

COMPANY RESEARCH AND ANALYSIS REPORT

I'LL Inc.

3854

Tokyo Stock Exchange Prime Market

22-Apr.-2022

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FISCO Ltd.

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

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Summary

Total system solutions company supporting customers' DX through its "CROSS-OVER Synergy" strategy

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

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

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

The Company changed its policy toward a profit-oriented strategy and is promoting better process management, quality control and higher productivity in development and customization, and expanding recurring net sales as priority measures. As a result, its gross profit margin on a Company-wide basis has trended upward to reach an all-time high of 51.7% in 1H FY7/22 (42.2% in 1H FY7/18), as the significant increase in earnings capability has become clear.

1. Overview of 1H FY7/22 results

The Company reported 1H FY7/22 consolidated results* of ¥6,045mn in net sales, ¥847mn in operating profit, ¥859mn in ordinary profit, and ¥563mn in profit attributable to owners of parent. The achievement rate of initial forecasts is minus 1.4% for net sales, 11.7% for operating profit, 12.0% for ordinary profit, and 13.9% for profit attributable to owners of parent. The effects of constraints on business activities due to the COVID-19 pandemic and delays to the delivery of server devices due to semiconductor shortages meant that net sales fell a little short of initial forecasts. However, a favorable business environment due to factors such as a growing need for DX at companies led to a record high number of orders. In terms of profits, although there was an increase in SG&A expenses, the continuing effects of initiatives to increase the gross profit margin resulted in a new record high gross profit margin of 51.7% and each type of profit exceeding initial forecasts.

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

Summary

2. FY7/22 outlook

For the FY7/22 consolidated results forecasts*, the initial forecast is unchanged and the Company is forecasting net sales of ¥13,300mn, operating profit of ¥2,000mn, ordinary profit of ¥2,026mn, and profit attributable to owners of parent of ¥1,297mn. Compared with the restated figures for FY7/21, this represents a 10.4% increase in net sales, a 31.0% increase in operating profit, a 30.4% increase in ordinary profit, and a 26.7% increase in profit attributable to owners of parent. As the initial forecasts are weighted toward the second half of the year, at FISCO we think that smooth progress is being made on achieving the full year forecasts. Also, considering that 1H FY7/22 results for each profit line exceeded initial forecasts and a favorable business environment due to factors such as a growing need for DX at companies, we also think there is a strong possibility that results will end up exceeding the Company's forecasts.

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

3. Medium-term growth strategies

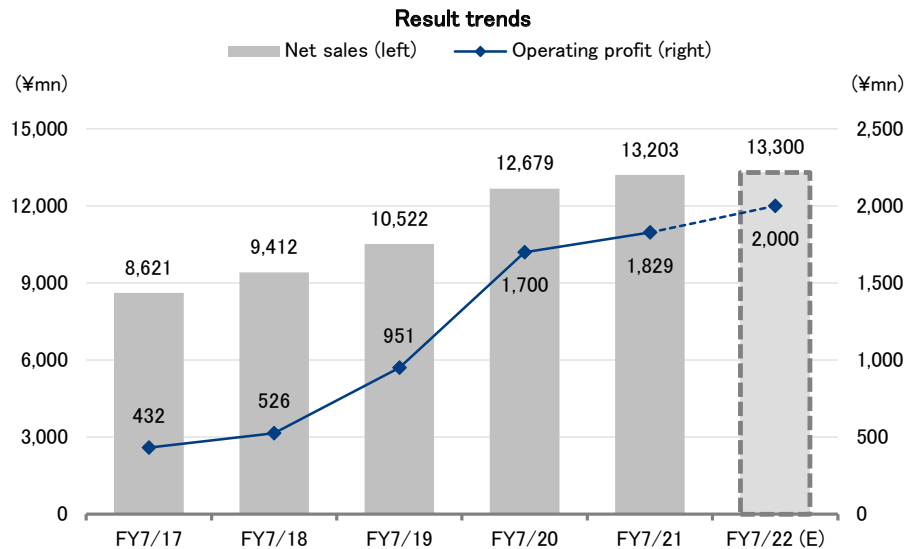
Under the three-year medium-term management plan (FY7/22 – FY7/24, rolling basis updated each year), the Company aims to achieve net sales of ¥16,000mn, operating profit of ¥2,800mn, operating profit margin of 17.5%, ordinary profit of ¥2,826mn, and profit attributable to owners of parent of ¥1,809mn in FY7/24. It also has a medium-term target of an operating profit margin of 20% in FY7/25. The Company is advancing the "CROSS-OVER Synergy" strategy as its basic strategy for growth and it aims to build highly profitable operations through the organic coupling of proprietary services and products that incorporate new technologies and the provision of total solution packages with high added value to the market. It is also working toward further profit increases through continued growth in recurring business and improvement in profitability of initial product sales.

The Company has also established "BX" as a business policy. This aims to not simply increase efficiency through DX, but also aims to realize value creation through organic service proposals and changes through consulting. This concept is based on the fact that it is becoming important for corporate value creation to be able to exert synergistic effects without separating the efficiency of online from the digitization of sites, offices, and stores. At FISCO, we think further growth acceleration of the Company can be expected as it supports all types of companies through backside transformation.

Key Points

- Total system solutions company supporting customers' DX through its "CROSS-OVER Synergy" strategy
- Although the initial forecasts for FY7/22 remain unchanged, the 1H FY7/22 results for each profit line suggest a strong possibility that results will end up exceeding the Company's forecasts
- Aiming for acceleration in growth due to evolution of value creation support through BX

Summary



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

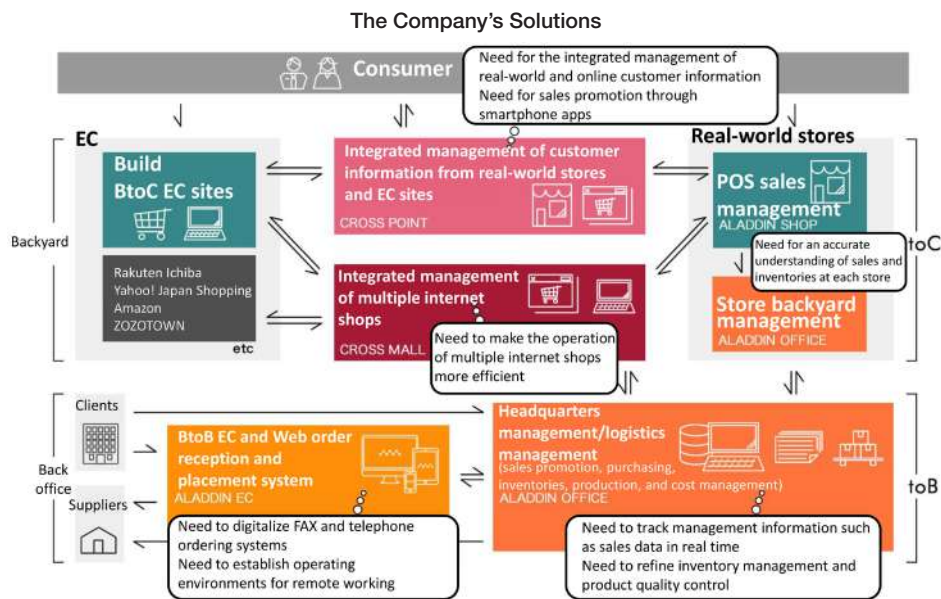
Company overview

A total system solutions company supporting customers' DX

1. Company overview

The Company is a total system solution company that supports DX that addresses all management challenges facing customer companies, with mid-tier and small/medium-size companies as its main customers. With the mainstay, internally developed mission-critical operation management system Aladdin Office series, the Company supplies products and services to mid-tier and small/medium-size companies needing efficient use of IT to enhance management capabilities. By providing various types of systems, solutions, and services, the Company aims to realize a "All One Stop" service merging real-world and online capabilities.

Company overview



Source: From the Company's results overview

At the end of 1H FY7/21, the Company's headquarters are located in Kita-ku, Osaka, and its offices include the Osaka Headquarters, Tokyo Headquarters (Minato-ku, Tokyo), Nagoya Branch (Naka-ku, Nagoya). It also has research and development operations at the I'LL Matsue Laboratory (R&D center in Matsue, Shimane Prefecture). The Company also operates I'LL Career Colleges (ICCs) in Osaka and Tokyo as educational entities that offer individual and corporate training.

The Group comprises the Company and one consolidated subsidiary (web-base.co.). Also, in June 2017, the Company invested in Sivira Inc. (additional investment made in June 2021) and concluded a capital and business alliance.

At the end of 1H FY7/21, the Company had total assets of ¥8,247mn, net assets of ¥5,092mn, ¥354mn in share capital, an equity ratio of 61.7%, and has 25,042,528 shares (including 8,030 treasury shares) in outstanding share volume.

2. History

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

Company overview

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

Company history

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

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

Business overview

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

1. Overview of services

The Company provides a range of products and services to mid-tier and small/medium-size companies that require effective IT utilization, so that they can solve their management issues. These solutions are for the mainstay Aladdin Office series, an internally developed mission-critical operation management system, and encompass mission-critical system construction, system support maintenance, network construction, human resource education, web consulting, EC site construction, mission-critical operation package software, multiple EC site integrated management software, and real-world store and EC customer and loyalty point integrated management software. By providing such solutions, the Company helps enhance client companies' management capabilities in a wide range of fields such as strengthening their sales capabilities, streamlining their operations (store management, order reception and placement, inventory management, and backside operation, etc.), and assisting with training of human resources. The Company also operates ICCs in Osaka and Tokyo as educational entities that offer individual and corporate training.

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

Business activities



Source: From the Company's results overview

Business overview

In 1H FY7/22, the System Solutions Business accounted for 84.3% of the Company's sales, and the Online Solutions Business accounted for 15.7% of sales (CROSS Business: 11.6%, Other Online Business: 4.2%). The Other Online Business is seeing a downward trend in sales due to the fact that the Company halted services offered by the @VAL job openings and job seeker information site in November 2019, but the mainstay System Solutions Business and CROSS Business continue to see an increasing trend in sales, and there have been no major changes in the sales composition ratio.

Sales trend by business

	(¥mn)				
	1H FY7/18	1H FY7/19	1H FY7/20	1H FY7/21	1H FY7/22
System Solutions Business	3,722	4,022	6,165	5,744	5,094
Online Solutions Business	615	710	792	852	951
CROSS Business	355	432	511	595	699
Other Online Business	260	278	281	256	251
Total	4,338	4,732	6,957	6,596	6,045

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

(1) System Solutions Business

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

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

The Company aims to strengthen product capabilities and differentiate itself from rivals by developing systems suited to the industries and business formats of customer companies and conducts flexible customization. Along with reinforcement of product variations designed for individual industries, it also emphasizes recurring business that obtains revenue from maintenance and operational support after sales.

At the industry level, the Company is an approved supporting member of multiple cooperatives, including the Kansainejikyoudoukumiai (Kansai Screw Cooperative) that approved it as the first supporting member from the IT industry in 2006, and leverages industry connections in sales activities. It also enhances product value incorporating the industry's latest information into its systems. Additionally, it operates I'LL Career Colleges that provide educational services for human resource training at customer companies, such as IT and OA literacy education, engineer cultivation, credential acquisition assistance, and business skills.

(2) Online Solutions Business

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

Business overview

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

2. Main products

Below is a list of the Company's main products and leading customer deployment examples.

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

These products support digitalization of operation management, including sales, inventory, production, and store activities, and improved management capabilities by promoting workstyle reforms with better operational efficiency and strengthening internal compliance. Leading deployment examples are shirt and necktie firm Maker's Shirt Kamakura, stocking and socks firm Fukusuke Corporation, ladies' fashion firm ANAP <3189>, high-end leather shoes firm Madras Inc., eco-friendly product importer and wholesale firm e.oct Inc., Nagoya specialty Tenmusu firm Jiraiya, apparel and restaurant business operator under the DOG DEPT brand Net Work Co., Ltd., salt and rock salt wholesale firm Japan Seasoning, Co., Ltd., screw specialty trading firm Touyo Screw Co., Ltd., men and women's apparel firm GUEST LIST Co.,Ltd., and food product wholesaler Sanei Foods Co., Ltd..

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

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

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

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

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

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

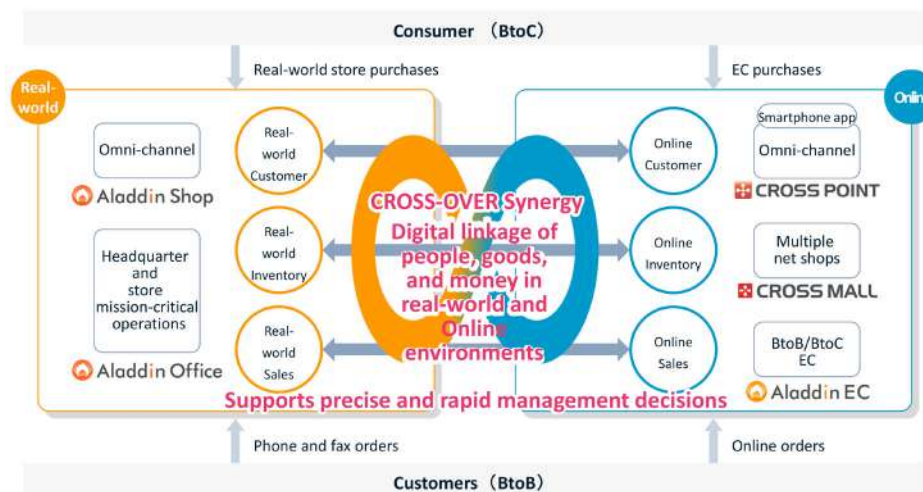
Business overview

3. "CROSS-OVER Synergy" strategy

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

The Company possesses robust offensive and defensive capabilities thanks to this "CROSS-OVER Synergy" strategy, and the number of client companies is on the rise. In FY7/21, the number of client companies increased 6.8% YoY to 6,774 companies (a 4.0% increase to 4,773 companies in the System Solutions Business, a 14.3% increase to 2,001 companies in the Online Solutions Business). An increase in the number of customers has also prompted a significant increase in the sales performance of recurring business, one of the Company's focuses, thereby enhancing profitability.

Business model and CROSS-OVER Synergy



Source: From the Company's results overview

4. Characteristics and strengths

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

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

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

We encourage readers to review our complete legal statement on "Disclaimer" page.

Business overview

(2) Designated industry emphasis strategy

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

(3) Strong sales and inventory management know-how

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

(4) Product ecosystem strategy that realizes total solutions

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

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

As of the end of July 2021, the composition of the Company's 766 employees (up 43 employees from the end of the previous fiscal year) was engineers at 73%, salespeople at 18%, and general staff at 9%. The Company places emphasis on post-system provision support too with an operation in which roughly 70% of employees are engineers. It intends to continue strengthening technology division personnel with the aim of having an organization that promotes cultivation of human resources who handle three roles (industry and operation know-how, mission-critical systems, and online) and reinforcement of technology capabilities. Meanwhile, the Company is also promoting an environment and product development to overcome labor-intensive production.

(6) Ability to accommodate individual customization

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

(7) Omni-channel strategy in retail business

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

Business overview

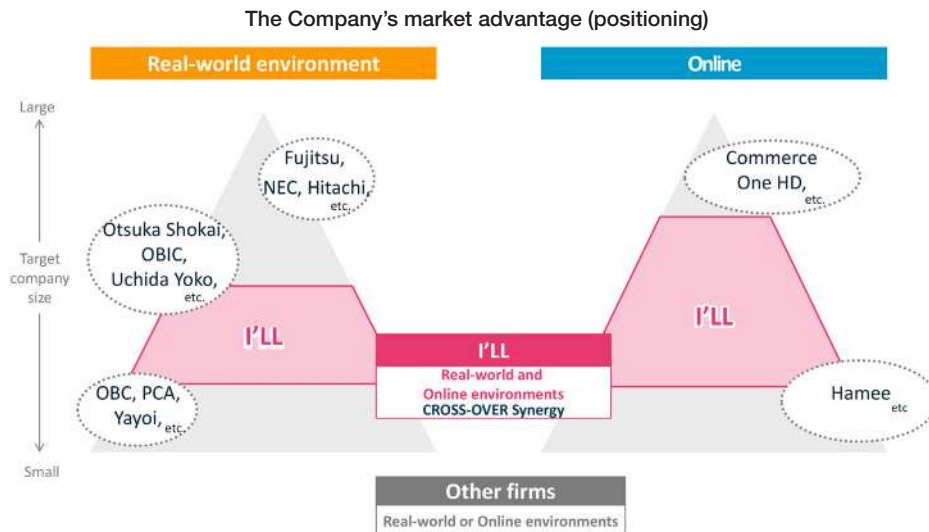
(8) High proprietary product and service ratios

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

(9) Partner strategy

A feature of the Company is that it is also highly trusted by partners in new deal introductions and sales cooperation (banks, system integrators, IT equipment manufacturers, consultants, accounting offices, etc.). Deals introduced by partners represented 36.2% of new orders (on a value basis, end of FY7/21) in the System Solutions Business. In addition, inquiries via the Company's website accounted for 35.1% of new orders, indicating an uptrend. The rising percentages of these pull-type sales activities including deals introduced by partners and inquiries via the Company's website have led to more efficient sales activities.

In this way, as a result of being well-versed in industries and operations, its advantage of having human resources with knowledge about mission-critical systems and online, as well as its partner strategy, the Company's win rate versus competitors is 90.8% (FY7/21) and its repeat order rate is 98.4% (FY7/21). This can be said to put it in a very competitive position.



Source: From the Company's results overview

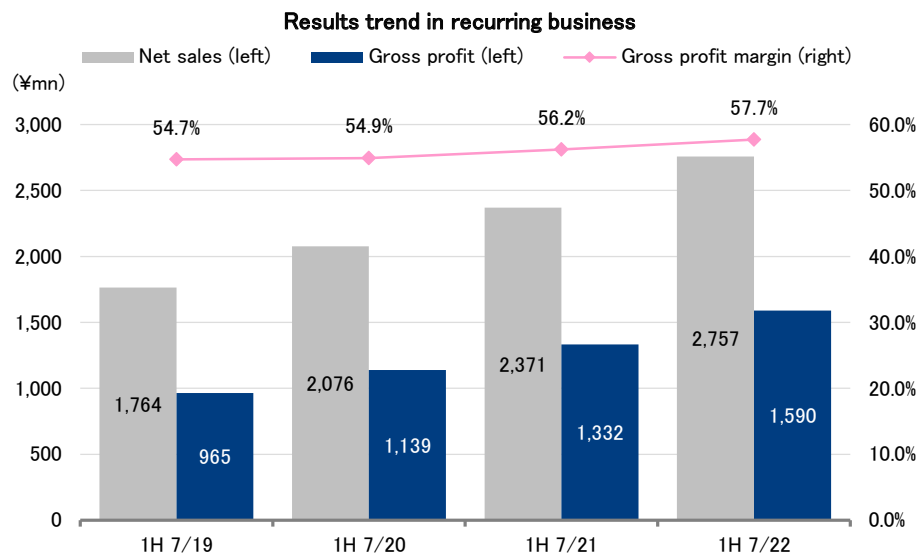
5. Strategy emphasizing profits

The Company changed its policy toward a profit-oriented strategy in FY7/17. Specifically, the Company is promoting better process management, quality control and higher productivity in development and customization, and expanding sales from recurring business as priority measures.

Business overview

As ways of strengthening process management, quality control and improving productivity in development and customization, the Company implements comprehensive measures to boost quality and productivity and gross profit margin enhancement measures, such as reducing customization steps and preventing trouble ahead of time through reinforced collaboration between sales and development teams at the orders stage. Since FY7/20, it integrated sales and support (system sales and system support) with organizational change and further enhanced collaboration. Additionally, despite the Company's support for individual customization as a fundamental strategy, it is improving its gross profit margin by expanding orders conforming to packaged functions to minimize customization and shortening lead time with enhanced quality and productivity.

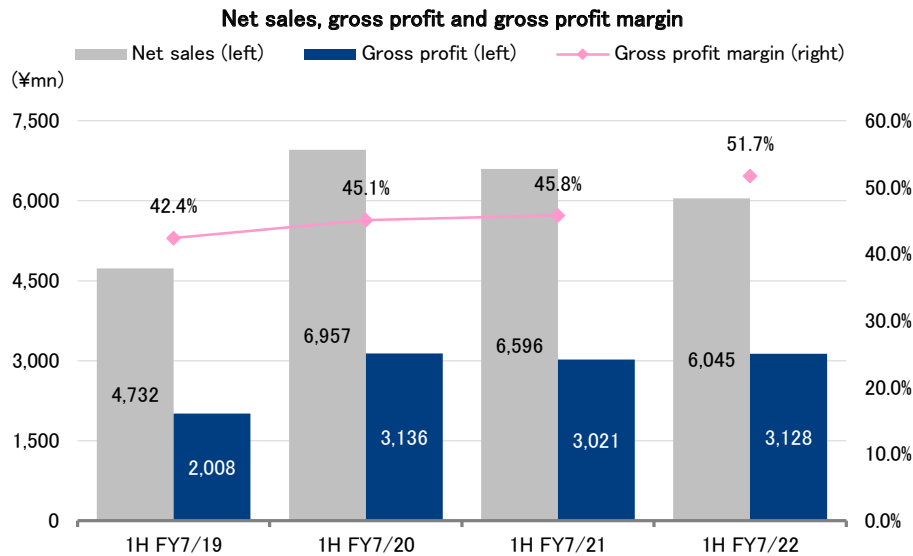
To expand recurring revenue sales, the Company's focuses include system maintenance services in the System Solutions Business and CROSS MALL and CROSS POINT in the Online Solutions Business. Performance in 1H FY7/22 was strong, with ¥2,757mn in recurring net sales (up 16.3% YoY), ¥1,590mn in gross profit (up 19.4%), and 57.7% gross profit margin (up 1.5ppt).



Note: "Accounting Standard for Revenue Recognition", etc. applied from the start of FY7/22.
 In accordance with this change in accounting standards, past results have been retroactively adjusted to exclude transactions involving supply products from recurring business
 Source: Prepared by FISCO from the Company's results overview

The Company has promoted measures to improve productivity and expanded sales from recurring business as priority measures. As a result, its gross profit margin on a Company-wide basis has trended upward to reach an all-time high of 51.7% in 1H FY7/22 (42.2% in 1H FY7/18), as the significant increase in profitability has become clear.

Business overview

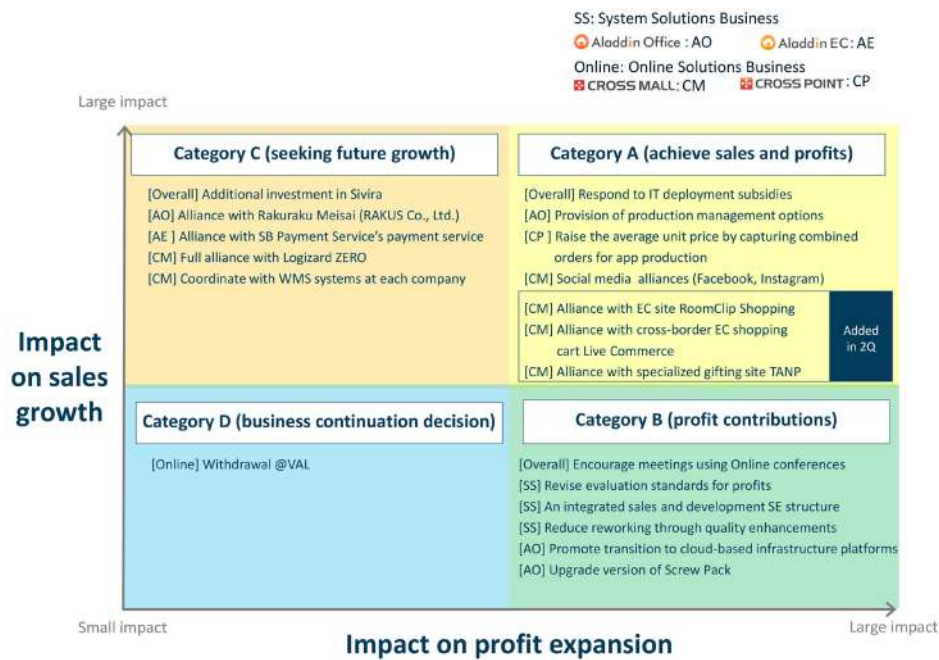


Note: "Accounting Standard for Revenue Recognition", etc. applied from the start of FY7/22
 Source: Prepared by FISCO from the Company's results overview

6. Strengthen service collaboration with business partners

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

Initiatives to Drive Growth and Profit Expansion



Source: From the Company's results overview

Business overview

The Company added a production management option to the mission-critical operation management system Aladdin Office in January 2020 as an updated version of the existing product. With this capability, manufacturing customers can efficiently systematize production management functions that they require. Meanwhile, by offering functions as options that had previously been customized, the Company benefits from reduced SE work-hours and improved gross profit by ensuring quality. In addition, in June 2021, the Company introduced an upgraded version of Aladdin Office for screw manufacturers and wholesalers. Specifically, the new system supports the registration of 30-digit product codes and processing and importing operations to meet the trend of an increasing number of products in the screw industry.

Regarding service alliances with business partners, the mission-critical operation management system Aladdin Office in the System Solutions Business has a book ledger data collaboration with RAKUS Co., Ltd.'s <3923> web form issuance system "Rakuraku Meisai" (November 2019) and Aladdin EC, the BtoB EC and online orders reception and placement system, interacts with SB Payment Service's payment service (November 2019) and OBIC Business Consultants' <4733> Bugyo Cloud (August 2020).

CROSS MALL, a software product for integrated management of multiple EC sites in the Online Solutions Business, supports orders, inventory, and product collaboration with Z Holdings Corporation's <4689> PayPay Mall (November 2019), complies with the CMS function of Future Shop Co., Ltd.'s "futureshop" (March 2020), and interacts with BASE, Inc.'s <4477> BASE (June 2020). Additionally, CROSS MALL interacts with Brain Wave Co., Ltd.'s Happy Logistics (July 2020) and supports fully automated collaboration with Logizard ZERO of Logizard Co., Ltd. <4391> (October 2020). CROSS MALL collaborates with w2Commerce of w2solution Co., Ltd. (November 2020), supports automated collaboration with Logikura Co.'s Logikura (January 2021), and collaborates with the EC shopping mall JRE MALL of East Japan Railway Company <9020> (March 2021), and the online shopping platform Marui Web Channel of MARUI GROUP CO., LTD. <8252> (March 2021), completely automated alliance with "Cloud Thomas", KANTSU Co. Ltd.'s <9326> cloud warehouse management system (July 2021), and alliance with the shop functions of Facebook and Instagram (September 2021). Furthermore, in January 2022, CROSS MALL started coordinating order and inventory information with RoomClip Shopping, an EC site operated by RoomClip Inc. In March 2022, it also started coordinating order and inventory information with Digital Studio Co., Ltd.'s cross-border EC platform Live Commerce and with Gracia Inc.'s specialized gifting EC site TANP.

Moreover, in December 2020 the Company received certification for Shopify Experts, which is a partner program of Shopify, a cloud-based multi-channel commerce platform, and in May 2021, the Company's IT services received certification for METI's IT deployment subsidies 2021 program.

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

7. Risks, income characteristics, and measures

General risks in the information systems and services industry include competition for orders, longer development periods accompanying increasingly larger projects, individual projects becoming unprofitable, delays in addressing technological innovations, securing human resources, and other factors. In the Company's case, however, since it mainly develops and sells package software, there is less risk of incurring losses on individual projects compared to system development companies that primarily handle consigned development work. On the other hand, the Company encounters profit margin setback from increases in process steps and software bugs in development and customization because it pursues differentiation from rivals through the provision of flexible customization suited to customers. It is addressing this challenge with the policy change of a stronger emphasis on profits as discussed above, and it is working to reduce customization process steps and prevent trouble ahead of time by strengthening collaboration between sales and development, and it is also working to boost quality and productivity with improvements in the workplace environment.

In the information systems and services industry, seasonal volatility in quarterly results due to booking sales from large projects and timing of customer inspections. The Company whose fiscal year ends in July similarly tends to book higher sales in 2H (February to July) than in 1H (August to January). SG&A expenses are typically higher in 4Q (May to July) due to entry of new employees and incentives. In response to these characteristics, the Company has been trying to mitigate the uneven timing of sales recognition by spreading out orders and increasing orders for maintenance and other recurring services. It expects to make gradual progress on standardizing income recognition. In FY7/20 and FY7/21, meanwhile, the income composition was irregular on a quarterly and half-year basis, because of special demand-related factors and the rebound from those factors.

Results trends

1H FY7/22 results for all profit items exceeded forecasts

1. Overview of 1H FY7/22 results

The Company reported 1H FY7/22 consolidated results of ¥6,045mn in net sales, ¥847mn in operating profit, ¥859mn in ordinary profit, and ¥563mn in profit attributable to owners of parent. Furthermore, as the result of the application of "Accounting Standard for Revenue Recognition", etc., net sales increased by ¥489mn, cost of sales increased by ¥164mn, and non-operating income decreased by ¥1mn compared to figures based on previous standards, resulting in a ¥325mn increase in operating profit and ¥323mn increases in ordinary profit and profit attributable to owners of parent.

Results trends

1H FY7/22 Consolidated Results

	1H FY7/21		Initial forecasts	1H FY7/22		Initial forecasts Achievement rate
	Results	Composition ratio		Results	Composition ratio	
Net sales	6,596	-	6,130	6,045	-	-1.4%
System Solutions Business	5,744	87.1%	-	5,094	84.3%	-
Online Solutions Business	852	12.9%	-	951	15.7%	-
CROSS Business	595	9.0%	-	699	11.6%	-
Other Online Business	256	3.9%	-	251	4.2%	-
Recurring net sales	2,371	35.9%	-	2,757	45.6%	-
Gross profit	3,021	45.8%	-	3,128	51.7%	-
System Solutions Business	2,599	45.2%	-	2,666	52.3%	-
Online Solutions Business	421	49.4%	-	461	48.5%	-
CROSS Business	329	55.3%	-	382	54.7%	-
Other Online Business	91	35.5%	-	79	31.5%	-
Gross profit from recurring business	1,332	56.2%	-	1,590	57.7%	-
SG&A expenses	2,067	31.3%	-	2,280	37.7%	-
Operating profit	954	14.5%	759	847	14.0%	11.7%
Ordinary profit	971	14.7%	768	859	14.2%	12.0%
Profit attributable to owners of parent	635	9.6%	495	563	9.3%	13.9%

Note: "Accounting Standard for Revenue Recognition", etc. applied from the start of FY7/22.

Within the figures for 1H FY7/21, recurring net sales and gross profit from recurring business have been restated.

The composition ratio of gross profit by business is the ratio of gross profit to net sales of each business (gross profit margin by business)

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

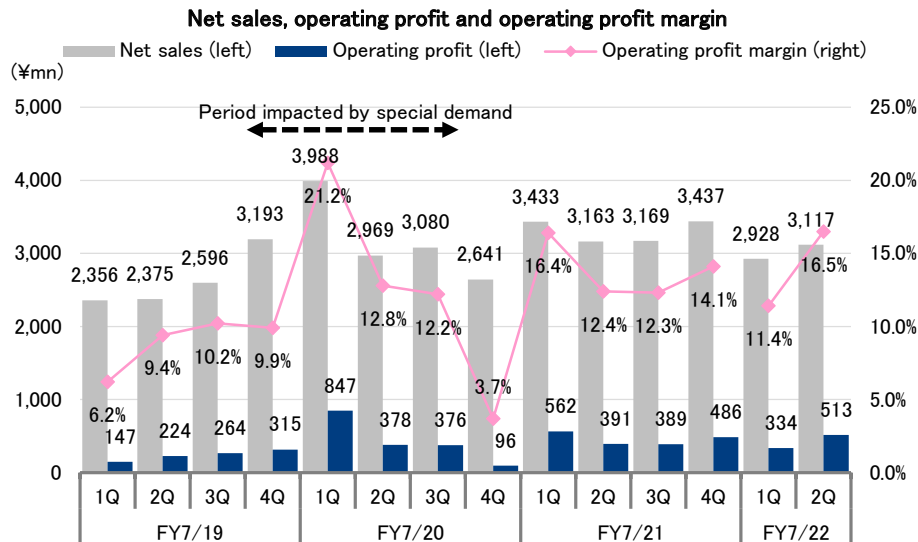
As "Accounting Standard for Revenue Recognition", etc. have been applied from the start of FY7/22, year on year change has not been disclosed. However, the achievement rate of initial forecasts is minus 1.4% for net sales, 11.7% for operating profit, 12.0% for ordinary profit, and 13.9% for profit attributable to owners of parent. The effects of constraints on business activities due to the COVID-19 pandemic and delays to the delivery of server devices due to semiconductor shortages meant that net sales fell a little short of initial forecasts. However, a favorable business environment due to factors such as a growing need for DX at companies led to a record high number of orders. Furthermore, in terms of profits, although personnel costs increased by ¥107mn due to personnel investment targeting future growth and SG&A expenses increased ¥213mn due to an increase in the rent for the Osaka Headquarters from 3Q FY7/21, the continuing effects of initiatives to increase the gross profit margin, such as strengthening process management and quality control in development and customization and expanding sales from recurring business, resulted in a new record high gross profit margin of 51.7% and all profit lines exceeding initial forecasts.

Recurring net sales increased 16.3% YoY to ¥2,757mn and the ratio it occupies of overall sales rose by 9.7ppt to 45.6%. Gross profit from recurring business increased by 19.4% to ¥1,590mn and the ratio it occupies of overall gross profit rose 6.7ppt to 50.8%. The gross profit margin increased 1.5ppt to 57.7%*. The results for recurring net sales and gross profit from recurring business are new record highs and as the composition ratio of both of these have increased, it indicates that they are contributing to profitability.

* In accordance with the application of "Accounting Standard for Revenue Recognition", etc. from the start of FY7/22, figures from 1H FY7/21 provided for year-on-year comparison have been restated to exclude transactions involving supply products from recurring business.

Results trends

Looking at quarterly performance, in 1Q FY7/21, net sales and profit declined due to the recoil decline from the special demand in the same period of the previous fiscal year, but in 2Q FY7/21 both sales and profit turned to YoY increases, partially due to the easing of this recoil impact, before coming largely full circle by 4Q. In FY7/22, although the COVID-19 pandemic and changes to accounting standards had an impact, the situation has returned to roughly the same as it was in the period before the extraordinary demand.



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

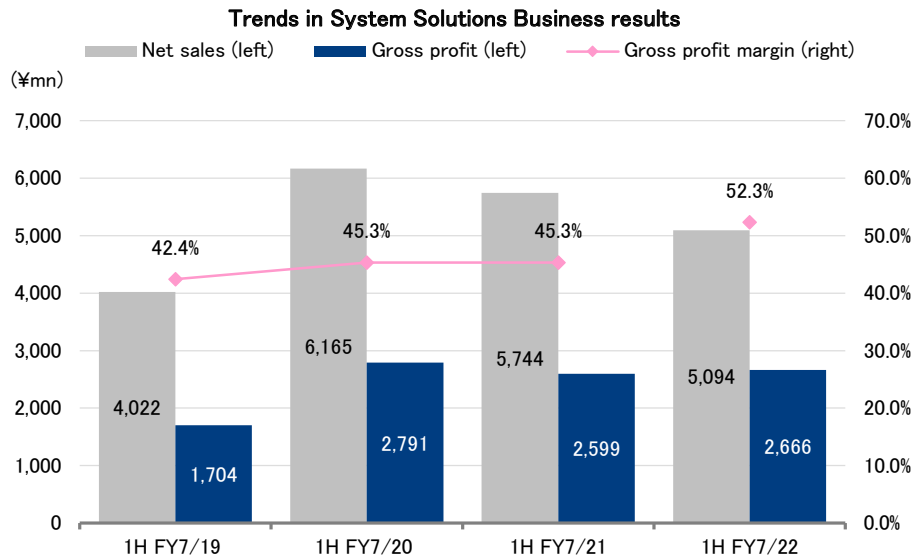
Increasing trend in the System Solutions Business and CROSS Business

2. Trends by business segments

(1) System Solutions Business

The System Solutions Business reported ¥5,094mn in net sales, ¥2,666mn in gross profit and a gross profit margin of 52.3%. The business environment continued to improve due to increasing need for DX and an increase in large projects. Net sales were largely in line with forecasts, despite delays to the delivery of server devices due to semiconductor shortages. The gross profit margin increased significantly due to factors including improved project accuracy through an integrated sales and development SE structure, a decrease in the number of cases of aftercare support work on operational systems due to enhanced quality, profit increases from the introduction of new packages, function enhancements, and more varied options, differentiation from other companies through the "CROSS-OVER Synergy" strategy, and the success of initiatives to increase the gross profit margin such as the accumulation of recurring net sales. In 2H, the Company will continue efforts to diversify server device suppliers and enhance cloud (IaaS) proposals.

Results trends



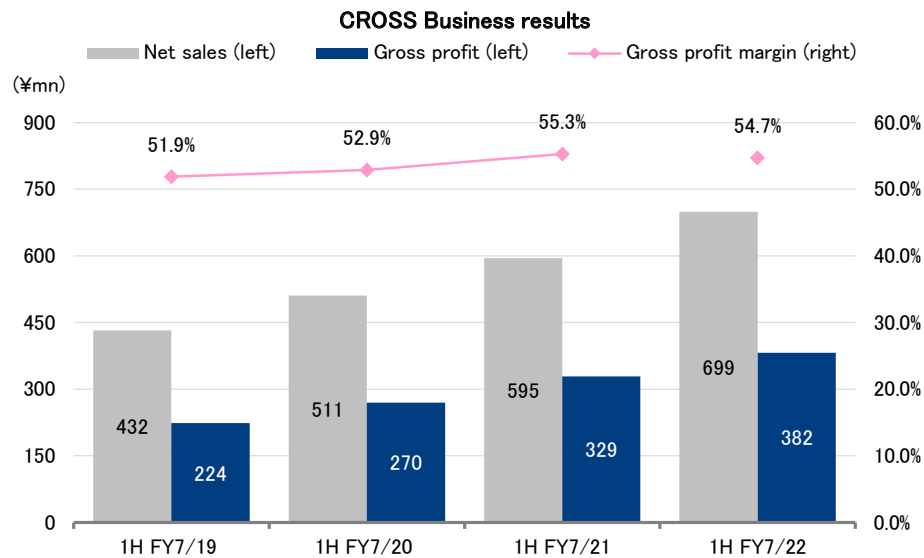
Note: "Accounting Standard for Revenue Recognition", etc. applied from the start of FY7/22
 Source: Prepared by FISCO from the Company's results overview

(2) Online Solutions Business

The Online Solutions Business reported ¥951mn in net sales, ¥461mn in gross profit and a gross profit margin of 48.5%. Within this, the CROSS Business reported ¥699mn in net sales, ¥382mn in gross profit and a gross profit margin of 54.7% and the Other Online Business reported ¥251mn in net sales, ¥79mn in gross profit and a gross profit margin of 31.5%. Recurring net sales of CROSS MALL increased 16% YoY and recurring net sales of CROSS POINT increased 27%.

In the mainstay CROSS Business, both net sales and gross profit continued to grow. Although accelerated new entry into the EC business at each company seemed to come to a pause during the pandemic, introductions from alliance partners and existing companies enabled the Company to maintain new contract numbers and contract termination rates at similar levels to the previous year. The impact of the application of new accounting standards was minimal.

Results trends



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

A sound financial standing

3. Financial conditions and management indicators

As of the end of 1H FY7/22, total assets decreased ¥202mn YoY to ¥8,247mn. Although notes and accounts receivable - trade, and contract assets increased, cash and cash equivalents and work in process decreased. Total liabilities decreased ¥705mn to ¥3,155mn. Income taxes payable, accrued expenses, and accrued consumption taxes all decreased. Total net assets were up ¥502mn to ¥5,092mn due to increased retained earnings. As a result, the current ratio rose by 135.0ppt to 406.0%, the non-current (assets) ratio decreased by 6.2ppt to 45.3%, and the equity ratio increased 7.4ppt to 61.7%.

Cash flows from operating activities in 1H FY7/22 temporarily decreased to an inflow of ¥54mn. This was due to the advance procurement of server devices to mitigate the risk of supply delays caused by semiconductor shortages and an increase in trade receivables (contract assets) accompanying the application of new accounting standards, and therefore no cause for concern.

Results trends

Consolidated balance sheets and management indicators

	End-FY7/19	End-FY7/20	End-FY7/21	End-1H FY7/22	Change
	(¥mn)				
Total assets	6,646	7,585	8,449	8,247	-202
Current assets	4,409	4,993	6,087	5,942	-145
Non-current assets	2,236	2,591	2,362	2,304	-57
Total liabilities	3,794	3,871	3,860	3,155	-705
Current liabilities	2,335	2,366	2,246	1,463	-783
Non-current liabilities	1,459	1,505	1,613	1,691	77
Total net assets	2,851	3,713	4,589	5,092	502
(Management indicators)					
Current ratio	188.8%	211.0%	271.0%	406.0%	135.0pt
Non-current (assets) ratio	78.4%	69.8%	51.5%	45.3%	-6.2pt
Equity ratio	42.9%	49.0%	54.3%	61.7%	7.4pt

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

■ Outlook

Initial forecasts for FY7/22 remain unchanged, but there is a strong possibility that results will end up exceeding the Company's forecasts

1. FY7/22 outlook

For FY7/22 consolidated results forecasts, the initial forecast is unchanged and the Company is forecasting net sales of ¥13,300mn, operating profit of ¥2,000mn, ordinary profit of ¥2,026mn, and profit attributable to owners of parent of ¥1,297mn. As the Company has applied "Accounting Standard for Revenue Recognition", etc. from the start of FY7/22, it is not disclosing YoY percentage changes, but a comparison with restated results for FY7/21 show a 10.4% increase in net sales, a 31.0% increase in operating profit, a 30.4% increase in ordinary profit and a 26.7% increase in profit attributable to owners of parent. With the new accounting standards, there will be a change from an inspection basis (book sales in one lump-sum upon a customer's inspection of goods/services) to a percentage of completion basis (revenue arises according to the percentage of completion), and revenue from the sale of supply products in the System Solutions Business will change to booking the net gross profit amount. Although this will put downward pressure on net sales and gross profit, it is a one-off accounting issue, and the fact remains that business development is proceeding smoothly. Although it will appear that growth has temporarily dulled, the impact of the change in accounting standards on each profit line will be minimal, and at FISCO we view the forecast as being that of effectively higher net sales and profits.

Outlook

FY7/22 Consolidated Results Forecast

(¥mn)

	FY7/21				FY7/22		% change Provisional comparison	2Q achievement rate
	Former accounting standards		New accounting standards		Forecast	% of sales		
	Results	% of sales	Provisional figures	% of sales				
Net sales	13,203	-	12,044	-	13,300	-	10.4%	45.5%
Operating profit	1,829	13.9%	1,527	12.7%	2,000	15.0%	31.0%	42.4%
Ordinary profit	1,856	14.1%	1,554	12.9%	2,026	15.2%	30.4%	42.4%
Profit attributable to owners of parent	1,224	9.3%	1,024	8.5%	1,297	9.8%	26.7%	43.5%
Net income per share (yen)	48.89	-	-	-	51.81	-	-	-

Note: "Accounting Standard for Revenue Recognition", etc. applied from the start of FY7/22

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

The achievement rate of the full year forecasts is 45.5% for net sales, 42.4% for operating profit, 42.4% for ordinary profit, and 43.4% for profit attributable to owners of parent. As the initial forecasts are weighted toward the second half of the year, at FISCO we think this represents smooth progress. Also, the continuing effects of initiatives to increase the gross profit margin meant that in 1H, all profit lines exceeding initial forecasts. In addition to this, the business environment is favorable due to factors such as a growing need for DX at companies, so we also think there is a strong possibility that results will end up exceeding the Company's forecasts.

2. Priority measures

Under a favorable situation in terms of orders, the Company's priority measures include promoting recruitment of new customers using the web, realizing customer development through a new channel by holding webinars, strengthening collaboration with business partners who are helping to recruit new customers, improving deal accuracy through an integrated sales and development SE structure, and reducing reworking through multi-stage contracts for each development phase and enhanced system functionality. It will also work to improve SE productivity with customized assembly templates for the mission-critical operation management system Aladdin Office series and to expand sales of Aladdin EC, the BtoB EC and online orders reception and placement system that eliminates fax services, as well as sales of CROSS MALL, the integrated management software for operating multiple EC sites. Finally, it intends to increase average unit prices by capturing combined orders for CROSS POINT app production.

Medium-term growth strategy

Aiming for an operating profit margin of 20% in FY7/25 through continued growth in recurring business and measures to improve profitability of initial product sales

Under the three-year medium-term management plan (FY7/22 – FY7/24, rolling basis updated each year), the Company aims to achieve net sales of ¥16,000mn, operating profit of ¥2,800mn, operating profit margin of 17.5%, ordinary profit of ¥2,826mn, and profit attributable to owners of parent of ¥1,809mn in FY7/24. It also has a medium-term target of an operating profit margin of 20% in FY7/25.

Medium-term growth strategy

3-year plan

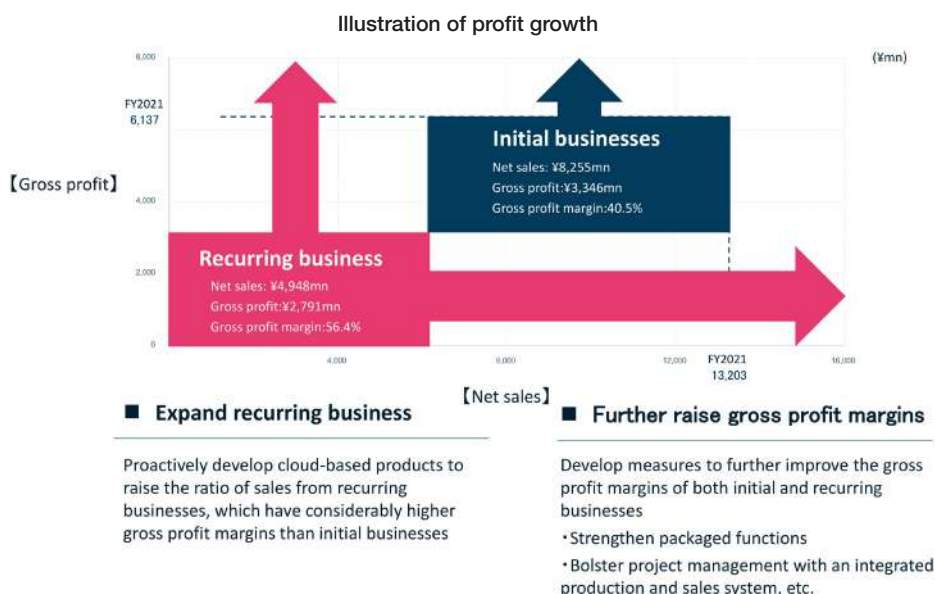
	FY7/21 results	FY7/22 forecasts	FY7/23 forecasts	FY7/24 forecasts
Net sales	13,203	13,300	14,600	16,000
Operating profit	1,829	2,000	2,400	2,800
Operating profit margin	13.9%	15.0%	16.4%	17.5%
Ordinary profit	1,856	2,026	2,426	2,826
Profit attributable to owners of parent	1,224	1,297	1,553	1,809

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

1. Basic strategy for growth

As the basic strategy for growth, the Company aims to be being a leading company in DX assistance and has set forth the following basic strategies for growth: (1) building a robust income foundation through stable growth in the System Solutions Business, (2) cultivating the Online Solutions Business as a second major income source, and (3) entering the field of new business operation systems that incorporate new technologies. The Company promotes a "CROSS-OVER Synergy" strategy and aims to build highly profitable operations through organic coupling of proprietary services and products that incorporate new technologies and provision of total solution packages with high added value to the market.

As a medium-term target, the Company is aiming to achieve an operating profit margin of 20% in FY7/25 through continued growth in recurring business and measures to improve profitability of initial product sales. Specifically, it aims to further raise gross profit margin through measures such as proactively developing cloud-based products in order to raise the ratio of sales from recurring businesses, which have considerably higher gross profit margins than initial businesses, as well as strengthening packaged functions and bolstering project management with an integrated production and sales system.



Note: In accordance with changes in accounting standards, results for FY7/21 have been restated to exclude transactions involving supply products from recurring business
 Source: From the Company's results overview

Medium-term growth strategy



Source: From the Company's results overview

(1) Building a robust income foundation through stable growth in the System Solutions Business

The Company is accelerating reinforcement of various industry package products, expansion of its customer base in five specialization industries (apparel and fashion, food, medical equipment, screw and metal parts, steel and non-ferrous industry), opening new sales locations and widening commercial zone areas, and development of the ERP market and BtoB EC market. In customer segment expansion, while wholesale business had been the main segment previously, it is pursuing expansion of manufacturing, import, and retail customers in the five specialization industries utilizing functions and know-how cultivated in industry-specific standard package development for the Aladdin Office mission-critical operation management system.

(2) Cultivating the Online Solutions Business as a second major income source

The Company intends to promote reinforcement of backside assistance for the BtoB EC market through development of next-generation cloud services and formulation of a new fee plan.

(3) Entering the field of new business operation systems that incorporate new technologies

The Company will advance the development of services utilizing blockchain and artificial intelligence (AI). Also, the Company will strengthen alliances with business partners and advance joint development with Sivira, with which it has a capital and business alliance.

2. R&D investments

(1) Utilizing blockchain technology through a capital and business alliance with Sivira

Utilizing the proprietary blockchain technology Broof from Sivira, with which the Company has a capital and business alliance, it is jointly enhancing security in cloud services, opening up inventory data, and planning, developing, and selling an open platform that extends across companies, stores, and services. In August 2017, it started operation of Sivira's blockchain technology Broof in the CROSS Series, its operation management cloud service.

Medium-term growth strategy

(2) Next-generation cloud R&D office I'LL Matsue Laboratory

The Company opened I'LL Matsue Laboratory in Matsue (Shimane Prefecture) as a next-generation cloud R&D office. Matsue is a “sacred city” for engineers as a city promoting use of “Ruby”, the first programming language developed in Japan to be recognized as meeting international standards. The Company aims to achieve high quality more efficiently in development of the next-generation version of existing cloud service “CROSS Series” by uniformly adopting Ruby, a programming language known for its simplicity and high productivity and flexibility, as the development language.

(3) Actively investing in R&D for services utilizing AI

According to the Company, 85.8% of orders from mid-tier and small/medium-size companies are made through “analogue” methods (fax, telephone, email, in-person sales, exhibitions), and the BtoB EC deployment rate remains at only 14.2%. Meanwhile, approximately 28% of companies responded that they are positively considering deploying BtoB EC, which means that over 40% of companies are shifting to digital methods.

Anticipated trends in the market environment are growing IT investments toward realizing DX, rising IT investments in ERP and other products as part of promoting workstyle reforms (boosting productivity), expansion of the EC market, and expansion of blockchain, AI, and other new technology markets. The Company is promoting R&D activities for data analysis and automated operations utilizing AI in operation system areas as an initiative to boost competitiveness in this market environment. It also plans to build CROSS-OVER platform that incorporates know-how cultivated in mission-critical systems and cloud services and further accelerate mutual collaboration between mission-critical systems and cloud services.

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

3. Business policy

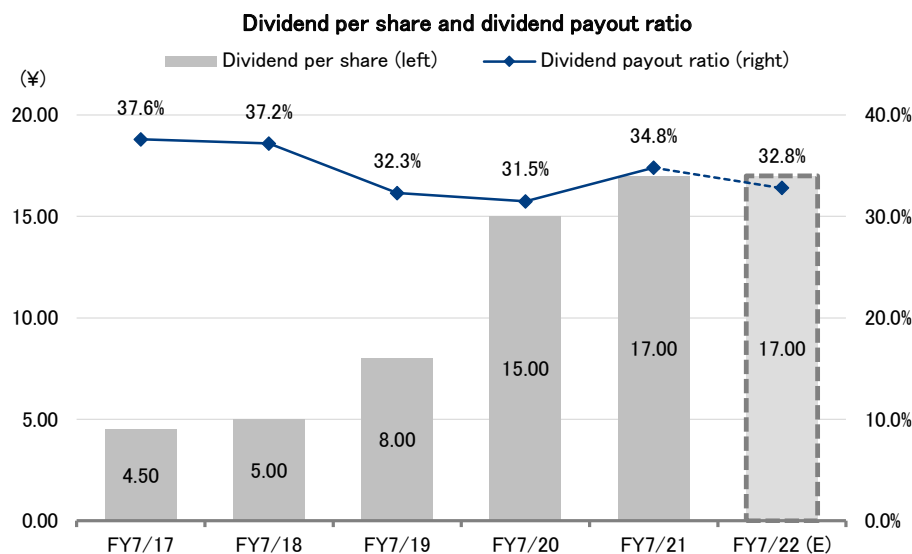
The Company has also established “BX” as a business policy. This refers to backside transformation through the Company’s proprietary “CROSS-OVER Synergy” strategy that supports DX with an IT-driven convergence of real-world and online. This aims to not simply increase efficiency through DX, but also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

Shareholder return policy

Targets a dividend payout ratio of at least 30%, DOE of at least 8%, and a stable dividend. For FY7/22, the Company expects an annual dividend of ¥17.0 per share, the same amount as in FY7/21

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

In line with this basic policy, the Company plans to pay a FY7/22 dividend of ¥17.00 (interim dividend of ¥8.00, year-end dividend of ¥9.00), the same amount as the previous year, resulting in a forecast dividend payout ratio of 32.8%. In conjunction with the Company's earnings growth, further enhancement of shareholder returns can be expected.



Note: The Company conducted 2-for-1 stock splits on August 1, 2018 and November 1, 2019 and has retroactively adjusted figures for FY7/19 and prior fiscal years accordingly











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

SDGs initiatives

The Company is also actively engaged in SDGs initiatives. For example, as part of its social contribution activities, the Company has supported MOVE FES. 2021 Supported by ONESTORY, an event held by WITH ALS General Incorporated Association in 2019 and 2021. WITH ALS carries out awareness-raising activities for ALS (amyotrophic lateral sclerosis), an intractable disease.

The Company also conducts community support initiatives in Matsue, Shimane Prefecture. At I'LL Matsue Laboratory, which was opened in 2017, the Company conducts local recruitment of personnel primarily from Shimane University and National Institute of Technology, Matsue College. It has also made office space on the first floor available to the public as an IT networking space, using this facility as a base for programs to enhance IT skills and increase interest in this field.

Sustainability initiatives

<p>WITH BACKYARD</p> <p>Bringing attention to people working behind the scenes</p> 	<p>In order to shed light on people working behind the scenes of online stores and to support the creative operations of online shops, the Company plans and holds events such as "BACKYARD FES" (an event to recognize such workers and provide a place for them to network and mingle with others in their field) as well as operates "B.Y" a media outlet specifically for people working behind the scenes at online shops.</p>	
<p>WITH SIVIRA</p> <p>Activities to make practical use of blockchain</p> 	<p>The Company has partnered with Sivira, which is developing blockchain technology that uses cryptographic technology based on advanced mathematical theory, consensus building algorithms, and distributed technology to achieve zero downtime and make data falsification and fraud impossible, and the two companies are jointly working on the practical application of a next-generation platform that achieves both safety and convenience in the rapidly expanding EC industry.</p>	
<p>WITH MATSUE</p> <p>R&D activities in Matsue, Shimane Prefecture</p> 	<p>In 2017, the Company opened the I'LL Matsue Laboratory (R&D base) in Matsue, Shimane Prefecture, an area that supports the IT industry. The Company recruits personnel locally, and has also made office space on the first floor available to the public as an IT networking space for students and working people to gather and as a base for programs to enhance IT skills and increase interest in this field.</p>	
<p>WITH ALS</p> <p>ALS awareness-raising activities</p> 	<p>Since 2019, the Company has continuously supported MOVE FES.2021 Supported by ONESTORY, a festival to raise awareness of ALS organized by WITH ALS. The theme of the event was "Light of Hope" and it aimed to shine a light of hope on all people, regardless of whether or not they have a disability such as ALS.</p>	 <p style="font-size: small;">※ Source: From Move Fes, Official Facebook</p>
<p>Creating an open corporate culture</p> 	<p>In addition to an open evaluation system regardless of nationality or gender, the Company shares all types of information with employees, such as the Company's business performance, future vision, and employee activities, at monthly "monthly report meetings" attended by all employees. Doing so creates a strong sense of trust between management and employees.</p>	
<p>Allowing free work styles</p> 	<p>The Company is creating an environment that allows for work styles that suit individual lifestyles, including work location (working from home, satellite office) and working hours (shortened working hours, flexible working hours). Triggered by the COVID-19 pandemic, the Company is also in the process of introducing a system in which employees are free to choose their desk location.</p>	

Source: From the Company's results overview



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