‖ COMPANY RESEARCH AND ANALYSIS REPORT ‖

I'LL Inc.

3854 Tokyo Stock Exchange Prime Market

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9-Nov.-2026

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Summary

Accelerating growth investment toward a new growth stage in FY7/27

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 back side (back office, backyard) operations which are becoming increasingly complex day by day.

In FY7/26 consolidated results, net sales increased 8.3% year on year (YoY) to ¥20,889mn and operating profit rose 15.5% to ¥5,565mn, achieving record-high results with higher sales and double-digit profit growth. The Company defines FY7/27 as part of the "Acceleration of Growth Investment" period and forecasts higher sales but lower profit.

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

1. Advancing BX through the proprietary CROSS-OVER Strategy

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, 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 with higher sales and double-digit profit growth in FY7/26

In FY7/26 consolidated results, net sales increased 8.3% YoY to ¥20,889mn, operating profit rose 15.5% to ¥5,565mn, ordinary profit increased 17.6% to ¥5,607mn, and profit attributable to owners of parent increased 19.7% to ¥4,175mn. The results exceeded the previous forecast (revised values as of March 6, 2026, in which net sales were left unchanged and each profit item was revised upward), marking record-high results with higher sales and double-digit profit growth YoY. In regard to sales, both the System Solutions Business and the CROSS Business expanded. In regard to profit, recurring revenue 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. An increase in the gross profit margin due to ongoing improvements in project quality and productivity in the System Solutions Business also contributed. On a company-wide basis, recurring revenue rose 11.6% to ¥9,286mn, recurring gross profit rose 12.7% to ¥5,515mn, the recurring gross profit margin increased 0.6 percentage points (pp) to 59.4%, and the recurring gross profit coverage of SG&A expenses increased 2.0pp to 85.8%.

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3. Lower profit forecast for FY7/27, defined as part of the "Acceleration of Growth Investment" period

For FY7/27 consolidated results, the Company forecasts net sales to increase 9.1% YoY to ¥22,800mn, operating profit to decrease 10.2% to ¥5,000mn, ordinary profit to decrease 10.1% to ¥5,040mn, and profit attributable to owners of parent to decrease 15.1% to ¥3,546mn. In regard to sales, both the System Solutions Business and the CROSS Business are expected to continue growing, with net sales rising to a record high, but in regard to profit, the Company forecasts a decrease. Defining the fiscal year as the "Acceleration of Growth Investment" period for laying the foundation for its transition into an Industrial Platform Provider, as set out in the medium-term management plan, the Company will expand investment in human capital, development investment including cloud-related capital investment, and investment in strengthening its business foundation including AI utilization. In addition, one-time factors will also have an impact, namely expenses related to the relocation of the Nagoya Branch (scheduled for November 2026) and the Tokyo Headquarters (scheduled for March 2028), including overlapping rent for the old and new offices.

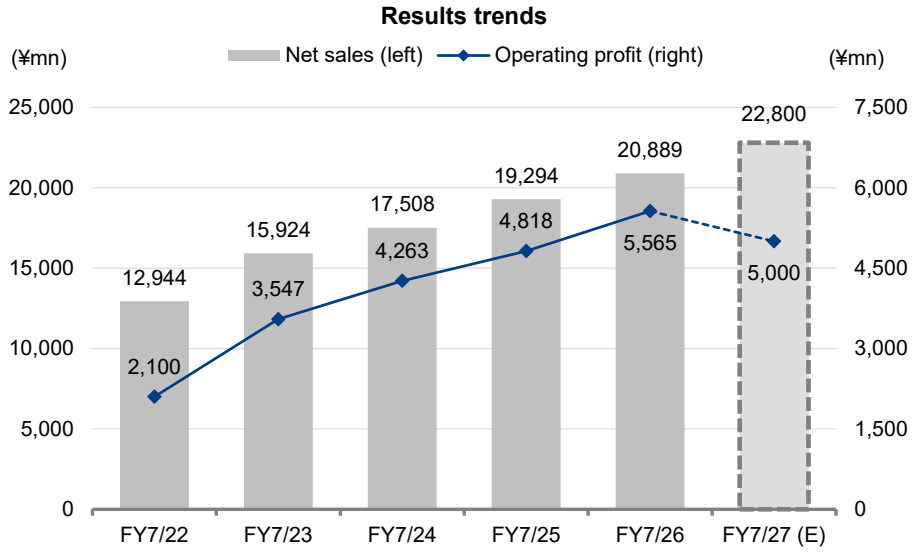
4. Accelerating growth investment toward a new growth stage

The Company has achieved high growth to date through its proprietary CROSS-OVER Strategy. In order to further enhance its existing strengths and maximize its corporate value for the future, the Company presented a new future vision (the vision it aims to achieve), "As an Industrial Platform Provider, we drive supply chain transformation to enhance users' corporate value." Based on this thinking, the Company defines FY7/26–FY7/28 as the "Acceleration of Growth Investment" period, during which it will build the business and management foundations necessary to realize future growth. In the medium-term management plan (FY7/27–FY7/29, a rolling plan in which the Company revises the plan at any time in response to changes in its business environment) formulated in September 2026, net sales for FY7/27 and FY7/28 were revised upward while profits were revised downward compared to the previous plan (formulated in September 2025). This is because the Company will expand investment in human capital, development investment, and investment in strengthening its business foundation, and it expects to achieve record-high profit in FY7/29 as a result of the growth investment. In the medium to long term, the Company aims to achieve an operating profit margin of 30% by accelerating growth.

Key Points

- A total system solutions company supporting the enterprise capability of mid-tier and small/medium-size companies
- Record-high results with higher sales and double-digit profit growth in FY7/26
- Forecasting lower profit in FY7/27 due to growth investment
- Accelerating growth investment toward a new growth stage

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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 back side (back office, backyard) operations which are becoming increasingly complex day by day.

At the end of FY7/26, the Company had total assets of ¥17,961mn, net assets of ¥13,863mn, an equity ratio of 77.2%, and the total number of issued shares was 25,042,528 (including 42,774 treasury shares). The Company's headquarters are located in Kita-ku, Osaka, and its offices include the Osaka Headquarters, Tokyo Headquarters (Minato-ku, Tokyo), and Nagoya Branch (Naka-ku, Nagoya). It also has research and development operations at the I'LL Matsue Laboratory (R&D center in Matsue, Shimane Prefecture) and a showroom at BACKYARD TOKYO (Chiyoda-ku, Tokyo). The Company also operates ICC (I'LL Career Colleges) in Osaka and Tokyo that offer individual and corporate training. The Nagoya Branch is scheduled to relocate to Nakamura-ku, Nagoya in November 2026, and the Tokyo Headquarters is scheduled to relocate to Chuo-ku, Tokyo in March 2028. 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).

2. History

The Company was established as a sales company for office computers in February 1991, and subsequently expanded into proprietary software development and sales. It released Aladdin Office, a proprietary sales management software, in October 2004, CROSS MALL, a software product for integrated management of multiple e-commerce websites, in March 2009, and in April 2013, it released CROSS POINT, a software product for the integrated management of customers and loyalty points at both real-world stores and e-commerce sites, and in December 2022, it released BACKYARD, a backyard platform. In terms of its shares, 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 following the integration of OSE markets in October 2010 and then on the JASDAQ Growth Market following the integration of the OSE and Tokyo Stock Exchange (TSE) markets in July 2013. It transferred its listing to the TSE Second Section in June 2018 and was reassigned to the TSE First Section in July 2019. In April 2022, it transitioned to the TSE Prime Market as part of the TSE's market restructuring.

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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	Subsequently listed shares on the Osaka Securities Exchange's JASDAQ Market following the integration of the exchange's markets
December 2010	Moved the Tokyo Headquarters to Shibakoen (Minato-ku, Tokyo)
August 2011	Moved the Nagoya Office to Nishiki (Naka-ku, Nagoya)
August 2011	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 following the integration of the Osaka Securities Exchange and Tokyo Stock Exchange
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 office
June 2018	Transferred the stock listing to the Tokyo Stock Exchange Second Section
July 2019	Stock listing was reassigned to the Tokyo Stock Exchange First Section
December 2020	Obtained Shopify Experts certification as a Shopify partner
June 2021	Made additional investment in Sivira
April 2022	Transitioned to the Tokyo Stock Exchange Prime Market as part of the TSE's market restructuring
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

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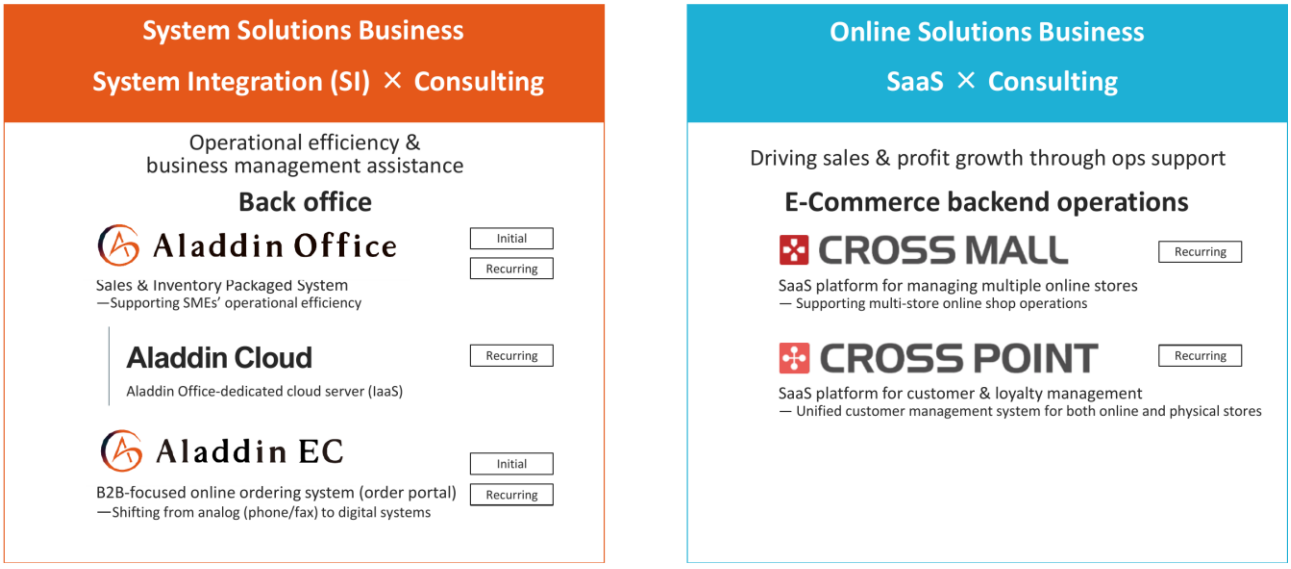
Business overview

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 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. In August 2026, the Company renewed the brand logo and service website of the Aladdin Office series. The new logo uses the tagline "Keep the light on. To keep moving forward." to express the Company's stance of continuing to accompany companies into the future.

Main solutions and services by business



Source: The Company's information material

(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 also 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.

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* 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.

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 a recurring business model that generates recurring revenue from post-sale 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 of the Online Solutions Business, the main products are CROSS MALL and CROSS POINT, and it is also rolling out BACKYARD, a backyard platform offered as a cloud service to achieve 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 website construction assistance, customer business analysis and strategy consulting, promotions, and website updates and improvements 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 the digitalization of operation management, including sales, inventory, production, and store management, and helps improve enterprise capabilities by promoting workstyle reforms through improved operational efficiency and strengthening internal controls. 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 retailer NADAMAN CO., LTD., water dispenser and rental equipment delivery service operator NAC <9788>, school lunch ingredient supplier Osaka Prefectural 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 the digitalization of orders reception and placement operation management between companies and within companies and helps promote workstyle reforms through improved operational efficiency and increase sales through differentiation from other companies. Leading deployment examples include 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.

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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 helps promote workstyle reforms through improved operational efficiency and increase sales through stronger e-commerce initiatives. Leading deployment examples include 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 wholesaler E.OCT Inc., and Maruhisa Co., Ltd., operator of kimono wholesaling and online retail business "Kimono Kyokomachi."

The CROSS POINT software product for the integrated management of customers and loyalty points at both real-world stores and e-commerce websites supports increased 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 customer fan base through enhanced branding. Leading deployment examples include shoe manufacturer and distributor REGAL CORPORATION <7938>, shirt and necktie firm Maker's Shirt Kamakura, stocking and socks firm Fukuske, babies', kids', and mothers' clothing firm BRANSHES Co., Ltd., 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 jointly with the Haga Laboratory at the Faculty of Economics, Kokugakuin University, to help companies develop a fan base using its CROSS POINT product, 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, without boundaries, and realizes BX by transforming operations from the back side. It has management and collaboration functions that support borderless operations and multiple channels, efficiency gains through automated processing, and data fusion to achieve unified management of all backyard operations, covering not only online shops but also 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 based on 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 developed BACKYARD as a next-generation service for CROSS MALL, but has changed its policy to roll out the service to serve 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 continue expanding its functions to achieve borderless operational management, including real-world store management for retail businesses, order receipt and placement management and sales management for wholesale businesses, and management of customer support inquiries. In November 2025, the Company launched ITEM PLAN (product management plan), a service plan that allows users to utilize only the product management function in BACKYARD.

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

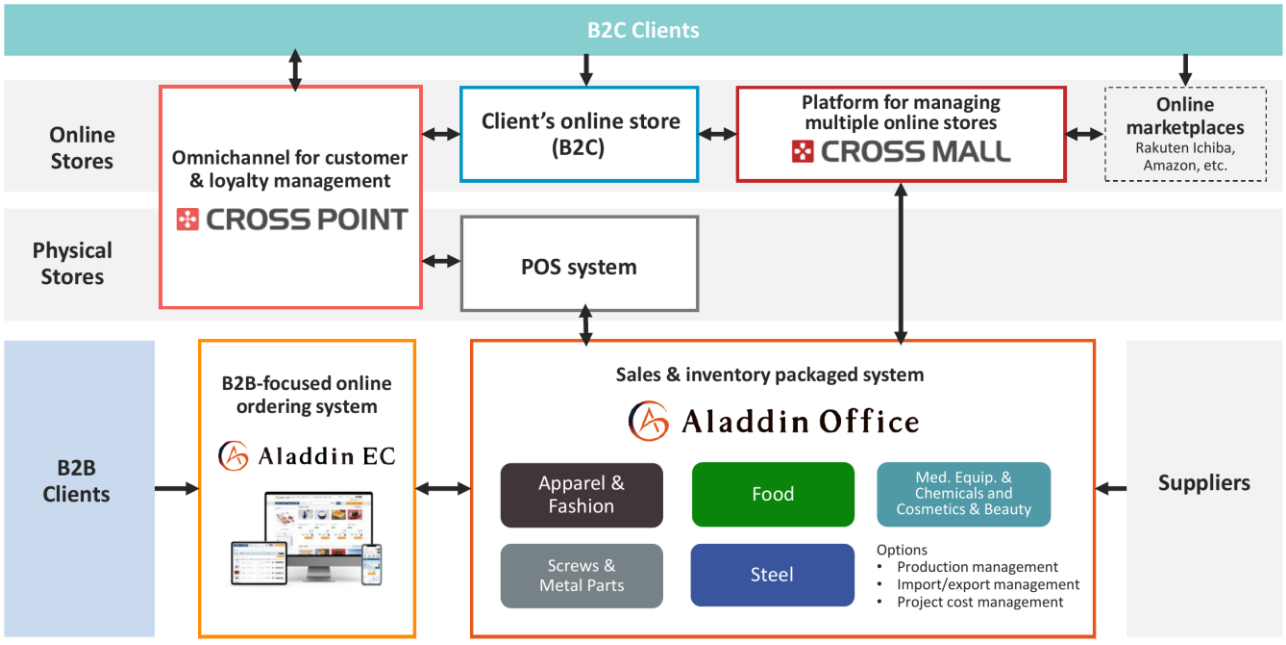
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3. CROSS-OVER Strategy

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 approach to proposing an "all one-stop" service that combines mission-critical operation systems from the System Solutions Business that support better operational efficiency and services from the Online Solutions Business that assist in strengthening sales capabilities, creating stronger synergies.

The CROSS-OVER Strategy is driving an increase in customer companies. At the end of FY7/26, the Company had 7,693 customer companies (5,379 in the System Solutions Business and 2,314 in the Online Solutions Business), an increase of about 1.2 times from the 6,342 at the end of FY7/20 (4,591 in the System Solutions Business and 1,751 in the Online Solutions Business). In the System Solutions Business, the number of customers is increasing steadily owing to a low churn rate and continued new customer acquisition. In the Online Solutions Business, growth in the number of customers was limited in the last two fiscal years, with increases of nine companies YoY in FY7/25 and eight companies in FY7/26, due to an increase in cancellations caused by changes in the EC market, namely an increase in bankruptcies and business closures among small and medium-size e-commerce operators. On the other hand, average customer spending is on an upward trend owing to an increase in the size of customer companies and strengthened cross-selling in response to changes in the EC market. The increase in the number of customers and rise in average customer spending are driving the growth of recurring revenue, including maintenance fees and cloud service usage fees.

CROSS-OVER Strategy



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

Since its founding, 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 companies. 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. In addition, in the CROSS Business, the Company is strategically strengthening its customer approach to mid-tier and large companies, because bankruptcies and business closures among small and medium-size e-commerce operators have been on an increasing trend in the recent market environment.

(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 has established a framework that provides robust service and sales capabilities, including the 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. In recent years, beyond these five main industries, 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 for the project management function, an optional feature 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 an understanding of customer operations. It has extensive deployment experience and know-how in real-world and online environments in sales and inventory management, where management methods differ by business format, such as manufacturing, wholesale, and retail, as well as by industry and individual company.

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(4) Product ecosystem strategy that realizes total solutions

The product ecosystem strategy that consists of multiple product groups is also a strength. The Company develops proprietary products and services that cover the online field of building online shops and related management assistance services, the real-world store and headquarters field of store sales management and backyard 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 FY7/26, the composition of the Company's 1,054 employees (up 62 employees from the end of the previous fiscal year) on a non-consolidated basis was engineers at 73%, salespeople at 17%, and general staff at 10%. 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 operating methods across industries and individual companies among 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 offer more functionality as optional features.

(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.

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(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 the System Solutions Business's order amount by sales channel in FY7/26, the share of partner referrals declined 6.2pp YoY to 35.6%, inquiries via the Company's website declined 1.4pp to 34.7%, and acquisitions through the Company's sales activity increased 7.6pp to 29.7%. In FY7/26, the proportion of acquisitions through the Company's sales activity rose significantly because, in addition to new customer development activities such as exhibiting at trade shows, the CROSS Business strengthened its customer approach to mid-tier and large companies in response to changes in the market environment. The number of customers is on an increasing trend across all sales channels. In addition, an increase in orders from large companies through partner referrals also leads to an increase in large-scale projects and a rise in unit sales prices on orders received.

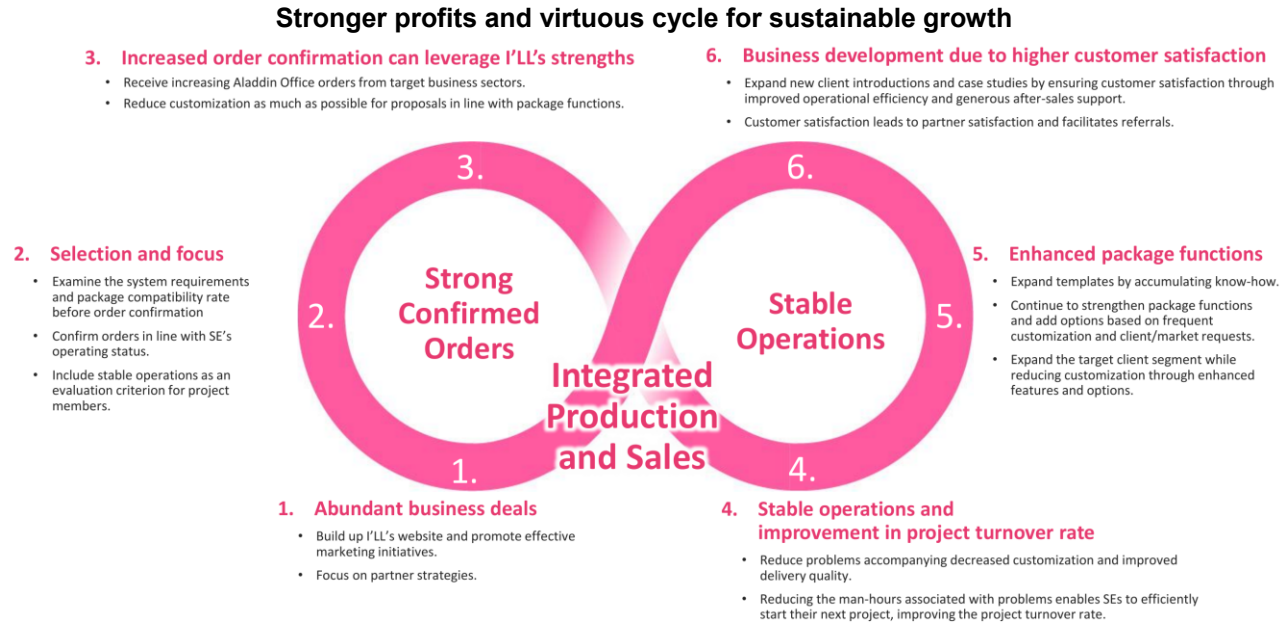
As a result of these business consulting capabilities based on thorough knowledge of different industries and types of work, as well as the partner strategy, the System Solutions Business's win rate against competitors (cumulative total for FY7/22–FY7/26) was 89.9% and its repeat rate (as of the end of FY7/26) was 98.4%, both extremely high levels, which means that the Company has strong 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, through the realization of comprehensive improvements in quality and productivity achieved by making efforts to reduce customization man-hours and prevent problems ahead of time through an integrated production and sales system (integration of sales and SE into a single organization). Also, the Company is supporting individual customization as a fundamental strategy, while at the same time continually working to increase its gross profit margin through measures such as expanding orders by strengthening packaged functions and adding options, and shortening lead times through enhanced quality and productivity.

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Source: The Company's information material

Net sales and gross profit are on an increasing trend and the gross profit margin is on a rising trend. Looking at the trend from FY7/22 to FY7/26, on a company-wide basis, net sales in FY7/26 were ¥20,889mn, expanding about 1.6 times from ¥12,944mn in FY7/22, gross profit was ¥11,991mn, expanding about 1.8 times from ¥6,738mn, and the gross profit margin rose 5.3pp from 52.1% to 57.4%. Of these, net sales of the System Solutions Business were ¥18,409mn, expanding about 1.7 times from ¥11,036mn, gross profit was ¥10,768mn, expanding about 1.9 times from ¥5,775mn, and the gross profit margin rose 6.2pp from 52.3% to 58.5%. Net sales of the CROSS Business were ¥1,933mn, expanding about 1.4 times from ¥1,385mn, and gross profit was ¥1,054mn, expanding about 1.3 times from ¥792mn. The gross profit margin of the CROSS Business was 54.5%, down 3.5pp from the recent peak of 58.0% in FY7/24, but this was mainly due to an increase in development expenses for BACKYARD, and it is expected to turn upward going forward as the full-scale rollout of BACKYARD progresses. The Company has offset cloud-related supply-side price increases by implementing price measures (an increase in monthly cloud usage fees).

In addition, on a company-wide basis, recurring revenue in FY7/26 was ¥9,286mn, expanding about 1.7 times from ¥5,576mn in FY7/22, and recurring gross profit was ¥5,515mn, expanding about 1.7 times from ¥3,304mn. The recurring gross profit margin has remained at around 59%. As a result, although SG&A expenses increased about 1.4 times from ¥4,637mn to ¥6,425mn, the recurring gross profit coverage ratio of SG&A expenses rose 14.5pp from 71.3% to 85.8%, which means that the Company has a profit structure that can cover over 80% of SG&A expenses with recurring gross profit.

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Results trends by business

(¥mn)

	FY7/22	FY7/23	FY7/24	FY7/25	FY7/26
Net sales	12,944	15,924	17,508	19,294	20,889
System Solutions Business	11,036	13,857	15,339	16,989	18,409
Online Solutions Business	1,907	2,067	2,168	2,305	2,479
CROSS Business	1,385	1,521	1,634	1,767	1,933
Other Online Business	522	546	534	538	546
Gross profit	6,738	8,682	9,773	10,659	11,991
System Solutions Business	5,775	7,659	8,659	9,499	10,768
Online Solutions Business	962	1,022	1,113	1,160	1,222
CROSS Business	792	849	948	998	1,054
Other Online Business	170	172	165	161	168
Gross profit margin	52.1%	54.5%	55.8%	55.2%	57.4%
System Solutions Business	52.3%	55.3%	56.5%	55.9%	58.5%
Online Solutions Business	50.4%	49.4%	51.3%	50.3%	49.3%
CROSS Business	57.2%	55.8%	58.0%	56.5%	54.5%
Other Online Business	32.6%	31.5%	30.9%	29.9%	30.8%
Recurring revenue	5,576	6,290	7,212	8,319	9,286
Ratio of net sales	43.1%	39.5%	41.2%	43.1%	44.5%
Recurring gross profit	3,304	3,682	4,264	4,894	5,515
Ratio of gross profit	49.0%	42.4%	43.6%	45.9%	46.0%
Gross profit margin	59.3%	58.5%	59.1%	58.8%	59.4%
SG&A expenses	4,637	5,134	5,509	5,840	6,425
Recurring gross profit coverage of SG&A expenses	71.3%	71.7%	77.4%	83.8%	85.8%

Note: Accounting standards were changed from FY7/22.
Source: Prepared by FISCO from the Company's financial results and results overview materials

6. Strengthening collaborations with business partners

The Company is strengthening collaboration with business partners to drive sales growth and profit expansion. Looking at recent examples of collaboration, 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, began collaborating with TikTok Shop in March 2026, and began collaborating with Vestory, an apparel-specialized inventory management and demand forecasting AI provided by Hicrea Co., Ltd., in August 2026.

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7. Risk factors as well as issues and countermeasures

General risks in the information systems and services industry include restraint in companies' IT and DX investment accompanying changes in the economic environment, competition for orders, longer development periods accompanying increasingly larger projects, individual projects becoming unprofitable, delays in addressing technological innovations, and difficulty securing human resources. Companies' IT and DX investment may stagnate temporarily due to the impact of economic fluctuations, but it is expected to remain at a high level in the medium to long term. In particular, among the mid-tier and small/medium-size companies that the Company targets (mid-tier and small/medium-size manufacturers and wholesalers in the System Solutions Business, and e-commerce operators in the CROSS Business), IT utilization and DX are lagging, so there is considered to be ample room for market development going forward. In addition, since the Company 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 man-hours required 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 the strengthening of the integrated production and sales system and the utilization of AI.

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Results trends

Record-high results with higher sales and double-digit profit growth in FY7/26

1. Overview of FY7/26 results

In FY7/26 consolidated results, net sales increased 8.3% YoY to ¥20,889mn, operating profit rose 15.5% to ¥5,565mn, ordinary profit increased 17.6% to ¥5,607mn, and profit attributable to owners of parent increased 19.7% to ¥4,175mn. The results exceeded the previous forecast (revised values as of March 6, 2026, in which net sales were left unchanged and each profit item was revised upward: net sales of ¥20,700mn, operating profit of ¥5,500mn, ordinary profit of ¥5,540mn, and profit attributable to owners of parent of ¥4,050mn), marking record-high results with higher sales and double-digit profit growth YoY. 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 revenue 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. An increase in the gross profit margin due to ongoing improvements in project quality and productivity in the System Solutions Business and the stable progress of large projects also contributed. On a company-wide basis, recurring revenue rose 11.6% to ¥9,286mn, recurring gross profit increased 12.7% to ¥5,515mn, the recurring gross profit margin increased 0.6pp to 59.4%, and the recurring gross profit coverage of SG&A expenses increased 2.0pp to 85.8%.

FY7/26 consolidated results

(¥mn)

	FY7/25		FY7/26		YoY		Previous forecast	vs. forecast	
	Results	% of net sales	Results	% of net sales	Change	% change		Excess amount	Achievement rate
Net sales	19,294	100.0%	20,889	100.0%	1,594	8.3%	20,700	189	100.9%
Gross profit	10,659	55.2%	11,991	57.4%	1,332	12.5%	-	-	-
SG&A expenses	5,840	30.3%	6,425	30.8%	585	10.0%	-	-	-
Operating profit	4,818	25.0%	5,565	26.6%	746	15.5%	5,500	65	101.2%
Ordinary profit	4,767	24.7%	5,607	26.8%	840	17.6%	5,540	67	101.2%
Profit attributable to owners of parent	3,488	18.1%	4,175	20.0%	687	19.7%	4,050	125	103.1%
Company-wide recurring revenue	8,319	43.1%	9,286	44.5%	967	11.6%	-	-	-
Company-wide recurring gross profit	4,894	58.8%	5,515	59.4%	621	12.7%	-	-	-
Recurring gross profit coverage of SG&A expenses	83.8%	-	85.8%	-	-	2.0pp	-	-	-

Note: The previous forecast represents the revised figures announced on March 6, 2026. In the company-wide recurring gross profit row, "% of net sales" constitutes the gross profit margin on company-wide recurring revenue.

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

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Gross profit increased 12.5% YoY, and the gross profit margin rose 2.2pp to a record high of 57.4%. SG&A expenses rose 10.0% and the SG&A expenses ratio increased 0.5pp to 30.8%. As a result, the operating profit margin increased 1.6pp to 26.6%. According to the factor analysis of a YoY increase of ¥746mn in operating profit, there was an increase of ¥1,269mn due to an increase in gross profit in the System Solutions Business, an increase of ¥62mn due to an increase in gross profit in the Online Solutions Business (of which the CROSS Business increased ¥56mn), and a decrease of ¥585mn due to an increase in SG&A expenses (a decrease of ¥397mn due to an increase in personnel expenses and a decrease of ¥187mn due to an increase in other SG&A expenses). Although retirement benefit obligations decreased due to a revision of the discount rate, total personnel expenses increased ¥715mn (9.0%) 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. Of this increase in personnel expenses, cost of sales increased ¥318mn (8.3%) and SG&A expenses increased ¥397mn (9.6%). The Company hired 61 new graduates and 29 mid-career hires. In other SG&A expenses, research and development expenses increased ¥85mn (92.3%), promotional expenses increased accompanying a shift to larger business negotiations referred by partner companies (mainly banks), DX-related expenses increased accompanying the promotion of internal DX and the proactive adoption of AI, and related expenses increased accompanying the rebranding of the Aladdin Office series.

The System Solutions Business continued high growth

2. Trends by business segment

(1) System Solutions Business

In the System Solutions Business, net sales increased 8.4% YoY to ¥18,409mn, gross profit rose 13.4% to ¥10,768mn, and the gross profit margin increased 2.6pp to a record high of 58.5%. Despite the impact of server delivery delays and the impact of cloud-related capital investment implemented in May 2026, the Company maintained strong growth with the recurring gross profit margin rising more than expected due to the acquisition of new projects, stable progress centered on large projects, accumulation of recurring revenue, improved project quality through the integrated production and sales system, enhanced productivity via work leveling and AI utilization, the increase in monthly cloud usage fees, and a slowdown in the pace of growth in personnel expenses due to a decrease in retirement benefit obligations.

(2) Online Solutions Business

In the Online Solutions Business, net sales increased 7.5% YoY to ¥2,479mn, gross profit was up 5.3% to ¥1,222mn, and the gross profit margin declined 1.0pp to 49.3%. In the CROSS Business in the Online Solutions Business, net sales increased 9.4% to ¥1,933mn, gross profit was up 5.6% to ¥1,054mn, and the gross profit margin decreased 2.0pp to 54.5%. The gross profit margin decreased due to the impact of development investment in BACKYARD, but net sales and gross profit expanded smoothly. In addition to a strategic shift towards targeting larger customer companies and increasing average customer spending through cross-selling in response to changes in the EC market, a price revision for existing customers and other factors also contributed. As a result of the strengthened approach to Aladdin Office users, the Company received 23 orders, including for branding support services. In the Other Online Business, net sales increased 1.5% YoY to ¥546mn, gross profit increased 4.3% to ¥168mn, and the gross profit margin rose 0.9pp to 30.8%. Overall, performance was solid.

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Results by business for FY7/26

(¥mn)

	FY7/25		FY7/26		YoY	
	Results	% of net sales	Results	% of net sales	Change	% change
Company-wide net sales	19,294	100.0%	20,889	100.0%	1,594	8.3%
System Solutions Business	16,989	88.0%	18,409	88.1%	1,420	8.4%
Online Solutions Business	2,305	12.0%	2,479	11.9%	173	7.5%
CROSS Business	1,767	9.2%	1,933	9.3%	166	9.4%
Other Online Business	538	2.8%	546	2.6%	8	1.5%
Company-wide gross profit	10,659	55.2%	11,991	57.4%	1,332	12.5%
System Solutions Business	9,499	55.9%	10,768	58.5%	1,269	13.4%
Online Solutions Business	1,160	50.3%	1,222	49.3%	62	5.3%
CROSS Business	998	56.5%	1,054	54.5%	56	5.6%
Other Online Business	161	29.9%	168	30.8%	7	4.3%

Note: The figures in the % of net sales columns for the gross profit rows 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 FY7/26 increased ¥2,192mn from the end of the previous fiscal year to ¥17,961mn and total liabilities decreased ¥383mn to ¥4,098mn. Meanwhile, total net assets increased ¥2,576mn to ¥13,863mn and the equity ratio rose 5.6pp to 77.2%. In current assets, mainly cash and deposits increased ¥508mn and contract assets increased ¥688mn; in non-current assets, guarantee deposits increased ¥728mn; in current liabilities, income taxes payable increased ¥445mn; in non-current liabilities, retirement benefit liability decreased ¥1,070mn; and in shareholders' equity, retained earnings increased ¥2,625mn. The Company operates debt-free and its equity ratio is at a high level. In terms of cash flows, although cash outflows from investing activities increased significantly due to payments into time deposits and other factors, cash flows from operating activities are increasing steadily, and therefore no particular concerns are found. We at FISCO deem that its financial health is highly sound.

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Balance sheets and statements of cash flow (condensed)

(¥mn)

	End-FY7/22	End-FY7/23	End-FY7/24	End-FY7/25	End-FY7/26	Change
Total assets	9,576	12,115	14,153	15,768	17,961	2,192
Current assets	7,249	9,675	11,567	13,216	14,292	1,076
Non-current assets	2,326	2,440	2,585	2,552	3,668	1,116
Total liabilities	3,861	4,374	4,473	4,482	4,098	-383
Current liabilities	2,134	2,546	2,555	2,618	3,238	620
Non-current liabilities	1,727	1,828	1,918	1,863	859	-1,004
Total net assets	5,715	7,740	9,680	11,286	13,863	2,576
Management indicators						
Current ratio	339.7%	380.0%	452.7%	504.8%	441.3%	-63.5pp
Fixed ratio	40.7%	31.5%	26.7%	22.6%	26.5%	3.8pp
Equity ratio	59.7%	63.9%	68.4%	71.6%	77.2%	5.6pp
	FY7/22	FY7/23	FY7/24	FY7/25	FY7/26	
Cash flows from operating activities	1,134	3,073	2,637	3,366	3,455	
Cash flows from investing activities	-482	-547	-712	-546	-3,509	
Cash flows from financing activities	-465	-526	-901	-2,080	-1,638	
Cash and cash equivalents at end of period	3,640	5,639	6,663	7,402	5,710	

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

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Outlook

Forecasting lower profit in FY7/27, defined as the "Acceleration of Growth Investment" period

1. Overview of FY7/27 forecasts

For FY7/27 consolidated results, the Company forecasts net sales to increase 9.1% YoY to ¥22,800mn, operating profit to decrease 10.2% to ¥5,000mn, ordinary profit to decrease 10.1% to ¥5,040mn, and profit attributable to owners of parent to decrease 15.1% to ¥3,546mn. By half year, the plan is for net sales of ¥10,923mn, operating profit of ¥2,406mn, ordinary profit of ¥2,425mn, and profit attributable to owners of parent of ¥1,719mn in 1H, and net sales of ¥11,876mn, operating profit of ¥2,593mn, ordinary profit of ¥2,615mn, and profit attributable to owners of parent of ¥1,827mn in 2H. In regard to sales, both the System Solutions Business and the CROSS Business are expected to continue growing, with net sales rising to a record high, but in regard to profit, the Company forecasts a decrease. Defining the fiscal year as the "Acceleration of Growth Investment" period for laying the foundation for its transition into an Industrial Platform Provider, as set out in the medium-term management plan, the Company will expand investment in human capital, development investment including cloud-related capital investment, and investment in strengthening its business foundation including AI utilization. In addition, one-time factors will also have an impact, namely expenses related to the relocation of the Nagoya Branch (scheduled for November 2026) and the Tokyo Headquarters (scheduled for March 2028), including overlapping rent for the old and new offices.

Outlook for FY7/27 consolidated results

(¥mn)

	FY7/26		FY7/27		YoY		1H	2H
	Results	% of net sales	Forecast	% of net sales	Change	% change		
Net sales	20,889	100.0%	22,800	100.0%	1,911	9.1%	10,923	11,876
Gross profit	11,991	57.4%	12,272	53.8%	281	2.3%	-	-
SG&A expenses	6,425	30.8%	7,272	31.9%	847	13.2%	-	-
Operating profit	5,565	26.6%	5,000	21.9%	-565	-10.2%	2,406	2,593
Ordinary profit	5,607	26.8%	5,040	22.1%	-567	-10.1%	2,425	2,615
Profit attributable to owners of parent	4,175	20.0%	3,546	15.6%	-629	-15.1%	1,719	1,827

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

On a full-year basis, the plan calls for gross profit to increase 2.3% YoY to ¥12,272mn, the gross profit margin to decline 3.6pp to 53.8%, SG&A expenses to rise 13.2% to ¥7,272mn, and the SG&A expenses ratio to increase 1.1pp to 31.9%. As a result, the operating profit margin will decline 4.7pp to 21.9%, but the Company will continue to maintain a high profit margin of over 20%. According to the factor analysis of the YoY decrease of ¥565mn in operating profit, the Company expects an increase of ¥1,100mn due to higher gross profit from increased net sales, a decrease of ¥700mn due to an increase in personnel expenses (SG&A expenses and cost of sales) from revisions to the salary structure and an increase in headcount, a decrease of ¥500mn due to an increase in product investment (product development, cloud-related capital investment, etc.), a decrease of ¥300mn due to office relocation costs, and a decrease of ¥165mn due to an increase in internal systems and other expenses (renewal of internal systems, AI investment, etc.). The Company expects to hire around 65 new graduates and around 25 mid-career hires, roughly the same levels as in the previous fiscal year.

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Growth strategy

FY7/26–FY7/28: the "Acceleration of Growth Investment" period

1. Medium-term management (rolling) plan

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 achieving high growth. With the understanding that the business environment surrounding the Company has entered a period of change including the recent spread of AI technologies, the Company presented a new future vision (the vision it aims to achieve), "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 idea is that the Group serves as the backbone in this co-creation network (ecosystem) and aims to contribute to improving the corporate capabilities of its customer companies and partner companies.

To become "an Industrial Platform Provider," the Company aims to evolve from its existing linear business, including the CROSS-OVER Strategy, into surface business. To this end, the Company will promote priority measures including establishment of a new business model involving a shift from data accumulation to utilization, and promote structural 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 personnel 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 of internal systems that enable quick management decisions, active 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 FY7/26–FY7/28 as the "Acceleration of Growth Investment" period, a period for building the business and management foundations necessary to realize future growth. In the medium-term management plan (FY7/27–FY7/29, a rolling plan in which the Company revises the plan at any time in response to changes in its business environment) formulated in September 2026, the Company set the targets for FY7/29, the final year, at net sales of ¥27,000mn, gross profit of ¥14,778mn, a gross profit margin of 54.7%, operating profit of ¥6,700mn, an operating profit margin of 24.8%, and profit attributable to owners of parent of ¥4,677mn. For FY7/27 and FY7/28, net sales were revised upward while profits were revised downward compared to the previous plan (formulated in September 2025). This is because the Company will expand investment in human capital, development investment, and investment in strengthening its business foundation, and one-time expenses associated with the relocation of the Nagoya Branch and the Tokyo Headquarters will also have an impact. The Company expects to achieve record-high profit in FY7/29 as a result of the growth investment. In the medium to long term, the Company aims to achieve an operating profit margin of 30% by accelerating growth.

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Medium-term management (rolling) plan

(¥mn)

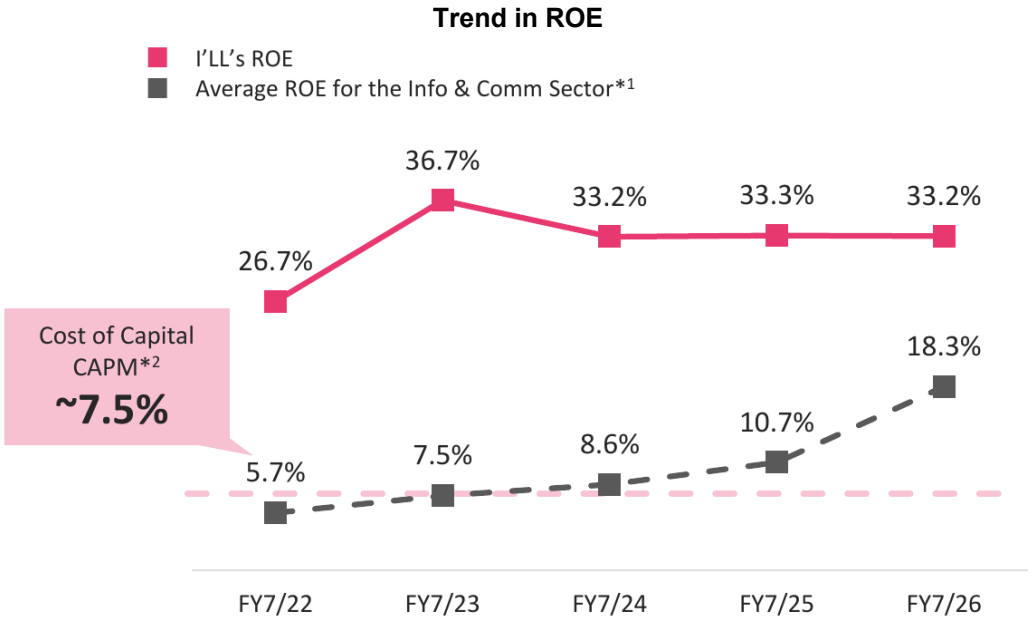
	FY7/26		FY7/27		FY7/28		FY7/29
	Previous plan	Results	Previous plan	Current plan	Previous plan	Current plan	Current plan
Net sales	20,700	20,889	22,436	22,800	24,300	24,900	27,000
Gross profit	11,645	11,991	12,706	12,272	13,850	13,628	14,778
Gross profit margin	56.3%	57.4%	56.6%	53.8%	57.0%	54.7%	54.7%
Operating profit	5,250	5,565	5,753	5,000	6,312	5,500	6,700
Operating profit margin	25.4%	26.6%	25.6%	21.9%	26.0%	22.1%	24.8%
Profit attributable to owners of parent	3,725	4,175	3,950	3,546	4,334	3,844	4,677

Note: The previous plan represents the officially announced figures as of September 5, 2025, while the current plan represents the officially announced figures as of September 7, 2026.

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

The Company believes that its current cost of shareholders' equity is around 7.5%. Its Return on Equity (ROE) is in the 30% range (33.2% in FY7/26), 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) stood at 4.1 times as of the end of July 2026. Although the Company has maintained a level exceeding the average for the information and communications industry and earned a measure of positive valuation from the markets, PBR has been on a downward trend in recent years, so the Company will accelerate its future growth speed through the growth investment set out in the medium-term management plan and link this to the enhancement of corporate value. 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 meetings with overseas investors. These efforts were also recognized, and in June 2026, the Company's shares were selected as a constituent of FTSE Russell's ESG index, the FTSE Blossom Japan Sector Relative Index, following the previous year.

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

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CAPM: Calculated as Risk-free rate + β value × Market risk premium
Source: The Company's results overview materials

Raised the dividend payout ratio target to at least 40% (target of 50%)

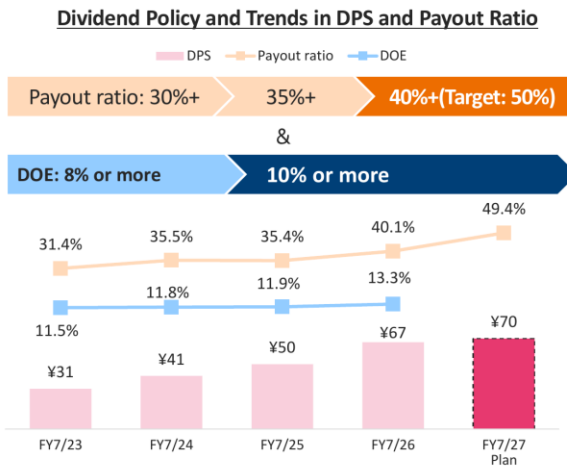
2. Shareholder return policy

With respect to shareholder returns, the Company raised its dividend payout ratio target from FY7/26 to a dividend payout ratio of at least 40% (target of 50%) and dividend on equity (DOE) of at least 10%. Based on this policy, the dividend for FY7/26 was set at ¥67.0 (¥32.0 at 2Q-end and ¥35.0 at fiscal year-end), representing an increase of ¥17.0 YoY. The dividend payout ratio is 40.1% and DOE is 13.3%. Furthermore, the dividend forecast for FY7/27 was set at ¥70.0 (¥35.0 at 2Q-end and ¥35.0 at fiscal year-end), an increase of ¥3.0 YoY. This would represent an increase in the dividend amount for a ninth consecutive year and a forecast dividend payout ratio of 49.4%. The Company is poised to further enhance shareholder returns accompanying growth in earnings.

Dividend policy

Shareholder Dividends

		FY7/25	FY7/26	FY7/27 (Plan)
1H	DPS	¥20.00	¥32.00	¥35.00 YoY: ¥+3.00
2H	DPS	¥30.00	¥35.00	¥35.00 YoY: ¥±0.00
YTD	DPS	¥50.00	¥67.00	¥70.00
	YoY	+22.0 %	+34.0 %	+4.5 %
	Payout Ratio	35.4 %	40.1 %	49.4 %
	DOE	11.9 %	13.3 %	—



Source: The Company's results overview materials

Placing importance on investment 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."

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In "Giving dreams to society through BX," the Company is creating opportunities for new value creation by helping to free people from "simple work" through BX and thereby contribute to the creation of a better society, while also supporting diverse workstyles, such as teleworking, aiming for a society in which everyone can play an active role. In addition, it places the highest priority on trust with customers and partners and is building relationships not merely as "a business partner" but mutually beneficial relationships 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 environmental information based on its support for 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 greenhouse gas (GHG) emissions by FY2030 (achieved in FY7/24) and achieve net-zero emissions by FY2050. Also, through BX, it intends to increase the accuracy of inventory 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 toward their aspirations. 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 locations 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 has six independent external directors (out of 13 directors in total) following the 36th Annual General Meeting of Shareholders held on October 23, 2026, and will maintain sound management that reflects various opinions. It is also actively holding dialogue with stakeholders (shareholders, customers, business partners, and employees) and reflecting their opinions in management. In addition, from the perspective of further strengthening corporate governance, on October 23, 2026, the Company revised its executive officer system to more clearly separate the management decision-making and supervisory functions from the business execution functions, established a Compensation Committee as a voluntary advisory body to the Board of Directors, and abolished its retirement benefit system for directors (and other officers).

The Company places particular importance on investment in human capital, and in creating its corporate culture, it is promoting 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 conducted by 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) exceeded 1,000 for the first time at the end of FY7/25 and reached 1,076 at the end of FY7/26. The average annual income of employees (on a non-consolidated basis, excluding those on leave) increased from ¥5,909,000 in FY7/22 to ¥6,662,000 in FY7/26. In FY7/26, the employee turnover rate (on a consolidated basis) was 2.8%, which is very low compared to the industry average (10.0% for the information and communications industry in the "Survey on Employment Trends" by the Ministry of Health, Labour and Welfare). In an engagement survey (conducted in July 2026), the Company achieved a score of 79 (industry average of 64), approaching the target of 81 for FY7/28.

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The Company plans to continue strengthening investment in human capital. In August 2025, it introduced the Group Long-Term Disability Income Compensation Insurance, GLTD System, with a compensation rate among the highest in Japan. In September 2025, it introduced the Stock Grant ESOP Trust as a new incentive plan. 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). In April 2026, it established "Life Support Leave," a leave system for all employees that is separate from annual paid leave and takes into account employees' life circumstances. In May 2026, it introduced "ES Kitchen," a ¥100 employee cafeteria service, at the Osaka and Tokyo Headquarters.

Other examples of the Company's recent initiatives for sustainability are as follows. 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) as its second such investment following 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. 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. In April of the same year, it became a sponsor of the Japan Padel Corporate League, a corporate league for padel, a racket sport that can be enjoyed by people of all ages and genders, and in June of the same year, it served as a sponsor of the MOVE FES.2026 event held by the General Incorporated Association WITH ALS, which conducts awareness-raising activities on the intractable disease ALS (amyotrophic lateral sclerosis), for the fifth time, after having done so previously in 2019, 2021, 2023, and 2024.

Profit growth will be temporarily interrupted by accelerated growth investment, but attention is on the new growth stage

4. FISCO's perspective

The Company has achieved not only continuous growth in net sales and each profit item, but also a significant increase in profit margins through various initiatives based on its proprietary CROSS-OVER Strategy and Increasing Returns Business Model with a long-term perspective. We at FISCO view these achievements highly favorably. In FY7/27–FY7/28, profit growth will be temporarily interrupted by the acceleration of growth investment to strengthen the business and management foundations. However, not only is the Company expected to achieve record-high profit in FY7/29 as a result of the growth investment, but thereafter the medium- to long-term target of "achieving an operating profit margin of 30% through a 100% recurring gross profit coverage of SG&A expenses" will also come into view, and we at FISCO note that the Company is highly likely to move toward a new growth stage.

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FISCO

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