

# COMPANY RESEARCH AND ANALYSIS REPORT

**I'LL Inc.**

**3854**

Tokyo Stock Exchange Prime Market

13-May-2026

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## Summary

### Sales and profit both increased by double digits in 1H FY7/26. The Company upwardly revised its profit forecasts for the full year, and the profit increase margin is expected to expand

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 enterprise capabilities through various types of internally developed systems. 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.

\* 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. Forming a virtuous cycle spiral through two business segments

The Company defines its business segments as the System Solutions Business, which supplies the mission-critical operation management system Aladdin Office series, and the Online Solutions Business (CROSS Business and Other Online Business), which provides CROSS MALL, a cloud-based software product for integrated management of multiple e-commerce websites, CROSS POINT, a software product for integrated management of real-world stores and e-commerce customers and loyalty points, and the backyard platform BACKYARD™. Under the proprietary CROSS-OVER Strategy, which integrates real-world (back office) and online (backyard) capabilities, it advances BX in a way that supports the transformation of the business processes of customer companies. In addition, the Company has formed a virtuous cycle spiral that leads to higher gross profit margins along with the expansion of recurring revenue sales, through the realization of comprehensive improvements in quality and productivity by making efforts to reduce customization man-hours and prevent problems ahead of time through the integrated production and sales system.

#### 2. Record-high results in 1H FY7/26

In 1H FY7/26 consolidated results, net sales increased 12.1% year on year (YoY) to ¥10,360mn, operating profit rose 25.3% to ¥2,831mn, ordinary profit increased 27.5% to ¥2,850mn, and profit attributable to owners of parent increased 27.2% to ¥1,956mn, reaching record-high results for a 1H period with double-digit growth exceeding the plan. In addition to higher monthly maintenance fees associated with a shift to larger projects and greater adoption of cloud products in the System Solutions Business, gross profit increased due to improved project quality, and recurring net sales expanded due to the stable growth of the CROSS Business. On the company-wide basis, recurring net sales rose 13.0% to ¥4,536mn, gross profit from recurring business rose 15.7% to ¥2,705mn, the gross profit margin on recurring business increased 1.4 percentage points (pp) to 59.6%, and the coverage ratio for SG&A expenses against gross profit from recurring business increased 5.0pp to 86.8%.

Summary

**3. Profit increase margin expected to expand in FY7/26 as well**

For FY7/26 consolidated results, the Company upwardly revised its profit forecasts on March 6, 2026, forecasting net sales to increase 7.3% YoY to ¥20,700mn, operating profit to increase 14.1% to ¥5,500mn, ordinary profit to increase 16.2% to ¥5,540mn, and profit attributable to owners of parent to increase 16.1% to ¥4,050mn. The Company forecasts sales and profit growth and record-high results. Compared to the previous forecast, the Company left net sales unchanged considering the risk of server delivery delays due to the semiconductor shortage, but because progress in large-scale projects in the System Solutions Business was better than expected, it upwardly revised operating profit by ¥250mn, ordinary profit by ¥265mn, and profit attributable to owners of parent by ¥325mn. This takes the form of an upward revision reflecting the profit upside in 1H, and the profit increase margin is expected to expand compared to the previous forecast. We at FISCO contend that the Company is positioned to deliver favorable results due to the effects of continuous expansion of recurring revenue and improved project quality.

**4. Defining the period up to FY7/28 as “Acceleration of Growth Investment”**

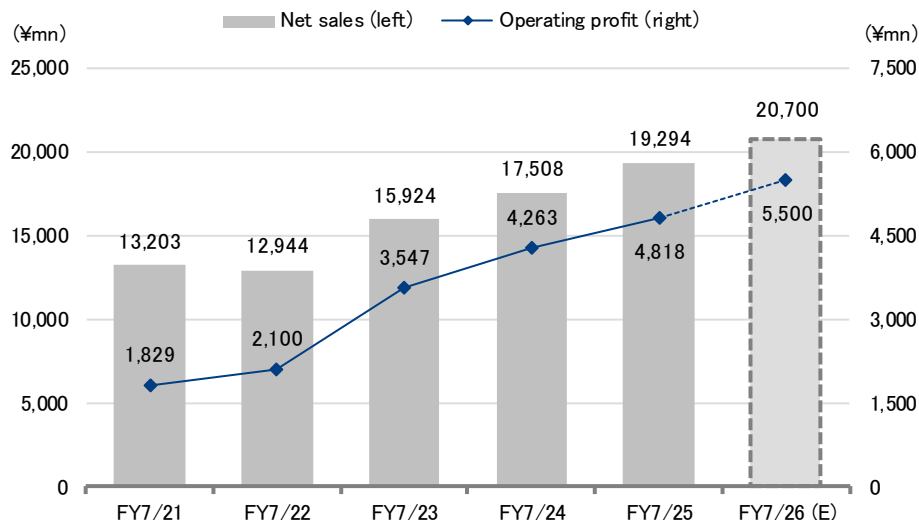
With the three-year medium-term management plan (a rolling plan encompassing FY7/26–FY7/28) formulated in September 2025, the Company set the plan for FY7/28 at net sales of ¥24,300mn, operating profit of ¥6,312mn, an operating profit margin of 26.0%, and profit attributable to owners of parent of ¥4,334mn. The Company upwardly revised its profit forecasts for FY7/26, the first year of this plan, and plans to update the plan for FY7/27 and beyond as soon as it is possible to make a reasonable calculation. In order to further enhance its existing strengths and maximize its corporate value for the future, the Company presented a new future vision, “As an Industrial Platform Provider, we drive supply chain transformation to enhance users’ corporate value.” 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, exceeding the plan in 1H FY7/26
- The Company upwardly revised its profit forecasts for FY7/26, forecasting record-high results with an expanded profit increase margin
- Defining FY7/26–FY7/28 as Acceleration of Growth Investment

Summary

Results trends



Note: Forecast for FY7/26 is the revised value as of March 6, 2026.  
 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. 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 1H FY7/26, the Company had total assets of ¥17,281mn, net assets of ¥12,366mn, an equity ratio of 71.6%, and the total number of issued shares was 25,042,528 (including 42,739 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 Office (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.), and has concluded a capital and business alliance with Sivira Inc. (invested in June 2017, additional investment made in June 2021).

Company profile

## 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 October 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.

### 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)
October 2004	Released proprietary sales management software Aladdin Office
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)
March 2016	Moved the Osaka Headquarters to Grand Front Osaka Tower B in Kita-ku (Osaka)
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
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
October 2023	Opened BACKYARD TOKYO in Chiyoda-ku, Tokyo
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

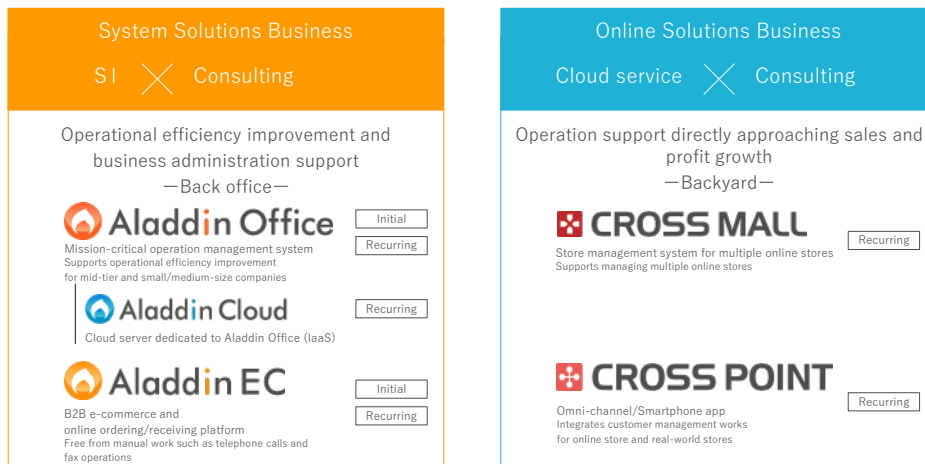
## Business overview

### Realizing BX through the CROSS-OVER Strategy which integrates real-world and online capabilities

#### 1. Overview of services

The Company defines its business segments as two segments: the System Solutions Business, which supplies the mission-critical operation management system Aladdin Office series, and the Online Solutions Business (CROSS Business and Other Online Business), which provides CROSS MALL, a cloud-based software product for integrated management of multiple e-commerce websites, CROSS POINT, a software product for integrated management of real-world stores and e-commerce customers and loyalty points, and the backyard platform BACKYARD. Under the proprietary CROSS-OVER Strategy, which integrates real-world and online capabilities, it advances BX 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, and it is also 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).

## 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 enterprise 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, 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 Co., Ltd. Food Service Company, 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.

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 (Foot Locker atmos Japan LLC), 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."

#### Business overview

The CROSS POINT software product for the integrated management of customers and loyalty points at both real-world stores and e-commerce websites supports improved sales via development of a real-world store and e-commerce omni-channel, integrated management of real-world stores and e-commerce customers and loyalty points through the use of a smartphone app, etc., 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 BRANSHEES Co., Ltd., casual women's clothing brand w closet (Wears Inc.), 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 in collaboration with the Haga Laboratory at the Faculty of Economics, Kokugakuin University, to create fans for companies using its CROSS POINT, and held a final reporting session in January 2026.

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 advanced development positioning BACKYARD as a next-generation service for CROSS MALL, but has changed its policy to roll 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, it will expand the scope of companies targeted by the service beyond online shops to retail, wholesale, and manufacturing businesses, and continuously expand functions toward the realization of borderless operational management, 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. In November 2025, the Company launched ITEM PLAN (product management plan), a service plan dedicated exclusively to the product management function in BACKYARD.

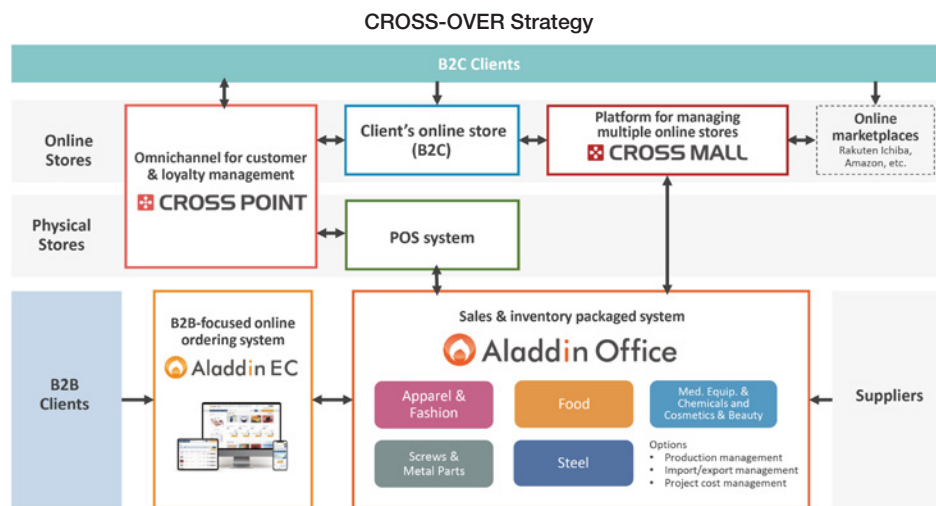
\* The vision that BACKYARD intends to become the new standard: "Achieving a one-of-a-kind shop experience on one borderless platform."

The head of service for CROSS MALL made a guest appearance on "Logi-Kaigi," the No. 1 YouTube channel in the e-commerce logistics industry. In response to the reaction to this video, the Company held a collaboration event "CROSS MALL x Logi-Kaigi" at BACKYARD TOKYO in February 2026. Going forward, the Company will strengthen information dissemination through video streaming and event hosting as backyard support activities.

Business overview

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). This steady increase in the number of customer companies is driving the growth of recurring net sales, including maintenance fees and cloud service usage fees.



Source: The Company's information material

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. 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.

## 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 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.

## Business overview

**(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, 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 order amount by sale channel of the System Solutions Business in FY7/25, 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 over the last 10 years (from FY7/16 to FY7/25) was at an extremely high level of 90.6% (1,213 wins and 125 losses, excluding projects closed without competition). Also, the repeat customer rate in FY7/25 was 98.6%. This means that the Company has highly competitive advantages.

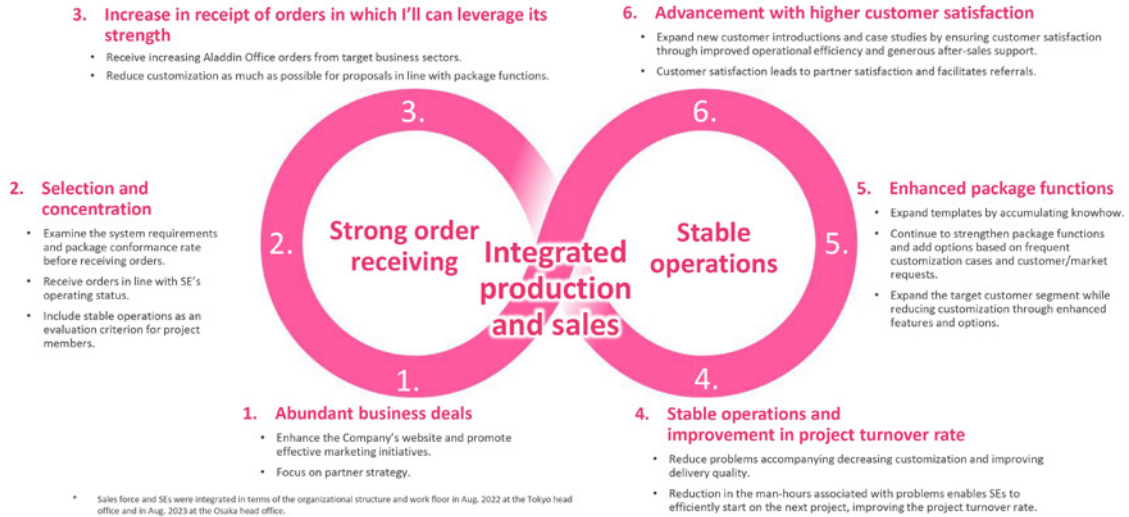
## The System Solutions Business drove the overall increase in the gross profit margin

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

The Company has formed a virtuous cycle spiral that leads to higher gross profit margins along with the expansion of recurring revenue sales, through the realization of comprehensive improvements in quality and productivity by making 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 increasing 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.

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 and gross profit are on an increasing trend and the gross profit margin has been rising. In comparison to FY7/22, on the company-wide basis in FY7/25, net sales increased 49.1% to ¥19,294mn, gross profit increased 58.2% to ¥10,659mn, and the gross profit margin rose 3.1pp to 55.2%. Of these, the gross profit margin of the System Solutions Business decreased 0.6pp YoY, but this was due to temporary factors such as the backlash from the special demand for server replacement. In comparison to FY7/22, it increased 3.6pp from 52.3% to 55.9%, which drove the overall increase in the gross profit margin. Furthermore, in 1H FY7/26, it rose to a record high of 58.4%. On the other hand, the gross profit margin of the Online Solutions Business remained on a flat trend because expenses related to the development of BACKYARD increased. The Company has offset cloud-related supply-side price increases by implementing price measures (an increase in monthly cloud usage fees).

In comparison to FY7/22, on the company-wide basis in FY7/25, gross profit from recurring business increased 48.1% to ¥4,894mn, and the coverage ratio for SG&A expenses against gross profit from recurring business increased from 71.3% to 83.8%. Furthermore, in 1H FY7/26, it rose to a record high of 86.8%, which means that the Company has a profit structure that can cover over 80% of SG&A expenses with gross profit from recurring business. The ratio of recurring net sales and the ratio of gross profit from recurring business briefly declined from FY7/23 to FY7/24, but this was due to a temporary factor in the System Solutions Business, which was the special demand for server replacement. As a trend, recurring net sales and gross profit from recurring business are on an increasing trend, and the gross profit margin on recurring business is in the high 50% range.

## Business overview

## Results trends by business

	(¥mn)				
	FY7/22	FY7/23	FY7/24	FY7/25	1H FY7/26
Net sales	12,944	15,924	17,508	19,294	10,360
System Solutions Business	11,036	13,857	15,339	16,989	9,131
Online Solutions Business	1,907	2,067	2,168	2,305	1,229
CROSS Business	1,385	1,521	1,634	1,767	952
Other Online Business	522	546	534	538	276
Gross profit	6,738	8,682	9,773	10,659	5,948
System Solutions Business	5,775	7,659	8,659	9,499	5,336
Online Solutions Business	962	1,022	1,113	1,160	611
CROSS Business	792	849	948	998	525
Other Online Business	170	172	165	161	85
Gross profit margin	52.1%	54.5%	55.8%	55.2%	57.4%
System Solutions Business	52.3%	55.3%	56.5%	55.9%	58.4%
Online Solutions Business	50.4%	49.4%	51.3%	56.5%	49.7%
CROSS Business	57.2%	55.8%	58.0%	56.5%	55.2%
Other Online Business	32.6%	31.5%	30.9%	29.9%	30.8%
Recurring net sales	5,576	6,290	7,212	8,319	4,536
Ratio of net sales	43.1%	39.5%	41.2%	43.1%	43.8%
Gross profit from recurring business	3,304	3,682	4,264	4,894	2,705
Ratio of Gross profit	49.0%	42.4%	43.6%	45.9%	45.5%
Gross profit margin	59.3%	58.5%	59.1%	58.8%	59.6%
SG&A expenses	4,637	5,134	5,509	5,840	3,116
Coverage ratio for SG&A expenses against gross profit from recurring business	71.3%	71.7%	77.4%	83.8%	86.8%

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 materials

## 6. Strengthening collaborations with business partners

The Company is strengthening collaborations with business partners as an initiative to drive sales growth and profit expansion. As recent collaboration cases, CROSS MALL began collaborating with SHOPLINE, an EC site construction service run by SHOPLINE Japan Co., Ltd., in July 2025, began collaborating with B-Cart, a B2B e-commerce platform run by Dai Corporation, in October 2025, began collaborating with mercart, a next-generation cloud-based EC site construction platform run by mercart Inc., in December 2025, and began collaborating with TikTok Shop in March 2026.

## 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, exceeding the plan, and reached record-high results in 1H FY7/26

#### 1. Overview of results for 1H FY7/26

In 1H FY7/26 consolidated results, net sales increased 12.1% YoY to ¥10,360mn, operating profit rose 25.3% to ¥2,831mn, ordinary profit increased 27.5% to ¥2,850mn, and profit attributable to owners of parent increased 27.2% to ¥1,956mn. Sales and profit both increased by double digits, exceeding the plan (in the initial targets released on September 5, 2025, 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 reached record-high results for a 1H period. In regard to sales, the Company steadily captured strong DX demand from companies, and both the System Solutions Business and the CROSS Business expanded smoothly. In regard to profit, recurring net sales expanded due to higher monthly maintenance fees associated with a shift to larger projects and greater adoption of cloud products in the System Solutions Business, as well as stable growth of the CROSS Business. The increase in the gross profit margin due to improved project quality and faster-than-expected progress in large projects in the System Solutions Business also contributed. On the company-wide basis, recurring net sales rose 13.0% to ¥4,536mn, gross profit from recurring business increased 15.7% to ¥2,705mn, the gross profit margin on recurring business increased 1.4pp to 59.6%, and the coverage ratio for SG&A expenses against gross profit from recurring business increased 5.0pp to 86.8%.

#### 1H FY7/26 consolidated results

	1H FY7/25		1H FY7/26		YoY		Initial plan	vs. initial plan	
	Results	% of net sales	Results	% of net sales	Change	% change		Excess amount	Achievement rate
Net sales	9,242	100.0%	10,360	100.0%	1,118	12.1%	10,057	303	103.0%
Gross profit	5,119	55.4%	5,948	57.4%	828	16.2%	-	-	-
SG&A expenses	2,858	30.9%	3,116	30.1%	257	9.0%	-	-	-
Operating profit	2,260	24.5%	2,831	27.3%	571	25.3%	2,568	263	110.2%
Ordinary profit	2,235	24.2%	2,850	27.5%	615	27.5%	2,580	270	110.5%
Profit attributable to owners of parent	1,537	16.6%	1,956	18.9%	418	27.2%	1,837	119	106.5%
Company-wide recurring net sales	4,015	43.4%	4,536	43.8%	521	13.0%	-	-	-
Company-wide gross profit from recurring business	2,337	58.2%	2,705	59.6%	368	15.7%	-	-	-
Coverage ratio for SG&A expenses against gross profit from recurring business	81.8%	-	86.8%	-	-	5.0pp	-	-	-

Note: The initial plan is the officially announced values as of September 5, 2025. The figure for % of sales associated with company-wide gross profit from recurring business constitutes the gross profit margin on company-wide recurring net sales amount.

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

#### Results trends

Gross profit increased 16.2% YoY, and the gross profit margin rose 2.0pp to a record high of 57.4%. SG&A expenses rose 9.0% but the SG&A expenses ratio declined 0.8pp to 30.1%. As a result, the operating profit margin increased 2.8pp to 27.3%. According to the factor analysis of a YoY increase of ¥571mn in operating profit, there were an increase of ¥782mn in gross profit in the System Solutions Business, an increase of ¥46mn in gross profit in the Online Solutions Business (of which the CROSS Business increased ¥38mn), and a decrease of ¥257mn due to an increase in SG&A expenses (a decrease of ¥181mn due to an increase in personnel expenses and a decrease of ¥76mn due to an increase in other SG&A expenses). Total personnel expenses increased ¥343mn (8.8%) YoY due to an increase in salaries stemming from a review of allowances, an increase in employee headcount, and the payment of special allowances for all employees. In detail, cost of sales increased ¥162mn (8.7%) and SG&A expenses increased ¥181mn (9.0%). In other SG&A expenses, advertising and promotional expenses were compressed by holding off on TV commercials, but research and development expenses increased, DX-related expenses increased due to the proactive adoption of AI tools, and promotional expenses increased accompanying a shift to larger business negotiations referred by partner companies (mainly banks).

## The System Solutions Business continued high growth

### 2. Trends by business segments

#### (1) System Solutions Business

In the System Solutions Business, net sales increased 12.4% YoY to ¥9,131mn, gross profit rose 17.2% to ¥5,336mn, and the gross profit margin increased 2.3pp to a record high of 58.4%. Although net sales of hardware, etc., decreased as the PC replacement demand triggered by the termination of support for Windows 10 ran its course, the Company continued high growth with the gross profit margin on recurring business rising more than expected due to larger project sizes and stable progress, accumulation of recurring net sales, improved project quality through the integrated production and sales system, enhanced productivity via work leveling and AI utilization, and the increase in monthly cloud usage fees implemented in October 2024.

#### (2) Online Solutions Business

In the Online Solutions Business, net sales increased 10.0% YoY to ¥1,229mn, gross profit was up 8.3% to ¥611mn, and the gross profit margin declined 0.8pp to 49.7%. In the CROSS Business in the Online Solutions Business, net sales increased 11.5% to ¥952mn, gross profit was up 7.8% to ¥525mn, and the gross profit margin decreased 1.8pp to 55.2%. Net sales and gross profit expanded smoothly due to a strategic shift towards expanding the scale of customer companies and increasing average customer spending through cross-selling in response to changes in the EC market, as well as contributions from a price revision for existing customers implemented in March 2025. The gross profit margin decreased due to the impact of development investment in BACKYARD. The Other Online Business was generally smooth, with net sales increasing 4.9% YoY to ¥276mn, gross profit increasing 11.8% YoY to ¥85mn, and the gross profit margin rising 1.9pp YoY to 30.8%.

## Results trends

## Results by business for 1H FY7/26

	1H FY7/25		1H FY7/26		YoY	
	Results	% of net sales	Results	% of net sales	Change	% change
Net sales	9,242	100.0%	10,360	100.0%	1,118	12.1%
System Solutions Business	8,124	87.9%	9,131	88.1%	1,006	12.4%
Online Solutions Business	1,117	12.1%	1,229	11.9%	111	10.0%
CROSS Business	854	9.2%	952	9.2%	98	11.5%
Other Online Business	263	2.8%	276	2.7%	13	4.9%
Gross profit	5,119	55.4%	5,948	57.4%	828	16.2%
System Solutions Business	4,554	56.1%	5,336	58.4%	782	17.2%
Online Solutions Business	564	50.5%	611	49.7%	46	8.3%
CROSS Business	487	57.0%	525	55.2%	38	7.8%
Other Online Business	76	28.9%	85	30.8%	9	11.8%

Note: The figures for % of sales associated with gross profit by 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 materials

## Financial health is sound

### 3. Financial position

Looking at the Company's financial position, total assets at the end of 1H FY7/26 increased ¥1,512mn from the end of FY7/25 to ¥17,281mn and total liabilities increased ¥432mn to ¥4,914mn. Meanwhile, total net assets increased ¥1,079mn to ¥12,366mn and the equity ratio remained flat at 71.6%. In current assets, mainly cash and cash equivalents increased ¥1,448mn, in current liabilities, accounts payable - trade decreased ¥132mn and income taxes payable increased ¥228mn, and in shareholders' equity, retained earnings increased ¥1,205mn. The Company operates debt-free and its equity ratio is at a high level; therefore, we at FISCO deem that its financial health is highly sound.

#### Balance sheets and statements of cash flow (condensed)

						(¥mn)	
	End-FY7/22	End-FY7/23	End-FY7/24	End-FY7/25	End-1H FY7/26	Change	
Total assets	9,576	12,115	14,153	15,768	17,281	1,512	
Current assets	7,249	9,675	11,567	13,216	14,604	1,388	
Non-current assets	2,326	2,440	2,585	2,552	2,676	123	
Total liabilities	3,861	4,374	4,473	4,482	4,914	432	
Current liabilities	2,134	2,546	2,555	2,618	2,977	358	
Non-current liabilities	1,727	1,828	1,918	1,863	1,937	73	
Total net assets	5,715	7,740	9,680	11,286	12,366	1,079	
Management indicators							
Current ratio	339.7%	380.0%	452.7%	504.8%	490.6%	-14.2pp	
Non-current assets to equity ratio	40.7%	31.5%	26.7%	22.6%	21.6%	-1.0pp	
Equity ratio	59.7%	63.9%	68.4%	71.6%	71.6%	-0.0pp	

	FY7/22	FY7/23	FY7/24	FY7/25	1H FY7/26
Cash flows from operating activities	1,134	3,073	2,637	3,366	2,546
Cash flows from investing activities	-482	-547	-712	-546	-2,460
Cash flows from financing activities	-465	-526	-901	-2,080	-837
Cash and cash equivalents at end of the period	3,640	5,639	6,663	7,402	6,651

Source: Prepared by FISCO from the Company's financial results and semi-annual securities report

## ■ Outlook

### The Company upwardly revised its profit forecasts for FY7/26, and the profit increase margin is expected to expand

#### ● Outlook for FY7/26 results

For FY7/26 consolidated results, the Company upwardly revised its profit forecasts on March 6, 2026, forecasting net sales to increase 7.3% YoY to ¥20,700mn, operating profit to increase 14.1% to ¥5,500mn, ordinary profit to increase 16.2% to ¥5,540mn, and profit attributable to owners of parent to increase 16.1% to ¥4,050mn. The Company forecasts sales and profit growth and record-high results. Compared to the previous forecast (initial officially announced values on September 5, 2025: net sales of ¥20,700mn, operating profit of ¥5,250mn, ordinary profit of ¥5,275mn, and profit attributable to owners of parent of ¥3,725mn), the Company left net sales unchanged considering the risk of server delivery delays due to the semiconductor shortage, but because progress in large-scale projects in the System Solutions Business was better than expected, it upwardly revised operating profit by ¥250mn, ordinary profit by ¥265mn, and profit attributable to owners of parent by ¥325mn. This takes the form of an upward revision reflecting the profit upside in 1H, and the profit increase margin is expected to expand compared to the previous forecast.

#### Outlook for FY7/26 consolidated results

	FY7/25		FY7/26		YoY		1H	
	Results	% of net sales	Forecast	% of net sales	Change	% change	Results	Progress rate
	(¥mn)							
Net sales	19,294	100.0%	20,700	100.0%	1,406	7.3%	10,360	50.1%
Gross profit	10,659	55.2%	11,900	57.5%	1,241	11.6%	5,948	50.0%
SG&A expenses	5,840	30.3%	6,400	30.9%	560	9.6%	3,116	48.7%
Operating profit	4,818	25.0%	5,500	26.6%	682	14.1%	2,831	51.5%
Ordinary profit	4,767	24.7%	5,540	26.8%	773	16.2%	2,850	51.4%
Profit attributable to owners of parent	3,488	18.1%	4,050	19.6%	562	16.1%	1,956	48.3%

Note: Forecast values are the revised values as of March 6, 2026.

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

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 response to changes in the EC market, the Online Solutions Business will promote an expansion in the scale of customer companies and an increase in average customer spending through cross-selling. It is also forecasting gross profit to increase 11.6% to ¥11,900mn, the gross profit margin to increase 2.3pp to 57.5%, SG&A expenses to rise 9.6% to ¥6,400mn, the SG&A expenses ratio to increase 0.6pp to 30.9%, and the operating profit margin to increase 1.6pp to 26.6%. The gross profit margin is on an upward trend due to the effects of the continuous expansion of recurring revenue and improved project quality. In terms of expenses, the increase in personnel expenses is expected to fall below expectations due to a decrease in retirement benefit obligations caused by rising interest rates, but considering upfront investments such as research and development, it is expected to remain roughly at the same level as the initial forecast. The Company plans to hire 62 new graduates joining in April 2026 and 25 to 35 mid-career hires for the full year. We at FISCO contend that the Company is positioned to deliver favorable results due to the effects of the continuous expansion of recurring revenue and improved project quality, 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 plan for FY7/28 at net sales of ¥24,300mn, gross profit of ¥13,850mn, a gross profit margin of 57.0%, operating profit of ¥6,312mn, an operating profit margin of 26.0%, and profit attributable to owners of parent of ¥4,334mn. The Company upwardly revised its profit forecasts for FY7/26, the first year of this plan, and plans to update the plan for FY7/27 and beyond as soon as it is possible to make a reasonable calculation.

#### Medium-term management (rolling) plan

	(¥mn)				
	FY7/25 Results	FY7/26 Initial plan	FY7/26 Revised plan	FY7/27 Plan	FY7/28 Plan
Net sales	19,294	20,700	20,700	22,436	24,300
Gross profit	10,659	11,645	11,900	12,706	13,850
Gross profit margin	55.2%	56.3%	57.5%	56.6%	57.0%
Operating profit	4,818	5,250	5,500	5,753	6,312
Operating profit margin	25.0%	25.4%	26.6%	25.6%	26.0%
Profit attributable to owners of parent	3,488	3,725	4,050	3,950	4,334

Note: Plans for FY7/27 and beyond will be updated as soon as a reasonable calculation can be made.

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

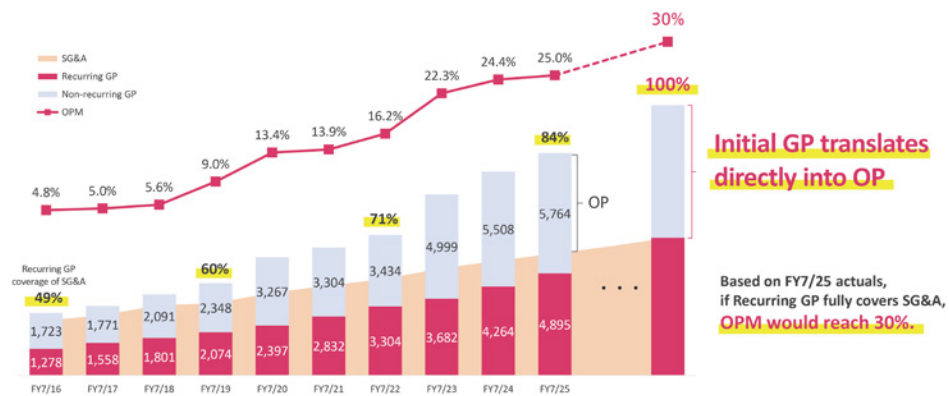
The Company has established a competitive advantage through its proprietary CROSS-OVER Strategy and has built trust and know-how through the Increasing Returns Business Model with a long-term perspective, thereby driving the Group’s growth. With the understanding that the business environment surrounding 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. It aims to lead reconstruction of the customer’s entire supply chain and organically combine a variety of industries, such as wholesale, manufacturing, logistics, retail, finance, and human resource businesses, going beyond simple system linkage. The Group of the Company plays a role of the backbone in this co-creation network (ecosystem) and contributes 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, and aims to achieve an operating profit margin of 30% by raising the coverage ratio for SG&A expenses against gross profit from recurring business to 100%.

Confidence in achieving an operating profit margin of 30%



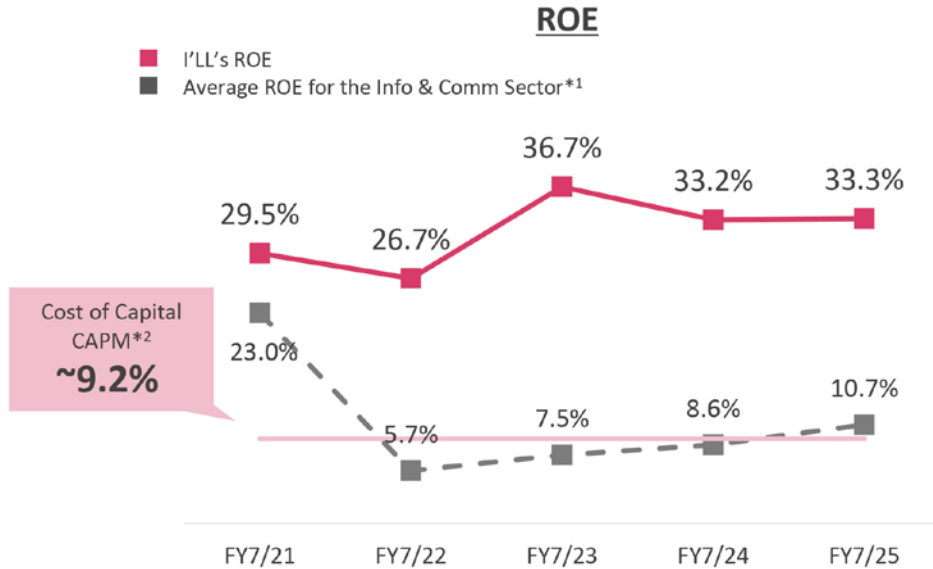
Source: The Company's results overview materials

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 by a wide margin and representing performance that exceeds the average for the information and communications industry. Price-to-Book Ratio (PBR) stands at roughly seven times, a level exceeding the average for the information and communications industry, 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 Russel's ESG index, the FTSE Blossom Japan Sector Relative Index.

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Growth strategy

Trend in ROE



\*1 The results of companies listed on the Prime Market for each fiscal year from the Tokyo Stock Exchange's research report "Financial Results Summary"

\*2 Because the Company has very little borrowing, the cost of shareholders' equity (CAPM) is adopted as the cost of capital. CAPM: Calculated as Risk-free rate +  $\beta$  value  $\times$  Market risk premium

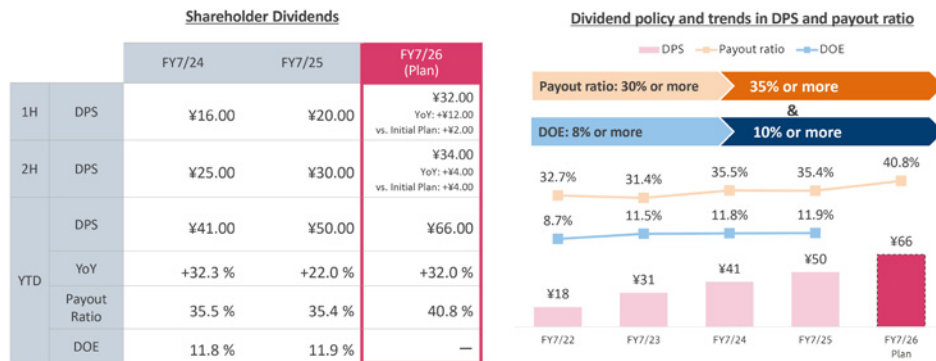
Source: The Company's results overview materials

## Upwardly revised the dividend forecast for FY7/26

### 2. Shareholder return policy

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%. In conjunction with the upward revision to the profit forecast, the Company upwardly revised its dividend forecast for FY7/26 by ¥6.00 annually (upwardly revised by ¥2.00 for 1H and ¥4.00 at fiscal year-end) on March 6, 2026, targeting an annual dividend of ¥66.0 (¥32.0 at 2Q-end and ¥34.0 at fiscal year-end), representing an increase of ¥16.00 YoY. This represents an increase in the dividend amount for a ninth consecutive year since FY7/18 and a forecast dividend payout ratio of 40.8%. Given that the Company plans to strengthen shareholder returns going forward, it is poised to further enhance shareholder returns accompanying growth in earnings.

### Dividend policy



Source: The Company's results overview materials

## Placing importance on investing in human capital

### 3. Sustainability management

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 feeling freedom, love, and dreams 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 aims to halve emissions of greenhouses gases (GHG) by FY2030 (achieved in FY7/24) and effectively reach 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.

#### Growth strategy

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 number of employees (on a consolidated basis) reached 1,009 by the end of FY7/25, exceeding 1,000 for the first time. 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 (10.2% based on the Company's research). In an engagement survey (conducted in January 2026), the Company achieved a score of 79 (industry average of 63), 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, in September 2025, it introduced a stock-granting ESOP trust as a new incentive plan, and in January 2026, it provided a uniform ¥50,000 "Otoshidama" (New Year's gift) to all employees separate from their bonuses (handed over in a traditional envelope).

Other 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 addition, 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, and in October 2025, it began depositing funds into the "Mizuho Impact Deposit," which supports companies engaged in social contribution and environmental conservation. Furthermore, in February 2026, the Company held a company-wide seminar "Sofy: Starting by Knowing. Fertility Treatment Seminar for Everyone" by Unicharm Corporation, and in April of the same year, it made leave for fertility treatment hospital visits paid leave. Also, in March of the same year, it formulated a policy to prevent job-hunting harassment.

## Achieving an operating profit margin of 30% in a new growth stage comes into view

### 4. 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. The Company is positioning this period as a preparation period for moving towards a new growth stage, and will promote the establishment of a business model and internal structural reforms while maintaining a sales and profit growth trend. Through these initiatives, we at FISCO note that the medium- to long-term target of "achieving an operating profit margin of 30% through a 100% coverage ratio for SG&A expenses against gross profit from recurring business" will likely come into view.



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