online shops but also including all business formats. It comprises five management functions (CROSS/collaboration management, ORDER/order management, ITEM/product management, STOCK/inventory management, COMMUNICATION/customer service support), and is equipped with functions in the themes of automation, visualization, customization, and communication. By promoting communication with backyard teams and customers, it enables the realization of "ONE by 1."* The Company originally positioned BACKYARD as a next-generation service for CROSS MALL, but is considering rolling out the service to cater to a wider range of industries and types of businesses, including large companies in order to respond to changes in e-commerce consumer behavior and diversifying needs. Specifically, in addition to expanding the scope of companies targeted by the service from e-commerce businesses to online shop management for the online shops of retail, wholesale, and manufacturing businesses, it will also work to realize borderless operational management that meets market needs by continuously expanding functions, including real-world store management for retail businesses, order receipt and placement management and sales management for wholesale businesses, and the management of customer support inquiries.

* The vision that BACKYARD intends to become the new standard: "Achieving a one-of-a-kind shop experience on one borderless platform."

3. CROSS-OVER Strategy

The Company is advancing the CROSS-OVER Strategy which aims to enhance the enterprise capability of mid-tier and small/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 is the Company's proprietary proposal to seek realization of an "all one-stop" service that proposes a combination of mission-critical operation systems from the System Solutions Business that support better operational efficiency and services from the Online Solutions Business that assist reinforcement of sales capabilities, creating a stronger synergy effect. It is driving an increase in customer companies. At the end of FY7/25, the Company had 7,570 customer companies (5,264 in the System Solutions Business and 2,306 in the Online Solutions Business). The customer companies increased 19% from 6,342 in FY7/20 (4,591 in the System Solutions Business and 1,751 in the Online Solutions Business). The steady increase in the number of customer companies is driving the growth of recurring net sales, including maintenance fees and cloud service usage fees.

Strengths are business consulting capabilities and total solution capabilities based on thorough knowledge of different industries and types of work

4. Features and strengths

The Company's main features 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. Thus, the Company's competitive advantages are business consulting capabilities and total solution capabilities based on thorough knowledge of different industries and types of work.

(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 ¥5.0bn 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. As a result of the strengthening of (9) partner strategy, there is an increasing trend in orders from major customers based on introductions from banks and other partners.

(2) Designated industry emphasis strategy

Another strength is the Company's designated industry emphasis which places a heavy focus on industries with many mid-tier and small/medium-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/fashion, food, medical/cosmetics/beauty products, screws and metal parts, and steel industries as the five main industries. It seeks to deepen market coverage with the industry-specialized package software Aladdin Office series and other products. This has gone beyond the five main industries in recent years during which time there has been an increase in the number of enterprises with operations that extend to undertaking construction work in addition to engaging in sales of building materials and other such products. As a result, the Company has been attracting more orders with respect to optional project management functions of Aladdin Office for such enterprises, which became available upon upgrade of the software version in September 2022. It is also promoting sales expansion to enterprises in these business categories.

(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 management, and the real-world and online integration field of integrated management of inventories and loyalty points in real-world and e-commerce operations. It also makes 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 FY7/25, the composition of the Company's 992 employees (up 71 employees from the end of the previous fiscal year) on a non-consolidated basis was engineers at 73%, salespeople at 18%, and general staff at 10%. 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. Furthermore, the Company will actively utilize AI to improve operational efficiency and productivity, particularly in development work.

(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 order competition and is boosting profit margin. To further improve productivity and profit margin, the Company is also striving to minimize the amount of individual customization and provide it as an optional feature.

(7) Omni-channel strategy in retail business

In recent years, the retail industry has seen an increase in the popularity of an omni-channel strategy that integrates real-world stores and online stores 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 the advancement of an 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 net 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.). In new order volume by sale channel of the System Solutions Business in FY7/25 (on a value basis), the proportion of partner referrals declined 3.5pp YoY to 41.8%, while inquiries via the Company's website increased 0.2pp to 36.1% and acquisitions through the Company's sales activity increased 3.2pp to 22.1%. In FY7/25, the CROSS Business strengthened its customer approach to mid-tier and large companies, resulting in a decrease in the proportion of partner referrals and an increase in the proportion of customer development through the Company's sales activity, but the number of customers increased across all sales channels. Pull-type sales, including inquiries through partner referrals, not only increases sales efficiency, but also leads to an increase in orders from large companies through partner referrals, which in turn leads to an increase in large-scale projects and a rise in unit sales prices on orders received.

As a result of these business consulting capabilities based on thorough knowledge of different industries and types of work, as well as the partner strategy, the System Solutions Business's competitive tender victory rate (from FY7/20 to FY7/25) was 89.7% and the repeat customer rate (FY7/25) was 98.6%, which means that the Company has highly competitive advantages.

Promoting the strategy to form a virtuous cycle spiral through the integrated production and sales system

5. Forming a virtuous cycle spiral in which increased productivity leads to higher gross profit margin

The Company is promoting the strategy to form a virtuous cycle spiral that will lead to higher gross profit margins through realization of comprehensive improvements in quality and productivity and expansion of recurring revenue sales including efforts to reduce customization man-hours and prevent problems ahead of time through the integrated production and sales system (integration of sales and SE). Also, the Company is supporting individual customization as a fundamental strategy, while at the same time continually improving its gross profit margin through measures such as expanding orders by strengthening packaged functions and adding options, and shortening lead times with enhanced quality and productivity.

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Business overview

Profit improvement for continuous growth and virtuous cycle spiral



Source: The Company's information material

As a result of the above, net sales are on an increasing trend and the gross profit margin has generally been rising. In comparison to FY7/21, on the company-wide basis in FY7/25, net sales increased 46.1%, gross profit increased 73.7%, and the gross profit margins rose 8.7pp from 46.5% to 55.2%. Notably, the gross profit margin of the System Solutions Business increased 9.8pp from 46.1% to 55.9%, which drove the overall increase in the gross profit margin. In the CROSS Business in the Online Solutions Business, the gross profit margin remained almost flat, from 56.2% to 56.5%, because expenses related to the development of BACKYARD increased. On the company-wide basis in FY7/25, the gross profit margin decreased 0.6pp YoY due to the impact of upfront investments such as increased labor costs, as well as temporary factors including the backlash from the special demand for server replacement in the previous fiscal year and an increase in net sales of low-profit margin hardware for PC replacement triggered by the termination of support for Windows 10. The Company offset the effect of cloud-related supply-side price increases with an increase in monthly cloud usage fees.

On the company-wide basis, recurring net sales rose 73.2%, while gross profit from recurring business increased 75.3%. As a result, the coverage ratio for SG&A expenses against gross profit from recurring business increased from 64.8% to 83.8%, which means that the Company now has a profit structure that can cover over 80% of SG&A expenses with gross profit from recurring business. Going forward, the Company is aiming for a 100% coverage ratio for SG&A expenses against gross profit from recurring business. The ratio of recurring net sales and the ratio of gross profit from recurring business briefly declined in FY7/23, but this was due to a temporary factor in the System Solutions Business, which was the emergency demand for hardware devices accompanying the termination of server maintenance by manufacturers. Recurring net sales and gross profit from recurring business are on an increasing trend. Furthermore, the gross profit margin on recurring business is in the high 50% range.

Business overview

Results trends by business

	FY7/21	FY7/22	FY7/23	FY7/24	FY7/25
(¥mn)					
Net sales	13,203	12,944	15,924	17,508	19,294
System Solutions Business	11,505	11,036	13,857	15,339	16,989
Online Solutions Business	1,698	1,907	2,067	2,168	2,305
CROSS Business	1,186	1,385	1,521	1,634	1,767
Other Online Business	512	522	546	534	538
Gross profit	6,137	6,738	8,682	9,773	10,659
System Solutions Business	5,298	5,775	7,659	8,659	9,499
Online Solutions Business	838	962	1,022	1,113	1,160
CROSS Business	667	792	849	948	998
Other Online Business	171	170	172	165	161
Gross profit margin	46.5%	52.1%	54.5%	55.8%	55.2%
System Solutions Business	46.1%	52.3%	55.3%	56.5%	55.9%
Online Solutions Business	49.4%	50.4%	49.4%	51.3%	56.5%
CROSS Business	56.2%	57.2%	55.8%	58.0%	56.5%
Other Online Business	33.4%	32.6%	31.5%	30.9%	29.9%
Recurring net sales	4,803	5,576	6,290	7,212	8,319
Ratio of net sales	36.4%	43.1%	39.5%	41.2%	43.1%
Gross profit from recurring business	2,791	3,304	3,682	4,264	4,894
Ratio of Gross profit	45.5%	49.0%	42.4%	43.6%	45.9%
Gross profit margin	58.1%	59.3%	58.5%	59.1%	58.8%
SG&A expenses	4,307	4,637	5,134	5,509	5,840
Coverage ratio for SG&A expenses against gross profit from recurring business	64.8%	71.3%	71.7%	77.4%	83.8%

Note: Results for FY7/21 and prior periods have been retrospectively adjusted due to a change in accounting standards from FY7/22. There is no change to the company-wide results

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

6. Strengthening collaborations with business partners

The Company is pushing ahead in strengthening collaborations with business partners across various fields as an initiative to drive sales growth and profit expansion. As one recent case, in January 2025, CROSS MALL was selected as one of the first three certified services under the Selected Service Provider Program (SSP Program) launched on December 2024 by eBay Japan Inc. In March 2025, CROSS MALL began collaborating with JAL Mall, JAL's official comprehensive online shopping mall run by JALUX Inc. In June 2025, it began collaborating with eforce, an integrated commerce platform run by SUPER STUDIO Inc., and in July 2025, began collaborating with SHOPLINE, an EC site construction service run by SHOPLINE Japan Inc.

7. Risk factors as well as issues and countermeasures

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 setbacks from increases in process steps for customization because it pursues differentiation from rivals through the provision of flexible customization suited to customers. It is addressing this challenge by promoting productivity improvement through an integrated production and sales system. The Company will also promote utilization of AI.

Results trends

Sales and profit both increased by double digits and reached record-high results in line with forecasts in FY7/25

1. Overview of consolidated results for FY7/25

In FY7/25 consolidated results, net sales increased 10.2% YoY to ¥19,294mn, operating profit rose 13.0% to ¥4,818mn, ordinary profit increased 11.3% to ¥4,767mn, and profit attributable to owners of parent increased 20.8% to ¥3,488mn. Sales and profit both increased by double digits and reached record-high result in line with forecasts (in the initial targets released on September 6, 2024, net sales of ¥19,150mn, operating profit of ¥4,800mn, ordinary profit of ¥4,826mn, and profit attributable to owners of parent of ¥3,257mn). In regard to sales, the Company steadily captured strong DX demand from customer companies, and in regard to profit, it offset an increase in personnel expenses by expanding recurring revenue sales and enhancing productivity. On the company-wide basis, recurring net sales rose 15.3% to ¥8,319mn, gross profit from recurring business increased 14.8% to ¥4,894mn, the gross profit margin on recurring business decreased 0.3pp to 58.8%, and the coverage ratio for SG&A expenses against gross profit from recurring business increased 6.4pp to 83.8%. Despite the gross profit margin on recurring business having edged down slightly, the coverage ratio for SG&A expenses against gross profit from recurring business exceeded 80% due to higher monthly maintenance fees associated with a shift to larger systems projects and greater adoption of cloud products in the System Solutions Business, and due to stable growth of the CROSS Business.

Overview of FY7/25 consolidated results

	FY7/24		FY7/25		YoY		Forecast amount	vs. forecast	
	Results	% of net sales	Results	% of net sales	Change	% change		Change	Achievement rate
Net sales	17,508	100.0%	19,294	100.0%	1,786	10.2%	19,150	144	100.8%
Gross profit	9,773	55.8%	10,659	55.2%	886	9.1%	-	-	-
SG&A expenses	5,509	31.5%	5,840	30.3%	331	6.0%	-	-	-
Operating profit	4,263	24.4%	4,818	25.0%	555	13.0%	4,800	18	100.4%
Ordinary profit	4,285	24.5%	4,767	24.7%	482	11.3%	4,826	-59	98.8%
Profit attributable to owners of parent	2,887	16.5%	3,488	18.1%	600	20.8%	3,257	231	107.1%
Net sales by business									
System Solutions Business	15,339	87.6%	16,989	88.0%	1,649	10.8%	-	-	-
Online Solutions Business	2,168	12.4%	2,305	12.0%	136	6.3%	-	-	-
CROSS Business	1,634	9.3%	1,767	9.2%	133	8.1%	-	-	-
Other Online Business	534	3.1%	538	2.8%	4	0.7%	-	-	-
Gross profit by business									
System Solutions Business	8,659	56.5%	9,499	55.9%	840	9.7%	-	-	-
Online Solutions Business	1,113	51.3%	1,160	56.5%	47	4.2%	-	-	-
CROSS Business	948	58.0%	998	56.5%	50	5.3%	-	-	-
Other Online Business	165	30.9%	161	29.9%	-4	-2.4%	-	-	-
Recurring net sales	7,212	41.2%	8,319	43.1%	1,107	15.3%	-	-	-
Gross profit from recurring business	4,264	59.1%	4,894	58.8%	630	14.8%	-	-	-
Coverage ratio for SG&A expenses against gross profit from recurring business	77.4%	-	83.8%	-	-	6.4pp	-	-	-

Notes 1: Forecasts are initial targets released on September 6, 2024.

Notes 2: The figures for % of sales associated with gross profit by business and Company-wide gross profit from recurring business constitute the gross profit margins on the respective net sales amounts.

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

Results trends

Although gross profit increased 9.1% YoY, the gross profit margin declined 0.6pp to 55.2%. In addition to increased personnel expenses, there was an impact from a temporary factor due to an increase in net sales of low-profit margin hardware for PC replacement triggered by the termination of support for Windows 10. In addition, there were cloud-related supply-side price increases in April 2024, and thus the Company implemented price measures (an increase in monthly cloud usage fees) in October 2024. SG&A expenses rose 6.0% but the SG&A expenses ratio declined 1.2pp to 30.3%. As a result, the operating profit margin increased 0.6pp to 25.0%. According to the analysis of a YoY increase of ¥555mn in operating profit, there were an increase of ¥840mn in gross profit in the System Solutions Business, an increase of ¥47mn in gross profit in the Online Solutions Business, and a decrease of ¥331mn due to an increase in SG&A expenses (a decrease of ¥228mn due to an increase in personnel expenses and a decrease of ¥102mn due to an increase in other SG&A expenses). Total personnel expenses increased ¥647mn (8.8%) due to ongoing revisions to human resources systems and an increase in employee headcount. In detail, cost of sales increased ¥419mn (12.3%) and SG&A expenses increased ¥228mn (5.8%). The number of employees reached 1,009 by the end of FY7/25 (including 67 new graduates hired in April 2025 and 27 mid-career hires for the full year), exceeding 1,000 for the first time. In other SG&A expenses, advertising and promotional expenses increased due to TV commercials and exhibitions at trade shows, referral fees paid to partner companies rose, and hiring expenses also increased as a result of efforts to strengthen recruitment activities. The Company recorded fees incurred for the establishment of the Impact Neutralization Trust as a one-off non-operating expense.

The System Solutions Business continued to grow

2. Trends by business segments

(1) System Solutions Business

In the System Solutions Business, net sales increased 10.8% YoY to ¥16,989mn, gross profit rose 9.7% to ¥9,499mn, and the gross profit margin declined 0.6pp to 55.9%. The gross profit margin declined due to factors including the backlash from the special demand for server replacement in the previous fiscal year, an increase in net sales of low-profit margin hardware for PC replacement triggered by the termination of support for Windows 10, and a decline in the gross profit ratio of web-base.co., a subsidiary; however, sales and profit were increased due to contributions from progress, particularly in large-scale projects, and accumulation of profit from recurring business. The company continued to grow through measures such as continuous profit improvement measures including an integrated manufacturing and sales system, acquiring new customers and increasing large-scale projects, and raising monthly cloud usage fees.

(2) Online Solutions Business

In the Online Solutions Business, net sales increased 6.3% YoY to ¥2,305mn, gross profit was up 4.2% to ¥1,160mn, and the gross profit margin rose 5.2pp to 56.5%. In the CROSS Business in the Online Solutions Business, net sales increased 8.1% to ¥1,767mn, gross profit was up 5.3% to ¥998mn, and the gross profit margin decreased 1.5pp to 56.5%. Although changes in e-commerce consumer behavior have prompted a trend among smaller e-commerce enterprises to downsize or exit operations, the Company has responded by strengthening its approach to targeting mid-tier and large companies in an effort to capture large projects, smoothly leading to sales and profit growth. Although the price of CROSS MALL was revised for existing customers to reflect improvements in the support quality in March 2025, the gross profit margin decreased due to the impacts of upfront investments including the development of BACKYARD and of security verification costs incurred in 3Q. Other Online Business remained flat.

Financial health is sound

3. Financial position

Looking at the Company's financial position, total assets at the end of FY7/25 increased ¥1,615mn from the end of FY7/24 to ¥15,768mn and total liabilities increased ¥8mn to ¥4,482mn. Meanwhile, total net assets increased ¥1,606mn to ¥11,286mn and the equity ratio increased 3.2pp to 71.6%. In current assets, mainly cash and cash equivalents increased ¥739mn, accounts receivable – trade increased ¥252mn, and contract assets increased ¥561mn. In shareholders' equity, retained earnings increased ¥1,481mn. On December 6, 2024, the Company established the Impact Neutralization Trust® upon having requested that Tetsuo Iwamoto, who is the President and Representative Director of the Company as well as a major shareholder, sell a portion of his shareholdings. On December 9, 2024, the Trust purchased 1,250,000 shares of the Company's stock through off-hours closing price trading on the Tokyo Stock Exchange (ToSTNeT-2) with funds provided by the Company. Then, all the Company's shares of the Trust were fully sold out in June 6, 2025. At the end of FY7/25, the impact due to the Trust on balance sheet was eliminated. The equity ratio is continuously increasing, and thus we at FISCO deem that the Company's financial health has further improved.

Balance sheets and statements of cash flow (condensed)

	End-FY7/21	End-FY7/22	End-FY7/23	End-FY7/24	End-FY7/25	Change
(¥mn)						
Total assets	8,449	9,576	12,115	14,153	15,768	1,615
Current assets	6,087	7,249	9,675	11,567	13,216	1,648
Non-current assets	2,362	2,326	2,440	2,585	2,552	-33
Total liabilities	3,860	3,861	4,374	4,473	4,482	8
Current liabilities	2,246	2,134	2,546	2,555	2,618	63
Non-current liabilities	1,613	1,727	1,828	1,918	1,863	-54
Total net assets	4,589	5,715	7,740	9,680	11,286	1,606
Management indicators						
Current ratio	271.0%	339.7%	380.0%	452.7%	504.8%	52.1pp
Non-current assets to equity ratio	51.5%	40.7%	31.5%	26.7%	22.6%	-4.1pp
Equity ratio	54.3%	59.7%	63.9%	68.4%	71.6%	3.2pp

	FY7/21	FY7/22	FY7/23	FY7/24	FY7/25
Cash flows from operating activities	2,027	1,134	3,073	2,637	3,366
Cash flows from investing activities	-216	-482	-547	-712	-546
Cash flows from financing activities	-551	-465	-526	-901	-2,080
Cash and cash equivalents at end of the period	3,453	3,640	5,639	6,663	7,402

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

Outlook

Sales and profit both forecast to increase and reach record highs in FY7/26

● Outlook for FY7/26 consolidated results

In Outlook for FY7/26 consolidated results, the Company is forecasting net sales to increase 7.3% YoY to ¥20,700mn, operating profit to increase 8.9% to ¥5,250mn, ordinary profit to increase 10.6% to ¥5,275mn, and profit attributable to owners of parent to increase 6.8% to ¥3,725mn. The Company forecasts sales and profit growth and record-high results. It is also forecasting gross profit to increase 9.2% to ¥11,645mn, the gross profit margin to increase 1.1pp to 56.3%, SG&A expenses to rise 9.5% to ¥6,395mn, the SG&A expenses ratio to increase 0.6pp to 30.9%, and the operating profit margin to increase 0.4pp to 25.4%. On a half-year basis, in 1H, the Company forecasts net sales of ¥10,057mn, operating profit of ¥2,568mn, ordinary profit of ¥2,580mn, and profit attributable to owners of parent of ¥1,837mn, and in 2H, it forecasts net sales of ¥10,643mn, operating profit of ¥2,682mn, ordinary profit of ¥2,695mn, and profit attributable to owners of parent of ¥1,888mn. The proportion of profit in 2H is slightly higher than in 1H due to the accumulation of profit from recurring business and the growth of engineers, and special demand is not anticipated for FY7/26.

Overview of FY7/25 consolidated results forecast

	FY7/25		FY7/26		YoY		(¥mn)	
	Results	% of net sales	Forecast	% of net sales	Change	% change	1H Amount	2H Amount
Net sales	19,294	100.0%	20,700	100.0%	1,406	7.3%	10,057	10,643
Gross profit	10,659	55.2%	11,645	56.3%	986	9.2%	-	-
SG&A expenses	5,840	30.3%	6,395	30.9%	555	9.5%	-	-
Operating profit	4,818	25.0%	5,250	25.4%	432	8.9%	2,568	2,682
Ordinary profit	4,767	24.7%	5,275	25.5%	508	10.6%	2,580	2,695
Profit attributable to owners of parent	3,488	18.1%	3,725	18.0%	237	6.8%	1,837	1,888

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

Although personnel expenses and other costs will increase as the Company accelerates growth investment to realize its future vision, projects are expected to progress steadily amid strong DX demand. As for the order environment for the System Solutions Business, the Company anticipates that, besides DX demand, demand for replacing legacy systems such as office computers with open architecture systems will remain at a high level, and projects are expected to grow larger in size. In addition, there is an increasing trend in business negotiations due to the end of support for Windows Server OS in January 2027. In light of changes in the EC market, the Online Solutions Business will promote an increase in average customer spending through cross-selling including branding support and other services. Although purchasing costs will rise in part due to factors such as the weak yen, the Company expects the impact on results to be minor as it promotes price pass-through. We at FISCO contend that the Company is positioned to deliver favorable results due to the accumulation of stock revenue and the results of efforts to improve productivity, besides strong demand.

Growth strategy

Defining FY7/26–FY7/28 as “Acceleration of Growth Investment”

1. Medium-term management (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 in response to changes to its business environment. With the three-year medium-term management plan (encompassing FY7/26–FY7/28) formulated in September 2025, the Company set the targets for FY7/28, the final year of that plan, including net sales of ¥24,300mn, gross profit of ¥13,850mn, operating profit of ¥6,312mn, and profit attributable to owners of parent of ¥4,334mn. The four-year compound annual growth rates (CAGRs) are net sales at 8.0%, gross profit at 9.1%, operating profit at 9.4%, and profit attributable to owners of parent at 7.5%.

Medium-term management (rolling) plan

	FY7/25 Results	FY7/26 Forecast	FY7/27 Plan	FY7/28 Plan	(¥mn) CAGR (2025-2028)
Net sales	19,294	20,700	22,436	24,300	8.0%
Gross profit	10,659	11,645	12,706	13,850	9.1%
Gross profit margin	55.2%	56.3%	56.6%	57.0%	-
Operating profit	4,818	5,250	5,753	6,312	9.4%
Operating profit margin	25.0%	25.4%	25.6%	26.0%	-
Profit attributable to owners of parent	3,488	3,725	3,950	4,334	7.5%

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

The Company has established a competitive advantage through its proprietary CROSS-OVER Strategy and has built trust and know-how through the “Increasing Returns Business Model” with a long-term perspective, thereby driving the Group's growth. With the understanding that the business environment surrounding the Company has entered a period of change including rapid evolution of AI technologies and other transformations, the Company recognized this change as a chance for its next growth and presented a new future vision, “As an Industrial Platform Provider, we drive supply chain transformation to enhance users' corporate value,” in order to further enhance its existing strengths and maximize its corporate value for the future. This does not only provide a system, but also leads reconstruction of the customer's entire supply chain and organically combines a variety of industries, such as wholesale, manufacturing, logistics, retail, finance, and human resource businesses. It does not propose a simple system linkage. The Group of the Company plays a role of the backbone in this co-creation network (ecosystem) and contribute to improving the corporate capabilities of its customer companies and partner companies.

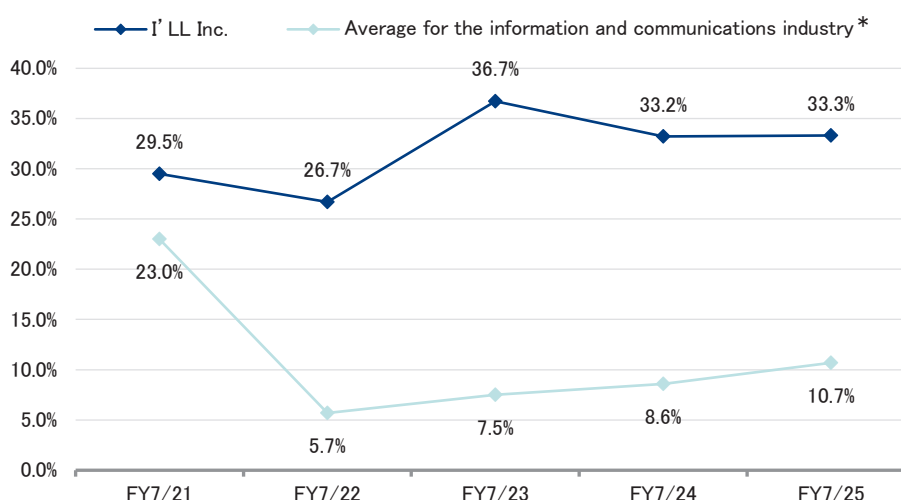
Growth strategy

In order to evolve from linear business into surface business for realizing “an Industrial Platform Provider” mainly based on the existing CROSS-OVER Strategy, the Company will promote priority measures including establishment of a new business model involving a shift from data accumulation to utilization, and promote structure reforms based on three themes (human resources, R&D, and internal systems). Specific strategies to be promoted include: in terms of human resources, the development of AI specialists, the development of talents with data analysis and consulting capabilities using mission-critical data, continuous recruitment activities, and the improvement of output per person; in terms of R&D, updating of main products and acceleration of integration with other systems, establishment of efficient development methods incorporating AI, and realization of “Core system × AI” with products and services that utilize AI; and in terms of internal systems, renewal and integration of internal systems that enable quick management decisions, active internal deployment and utilization of AI tools, and reconstruction of internal systems and databases that allow sharing and utilization of internal know-how. The Company expects to hire around 65 new graduates and around 25 mid-career hires for each year.

Based on this thinking, the Company defines the project period from FY7/26 to FY7/28 as “Acceleration of Growth Investment” for building the business and management foundations necessary to realize future discontinuous growth. For this reason, CAGRs during the project period are expected to temporarily slow down compared to previous fiscal years, but the Company will establish a new business model and promote internal structure reforms, drawing a new growth trajectory and accelerating growth in the medium to long term.

The Company believes that its current cost of shareholders’ equity is around 9.2% (average for the period from FY7/21 to FY7/25). Its Return on Equity (ROE) is around 30% (33.3% in FY7/25), surpassing the cost of shareholders’ equity and representing performance that exceeds the industry average for the information and communications industry. Price-to-Book Ratio (PBR) stands at roughly seven times, far higher than the industry average, which has earned the Company a measure of positive valuation from the markets. Moreover, the Company is working to enhance its English-language disclosure documents in response to a growing share of non-Japanese investors and an increase in requests for information from overseas. These efforts were also recognized, and in June 2025, the Company’s shares were selected as a constituent of FTSE Russell’s ESG index, the FTSE Blossom Japan Sector Relative Index.

Trend in ROE

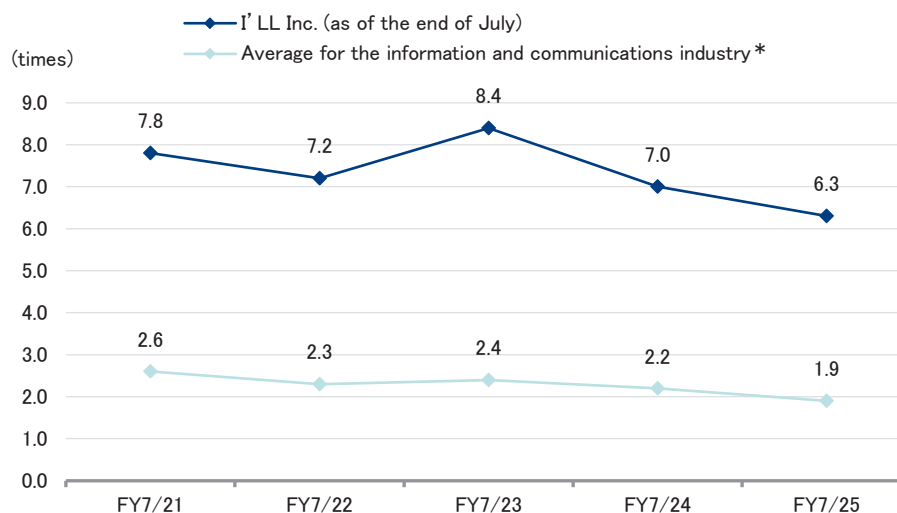


* The results of companies listed on the Prime Market for each fiscal year from the Tokyo Stock Exchange's research report “Financial Results Summary”

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

Growth strategy

Trend in PBR



* The results of companies listed on the Prime Market as of the end of July for each fiscal year from the Tokyo Stock Exchange's statistical material

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

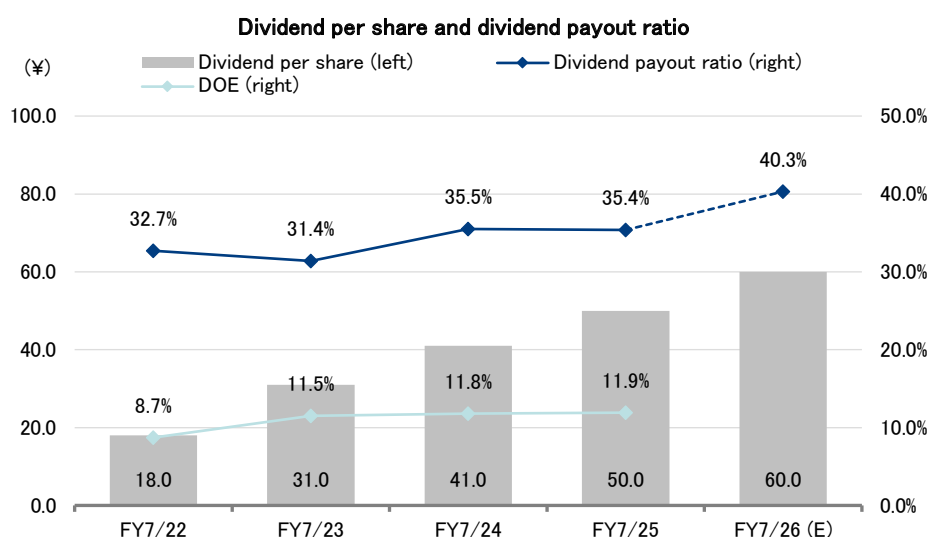
2. FISCO's perspective

The Company has achieved not only continuous growth in net sales and profit, but also a significant increase in the profit margin through various initiatives based on its proprietary CROSS-OVER Strategy and "Increasing Returns Business Model" with a long-term perspective. We at FISCO highly appreciate this point. In the medium-term management plan for FY7/26–FY7/28, the project period is defined as "Acceleration of Growth Investment" for building the business and management foundations necessary to realize future growth. CAGRs during the project period are expected to temporarily slow down compared to previous fiscal years, but the Company is positioning this period as a preparation period for moving towards a new growth stage. It will promote the establishment of a business model and internal structural reforms while maintaining a sales and profit growth trend. In particular, the Company plans to promote improving operational efficiency through the full-scale use of AI tools, and believes that this will lead to a new stage of growth in the medium to long term.

Shareholder return policy

The Company expects to achieve a dividend increase for the ninth consecutive fiscal year in FY7/26

With respect to shareholder returns, the Company has raised its dividend targets in FY7/24 with the aims of achieving a dividend payout ratio of at least 35% and dividend on equity (DOE) of at least 10%. For FY7/25, the Company paid an annual dividend increased ¥9.0 YoY to ¥50.0 (¥20.0 at 1H-end and ¥30.0 at fiscal year-end). The dividend payout ratio is 35.4%. For FY7/26, the Company's dividend forecast calls for a ¥10.0 increase to an annual dividend of ¥60.0 (¥30.0 at 1H-end and ¥30.0 at fiscal year-end). This represents an increase in the dividend amount for a ninth consecutive year since FY7/18 and a forecast dividend payout ratio of 40.3%. Given that the Company plans to strengthen shareholder returns going forward, it is poised to further enhance shareholder returns accompanying growth in earnings.



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

Sustainability management

Placing importance on investing in human capital, resulting in an employee turnover rate of 2.3%, lower than the industry average of 11.4%

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," "Conducting management together with the environment and creating a world with zero excess stock," "Developing a corporate culture and systems in which each and every employee can demonstrate their abilities," and "Maintaining transparent and sound management and improving enterprise value alongside corporate growth."

In "Giving dreams to society through BX," the Company is creating opportunities for new value creation by supporting liberation 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 the Task Force on Climate-related Financial Disclosures (TCFD) which was determined at the Board of Directors meeting in July 2022, and is actively working to achieve the goal of reducing emissions of greenhouses gases (GHG) 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). It is also actively holding dialogue with stakeholders (shareholders, customers, business partners, and employees) and reflecting their opinions in management.

Sustainability management

The Company places particular importance on investing in human capital, and in creating its 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 Company president himself. With respect to systems, the Company has established 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. Also, the Company encourages employees to send email and other forms of messages to enable them to directly contact the president and officers. The average annual income of employees (excluding those on leave in a non-consolidated basis), increased from ¥5,834,000 in FY7/21 to ¥6,578,000 in FY7/25. In FY7/25, the employee turnover rate (in a consolidated basis) was 2.3% (2.2% for men and 2.8% for women), which is very low compared to the industry average (11.4% based on the Company's research). In an engagement survey conducted in July 2025, the Company achieved a score of 79 (industry average of 64), approaching the target of 81 for FY7/28. The Company plans to continue making further improvements going forward. In August 2025, it introduced the Group Long-Term Disability Income Compensation Insurance, GLTD System, with the highest compensation rate in Japan, and in September 2025, it introduced a stock-granting ESOP trust as a new incentive plan.

Some examples of the Company's recent initiatives for sustainability are as follows. In November 2024, the Company served as a sponsor of the MOVE FES.2024 event held by the General Incorporated Association WITH ALS, which conducts awareness-raising activities on the intractable disease ALS (amyotrophic lateral sclerosis). This was the fourth time the Company has served as a sponsor of the event, after having done so previously in 2019, 2021, and 2023. In February 2025, the Company formulated a basic policy on human rights. In June 2025, it invested in the 79th Social Bond issued by the Japan Student Services Organization (JASSO) for the second time since the 73rd issue.

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