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Consolidated Financial Results for the Three Months Ended October 31, 2024 (August 1, 2024 to October 31, 2024) [Japanese GAAP]

December 6, 2024

Listed company I'LL INC Stock exchange listing: Tokyo Stock Exchange, Prime Market
 Code number 3854 URL <https://www.ill.co.jp>
 Representative (Title) Representative Director & President (Name) Tetsuo Iwamoto
 Contact (Title) Executive Officer, Head of Accounting Department (Name) Naoko Ogura TEL 06-6292-1170
 Scheduled date for dividend payment commencement: -
 Availability of supplementary briefing material on financial results: Yes
 Financial results briefing session: No

(Amounts less than ¥1 million rounded down)

1. Consolidated Financial Results for the Three Months Ended October 31, 2024 (August 1, 2024 to October 31, 2024)

(1) Consolidated Operating Results (Cumulative) (% indicates change from previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million	%	million	%	million	%	million	%
Three months ended October 31, 2024	4,550	6.2	1,074	(5.9)	1,079	(5.8)	745	(0.1)
Three months ended October 31, 2023	4,285	19.1	1,142	56.8	1,146	56.6	746	58.9

(Note) Comprehensive income Three months ended October 31, 2024 738 million yen (0.2%)
Three months ended October 31, 2023 736 million yen (57.5%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Three months ended October 31, 2024	29.79	-
Three months ended October 31, 2023	29.82	-

(Note) Diluted net profit per share is not shown because there are no dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million	million	%
Three months ended October 31, 2024	14,290	9,792	68.5
Fiscal year ended July 31, 2024	14,153	9,680	68.4

(Reference) Shareholders' equity Three months ended October 31, 2024 9,792 million yen Fiscal year ended July 31, 2024
9,680 million yen

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2024	-	16.00	-	25.00	41.00
Fiscal year ending July 31, 2025	-	-	-	-	-
Fiscal year ending July 31, 2025 (Forecast)	-	20.00	-	27.00	47.00

(Note) Revision to the dividend forecast announced most recently: No

3. Forecasted Consolidated Results for the Fiscal Year Ending July 31, 2025 (August 1, 2024 to July 31, 2025)

(% indicates changes from the previous year for full-year figures and changes from the same period of the previous year for quarterly figures)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	million	%	million	%	million	%	million	%	Yen
First half (YTD)	9,333	8.9	2,356	5.2	2,367	5.2	1,595	7.1	63.72
Full year	19,150	9.4	4,800	12.6	4,826	12.6	3,257	12.8	130.12

(Note) Revision to the financial forecasts announced most recently: No

*Notes

(1) Significant changes in the scope of consolidation during the three months ended October 31, 2024: No

(2) Adoption of special accounting treatment for the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)	Three months ended October 31, 2024	25,042,528 shares	Fiscal year ended July 31, 2024	25,042,528 shares
2) Total number of treasury shares at the end of the period	Three months ended October 31, 2024	12,416 shares	Fiscal year ended July 31, 2024	11,419 shares
3) Average number of shares during the period	Three months ended October 31, 2024	25,030,488 shares	Three months ended October 31, 2023	25,032,112 shares

* Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* Explanation on the proper use of financial results forecast and other notes

(Notice regarding future statements)

The financial forecasts stated in this document are based on information available as of the date of this document.

These forecasts should not be construed as a promise by the Company to achieve them. Actual results may differ from these forecasts due to uncertain factors, such as economic trends. For notes about assumptions behind the financial forecasts and how to use these financial forecasts, refer to page 5 "1. Overview of Operating Results, (3) Explanation of Consolidated Financial Forecasts and Other Future Projections."

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1. Overview of Operating Results

(1) Overview of Operating Results for the Period Under Review

1) Overview of business performance

Period		For the three months ended October 31, 2023 of 34th period	For the three months ended October 31, 2024 of 35th period	34th period
Accounting period		From August 1, 2023 to October 31, 2023	From August 1, 2024 to October 31, 2024	From August 1, 2023 to July 31, 2024
Net sales	(Thousands of yen)	4,285,851	4,550,761	17,508,405
Operating profit	(Thousands of yen)	1,142,215	1,074,543	4,263,812
Ordinary profit	(Thousands of yen)	1,146,195	1,079,237	4,285,206
Profit attributable to owners of parent	(Thousands of yen)	746,458	745,691	2,887,564
Comprehensive income	(Thousands of yen)	736,697	738,157	2,841,419
Net assets	(Thousands of yen)	7,976,462	9,792,767	9,680,682
Total assets	(Thousands of yen)	12,418,525	14,290,426	14,153,941
Research and development expenses	(Thousands of yen)	14,553	18,449	64,631
Equity ratio	(%)	64.2	68.5	68.4
Operating profit margin	(%)	26.7	23.6	24.4

During the three months ended October 31, 2024 (August 1, 2024 to October 31, 2024), the Japanese economy was on a gradual trend of recovery, driven by an enhanced employment and income environment. On the other hand, it is necessary to keep close tabs on the impact on the Japanese economy of such matters as a downturn in overseas economies due to monetary tightening, soaring raw material and energy prices.

Information system investment in Japan is booming, mainly in digital transformation which conducts a business transformation that utilizes digital technologies to address labor shortages. Under these current market conditions, the I'LL Group is pursuing its "CROSS-OVER Synergy" strategy in order to strengthen the business of its customers. Through a combination of "real" and "online" products and services, the I'LL Group develops, proposes and supports solutions for mid-tier and small/medium-size corporate clients that need to efficiently use IT to solve their management issues. The "CROSS-OVER Synergy" strategy is an initiative to increase the business efficiency and strengthen the sales capabilities of customers, by proposing a combination of real and online products and services through the I'LL Group's unique value proposition style. This strategy not only gives the I'LL Group a competitive edge during negotiations, but also enhances the satisfaction of its customers. In addition, to promote sustainable growth, I'LL has introduced an integrated production-sales system where sales representatives and system engineers are placed in the same organization to enhance mutual collaboration. This has improved the accuracy of projects by determining customer requirements at the time of quotation, strengthened the project management system, and reduced person-hours of customer support after the system operation starts by improving delivery quality, thereby strengthening the profit structure.

As for an overview of the "real" and "online" businesses, I'LL has continued on the real-world front to broaden the product appeal of its mainstay Aladdin Office software package for each business sector. In sales, it collaborated with partner companies and saw orders remain firm as it proposed ways for optimum system use for each client on the basis of plenty of installment examples in each industry. On the online world, I'LL continued to do new collaborative development in the three months ended October 31, 2024 with online store operators on the CROSS MALL cloud service, which integrates the management of multiple online stores. The Company will continue to strengthen our cooperation with multiple malls and shift our focus to medium-size and large markets, with the objective of increasing sales over the medium- to long-term. Also, the Company has achieved steady growth in sales of the CROSS POINT cloud service which allows integrated management of reward points and customers of online and real stores. In addition, in light of the disposal of certain software related to the development of cloud services implemented in the previous consolidated fiscal year, we are currently transitioning to a technology configuration called microservices architecture. This will allow us to enhance a system's flexibility in responding to rapidly changing user needs and business environments. We will work to establish a leaner business structure by reducing development time through the use of microservices architecture and ensuring scalability by actively adopting technologies from other companies and strengthening collaboration.

In addition, in the three months ended October 31, 2024, the Company continued to focus on product development and booked ¥18,449,000 for research and development expenses to increase market competitiveness through development of new technologies in the future. The Company will work to enhance R&D activities mainly at the I'LL Matsue Laboratory, an R&D base in Matsue, Shimane Prefecture, and continue to improve its future market competitiveness.

As a result, in the three months of the period under review, net sales were ¥4,550,761,000 (up 6.2% year on year), operating profit came to ¥1,074,543,000 (down 5.9% year on year), ordinary profit was ¥1,079,237,000 (down 5.8% year on year), profit attributable to owners of parent posted ¥745,691,000 (down 0.1% year on year), and the operating profit margin, which is Group's management indicator, was 23.6%. As of the end of the first quarter period under review, the company's financial position was ¥14,290,426,000 in total assets and ¥9,792,767,000 in total net assets. The equity ratio, a key indicator of financial soundness and long-term security, stood at 68.5%.

2) Analysis of operating results

(Net sales)

Net sales increased 6.2% year on year to ¥4,550,761,000. In the three months of the period under review, new orders increased steadily due to a combination of factors. First, the ongoing receipt of orders for large-scale projects; second, the expansion of net sales due to steady progress in the development process; third, the accumulation of stock net sales in response to the diversified work styles of small and medium-sized enterprises; and fourth, the continuous enhancement of functions for the primary Aladdin Office package software. Furthermore, an optimal system utilization method has been proposed, tailored to each customer based on extensive case studies of implementation in collaboration with partner companies.

In addition, CROSS MALL, integrated management software for multiple online stores, has been given greater product appeal by incorporating functional requests collected from existing customers, and it has seen increased net sales as we increased the unit price of contracts through stably acquiring new customers and strengthening our approach to medium-size and large markets. Net sales of CROSS POINT, a software program that enables integrated management of points and customers for online and real stores, increased as the company expanded its reach beyond the fashion industry and acquired new customers.

(Cost of sales, selling, general and administrative expenses, and operating profit)

The cost of sales increased 11.6% year on year to ¥2,064,887,000. This was mainly due to the impact of factors such as rising personnel expenses and price increases for some purchased products, despite the success of efforts to improve the accuracy of estimates through expanding packaging functions and integrating production and sales. In addition, operating profit was down 5.9% year on year to ¥1,074,543,000 due to factors such as the increase in personnel costs in selling, general and administrative expenses.

(Non-operating income, non-operating expenses, and ordinary profit)

Non-operating income increased 18.1% year on year to ¥4,975,000. This was primarily due to a rise of ¥715,000 in commission income. In addition, non-operating expenses grew 19.4% year on year to ¥281,000. This was primarily due to an increase in foreign exchange losses of ¥54,000. Consequently, ordinary profit fell 5.8% year on year to ¥1,079,237,000.

(Extraordinary income, extraordinary losses, income taxes and quarterly profit attributable to owners of parent)

There were no extraordinary income or losses. In addition, profit before taxes decreased by 5.8% year on year to ¥1,079,237,000, and after deducting income taxes - current and income taxes - deferred, quarterly profit attributable to owners of parent decreased by 0.1% year on year to ¥745,691,000.

(2) Overview of Financial Position for the Period Under Review

(Current assets)

As of the end of the first quarter period under review, current assets recorded ¥11,615,073,000, an increase of ¥47,127,000 from the end of the previous fiscal year. This was mainly due to increases of ¥91,125,000 in cash and deposits and ¥59,233,000 in prepaid expenses included in "Other" under current assets, despite a decrease of ¥80,076,000 in notes and accounts receivable - trade, and contract assets.

(Non-current assets)

As of the end of the first quarter period under review, non-current assets amounted to ¥2,675,352,000, an increase of ¥89,356,000 from the end of the previous fiscal year. This was mainly due to increases of ¥108,869,000 in software in progress, ¥55,003,000 in deferred tax assets, etc., despite a decrease of ¥57,098,000 in software.

(Current liabilities)

As of the end of the first quarter period under review, current liabilities were ¥2,540,283,000, a decrease of ¥14,783,000 from the end of the previous fiscal year. This was mainly due to decreases of ¥286,477,000 in income taxes payable, ¥97,975,000 in accounts payable - other included in "Other" under current liabilities, etc., despite an increase of ¥338,319,000 in provision for bonuses.

(Non-current liabilities)

As of the end of the first quarter period under review, non-current liabilities amounted to ¥1,957,376,000, an increase of ¥39,183,000 from the end of the previous fiscal year. This was mainly due to increases of ¥24,175,000 in retirement benefit liability and ¥14,650,000 in provision for retirement benefits for directors (and other officers).

(Net assets)

As of the end of the first quarter period under review, net assets came to ¥9,792,767,000, an increase of ¥112,084,000 from the end of the previous fiscal year. This was mainly due to an increase of ¥745,691,000 in profit attributable to owners of parent, despite a decrease of ¥625,777,000 in dividends of surplus.

(3) Explanation of Consolidated Financial Forecasts and Other Future Projections

The operating results for the three months of the period under review generally align with the Group's forecasts. There have been no adjustments made to the Group's financial forecasts for the first half or full year of the period under review.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2024 (As of July 31, 2024)	For the three months ended October 31, 2024 (As of October 31, 2024)
Assets		
Current assets		
Cash and deposits	6,663,216	6,754,341
Notes and accounts receivable - trade, and contract assets	4,425,954	4,345,877
Merchandise	275,010	205,708
Work in process	17,857	15,979
Other	190,960	298,100
Allowance for doubtful accounts	(5,052)	(4,934)
Total current assets	11,567,945	11,615,073
Non-current assets		
Property, plant and equipment	583,364	570,099
Intangible assets		
Software	423,355	366,256
Software in progress	366,958	475,828
Other	1,739	1,739
Total intangible assets	792,053	843,823
Investments and other assets		
Deferred tax assets	523,645	578,649
Other	690,126	687,091
Allowance for doubtful accounts	(3,193)	(4,311)
Total investments and other assets	1,210,578	1,261,429
Total non-current assets	2,585,996	2,675,352
Total assets	14,153,941	14,290,426
Liabilities		
Current liabilities		
Accounts payable - trade	646,435	587,876
Income taxes payable	708,694	422,216
Provision for bonuses	111,700	450,019
Provision for product warranties	15,746	12,042
Other	1,072,491	1,068,128
Total current liabilities	2,555,067	2,540,283
Non-current liabilities		
Retirement benefit liability	1,240,157	1,264,332
Provision for retirement benefits for directors (and other officers)	435,540	450,190
Asset retirement obligations	237,489	238,106
Other	5,005	4,746
Total non-current liabilities	1,918,192	1,957,376
Total liabilities	4,473,259	4,497,659

(Thousands of yen)

	Fiscal 2024 (As of July 31, 2024)	For the three months ended October 31, 2024 (As of October 31, 2024)
Net assets		
Shareholders' equity		
Share capital	354,673	354,673
Capital surplus	319,673	319,673
Retained earnings	8,962,032	9,081,946
Treasury shares	(10,080)	(10,374)
Total shareholders' equity	9,626,300	9,745,920
Other comprehensive income (cumulative)		
Remeasurements of defined benefit plans	54,701	47,103
Valuation difference on available-for-sale securities	(319)	(256)
Total other comprehensive income (cumulative)	54,381	46,847
Total net assets	9,680,682	9,792,767
Total liabilities and net assets	14,153,941	14,290,426

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(For the three months ended October 31, 2024)

(Thousands of yen)

	For the three months ended October 31, 2023 (From August 1, 2023 to October 31, 2023)	For the three months ended October 31, 2024 (From August 1, 2024 to October 31, 2024)
Net sales	4,285,851	4,550,761
Cost of sales	1,850,079	2,064,887
Gross profit	2,435,772	2,485,873
Selling, general and administrative expenses	1,293,556	1,411,330
Operating profit	1,142,215	1,074,543
Non-operating income		
Commission income	3,357	4,072
Subsidy income	810	348
Other	47	555
Total non-operating income	4,214	4,975
Non-operating expenses		
Interest expenses	229	220
Foreign exchange losses	6	60
Total non-operating expenses	235	281
Ordinary profit	1,146,195	1,079,237
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Total extraordinary losses	0	-
Profit before income taxes	1,146,195	1,079,237
Income taxes - current	461,370	385,227
Income taxes - deferred	(61,634)	(51,681)
Total income taxes	399,736	333,546
Profit	746,458	745,691
Profit attributable to owners of parent	746,458	745,691

(Quarterly Consolidated Statement of Comprehensive Income)
(For the three months ended October 31, 2024)

(Thousands of yen)

	For the three months ended October 31, 2023 (From August 1, 2023 to October 31, 2023)	For the three months ended October 31, 2024 (From August 1, 2024 to October 31, 2024)
Profit	746,458	745,691
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(9,761)	(7,597)
Valuation difference on available-for-sale securities	-	62
Total other comprehensive income	(9,761)	(7,534)
Comprehensive income	736,697	738,157
(Breakdown)		
Comprehensive income attributable to owners of parent	736,697	738,157
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

No applicable matters.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

No applicable matters.

(Notes on Quarterly Consolidated Statements of Cash Flows)

A quarterly consolidated statement of cash flows for the three months under review has not been prepared. In addition, the following information is provided regarding depreciation and amortization (including amortization of intangible assets) for the three months of consolidated periods.

	For the three months ended October 31, 2023 (From August 1, 2023 to October 31, 2023)	For the three months ended October 31, 2024 (From August 1, 2024 to October 31, 2024)
Depreciation	¥98,909,000	¥84,649,000

(Notes on Segment Information)

[Segment Information]

For the three months ended October 31, 2023 (August 1, 2023 to October 31, 2023) and the three months ended October 31, 2024 (August 1, 2024 to October 31, 2024)

This section is omitted because the I'LL Group (the Company and the consolidated subsidiaries) is a single-segment entity.

(Revenue Recognition)

Categorized information of revenue from contracts with customers

Our Group's structure is focused on a single segment, while our business encompasses two distinct entities: the system solutions business and the online solutions business. Financial information concerning revenue from contracts with customers is disclosed by business.

For the three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)

The following is a breakdown of revenue from contracts with customers, categorized by product or service type.

(Thousands of yen)

	System Solutions Business	Online Solutions Business	Total
Flow-type merchandise			
Licensing, customization, installation support, etc.	1,720,317	43,779	1,764,096
Hardware, etc.	759,267	3,076	762,344
Other	22,200	16,731	38,931
Stock-type merchandise			
Service use and system maintenance	1,241,758	478,719	1,720,478
Revenue from contracts with customers	3,743,544	542,306	4,285,851

The following is a breakdown of revenue from contracts with customers, categorized by the timing of revenue recognition.

(Thousands of yen)

	System Solutions Business	Online Solutions Business	Total
Products and services transferred at a single point in time	963,553	19,808	983,361
Products and services transferred over a period of time	2,779,990	522,498	3,302,489
Revenue from contracts with customers	3,743,544	542,306	4,285,851

For the three months ended October 31, 2024 (August 1, 2024 to October 31, 2024)

The following is a breakdown of revenue from contracts with customers, categorized by product or service type.

(Thousands of yen)

	System Solutions Business	Online Solutions Business	Total
Flow-type merchandise			
Licensing, customization, installation support, etc.	1,776,019	34,182	1,810,202
Hardware, etc.	739,256	646	739,903
Other	20,297	16,964	37,262
Stock-type merchandise			
Service use and system maintenance	1,457,987	505,406	1,963,394
Revenue from contracts with customers	3,993,561	557,200	4,550,761

The following is a breakdown of revenue from contracts with customers, categorized by the timing of revenue recognition.

(Thousands of yen)

	System Solutions Business	Online Solutions Business	Total
Products and services transferred at a single point in time	929,458	17,611	947,069
Products and services transferred over a period of time	3,064,102	539,589	3,603,691
Revenue from contracts with customers	3,993,561	557,200	4,550,761

(Information on Net Profit Per Share)

The basis for calculating quarterly profit per share is as follows.

	For the three months ended October 31, 2023 (From August 1, 2023 to October 31, 2023)	For the three months ended October 31, 2024 (From August 1, 2024 to October 31, 2024)
Net profit per share (yen)	29.82	29.79
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	746,458	745,691
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent related to common stock (Thousands of yen)	746,458	745,691
Average number of common shares during the period (Shares)	25,032,112	25,030,488

(Note) Diluted net profit per share is not shown because there are no dilutive shares.

(Significant Subsequent Events)

(Establishment of the Impact Neutralization Trust®)

On December 6, 2024, the Company's Board of Directors convened and resolved to establish the Impact Neutralization Trust® (hereinafter referred to as the "Trust").

1. Purpose and Background of the Trust

We have adopted "FREE, LOVE & DREAM" as our policy since our establishment, and we recognize that our mission as a company is to continuously improve our corporate value and earn the trust of all our stakeholders. To this end, we believe that one of the most important initiatives is to promote the diversification of our shareholders in order to enhance the transparency of our management and strengthen our oversight functions.

The objective of the policy is to increase the number of our Company's outstanding shares, which accounted for 42.26% of our Company's listed shares as of July 31, 2024. To this end, we have requested Tetsuo Iwamoto, who is the President and Representative Director of our Company as well as a major shareholder, to sell a portion of the shares he holds (hereinafter referred to as the "Sale of Shares"), and he has agreed to do so. Mr. Iwamoto is a non-public shareholder, meaning his shares are considered non-trading shares under the Tokyo Stock Exchange's listing rules and he owned 13.11% of the total number of shares issued by the Company as of July 31, 2024. By circulating the shares held by non-public shareholders in the market, we aim to strengthen corporate governance by diversifying shareholders. It is also expected to maintain our listing on the TSE Prime Market and improve market liquidity and supply and demand for our shares by equity index investment based on the total market value of floating shares, such as TOPIX.

However, given the current market liquidity of our shares, we believe that in order to avoid any impact on market supply and demand due to the Sale of Shares, it is essential to limit the daily sales volume (market participation rate of sale) and allow sufficient time for the sale. After evaluating various share sale methods, we have decided to utilize the Trust, taking into account its advantages and characteristics, as well as the disadvantages and considerations (as described in "2. Overview of the Trust" below). We believe that using the Trust to mitigate the impact of the Sale of Shares on market supply and demand to the extent possible is in the best interests of our shareholders and other stakeholders.

2. Overview of the Trust

The Trust's objective is to increase the number of the Company's shares in circulation. To this end, the Trust acquires shares of the Company through the Tokyo Stock Exchange's after-hours trading system (ToSTNeT-2) with funds provided by the Company, focusing on shares of the Company sold by major shareholders (*1) who are non-public shareholders. The Trust then sells the Company's shares in a manner that minimizes the impact on market supply and demand for the Company's shares. The shares of the Company acquired by the Trust will be sold within the term of the Trust, and the proceeds of the sale will be distributed to the Company periodically at predetermined intervals (*2).

(*1) It is anticipated that there will be a change in the major shareholders as a result of the Sale of Shares. In the event of a change, prompt notification will be provided.

(*2) The impact of the Trust on the Company's financial position and operating results is currently being calculated. The status of the sale of the Company's shares by the Trust will be announced on a monthly basis.

Furthermore, the acquisition of the Company's shares by the Trust (hereinafter referred to as the "Acquisition"), as well as the holding and sale of the Acquired shares, will be carried out in compliance with the necessary regulations, in consideration of the purpose and objectives of the various regulations concerning treasury shares (Articles 155, 160, 165, 461, etc. of the Companies Act) and the content of the Trust.

(Advantages and characteristics of the Trust)

- 1) As the shares acquired will be sold on the on-floor market, steady growth in the number of shares in circulation can be expected.
- 2) By limiting the daily sales volume (market participation rate for sale) and selling over a sufficient period of time, it is expected that the market liquidity of the Company's shares will improve and the impact of the Sale of Shares on market supply and demand will be reduced.
- 3) The Trust has secured opportunities for selling the Company's shares not only by the major shareholders who have agreed to sell their shares but also for other shareholders, thereby ensuring equality of opportunity for selling.
- 4) Depending on the share price trend (share price increase) during the trust period, there is a possibility that a disposal profit will be generated between the acquisition funds contributed by the Company and the sales proceeds received.

(Disadvantages and considerations for the Trust)

- 1) The sale in the on-floor market will have a continuous impact on the market supply and demand for the Company's shares until the sale of the Company's shares by the Trust is completed.
- 2) Depending on the share price trend (decline in share price) during the trust period, there is a possibility that a disposal loss will occur between the acquisition funds contributed by the Company and the sale proceeds received, and it is possible that the amount will be substantial. In addition, the disposal loss could cause further decline in the share price.

3. Details of the Trust

- | | |
|---------------------------------|---|
| (1) Trustor | Our Company |
| (2) Trustee | The Nomura Trust and Banking Co., Ltd. |
| (3) Beneficiary | Our Company |
| (4) Exercise of voting rights | No voting rights shall be exercised with respect to the Company's shares held in the Trust |
| (5) Handling of dividends, etc. | No dividends, etc. will be paid on the Company's shares held in the Trust, or the same treatment will be applied |
| (6) Type of the Trust | Money held in trust, other than the money trusts |
| (7) Trust agreement date | December 6, 2024 |
| (8) Term of the Trust | December 6, 2024 (planned) to July 31, 2025 (planned) |
| (9) Purpose of the Trust | The sale of our Company shares by non-public shareholders is intended to increase the number of shares available and to mitigate the deterioration of the market supply and demand for the Company's shares due to such sale. |

4. Acquisition of the Company's Shares by the Trust

- | | |
|---|---|
| (1) Type of shares to be acquired | Common stock of the Company |
| (2) Number of shares to be acquired (maximum) | 1,250,000
(4.99% of the total number of shares issued, excluding treasury shares) |
| (3) Total acquisition price of shares (maximum) | ¥4,500,000,000 |
| (4) Timing of share acquisition | December 9, 2024 (planned) to December 16, 2024 (planned) |
| (5) Method of share acquisition | Acquisition through the Tokyo Stock Exchange's after-hours trading system (ToSTNeT-2) |
| (6) Stock acquisition price | Closing price of the business day prior to the share acquisition date |
| (7) Stock acquisition date | To be disclosed on the business day prior to the share acquisition date |
| (8) Conditions for suspension of the Acquisition | The Acquisition is reasonably expected to carry out the purposes of the Trust |
| (9) Funds to be contributed for acquisition and trust | Up to approximately ¥4,526,950,000 (The approximate total estimated amount of the acquisition cost if all the shares to be acquired are acquired, as well as trust fees and other expenses related to the establishment of the Trust) |

5. Method of Selling the Company's Shares in the Trust

The sale of the Company's shares in the Trust will be conducted through on-floor trading, and the proceeds from the sale will be received by the Company. The specific execution of sale during the trust period will be carried out in accordance with the execution policy stipulated in the trust agreement in advance, and the Company will not give instructions.

<Summary of the Execution Policies for On-floor Market Transactions>

- Sales will be completed within the trust period, taking into account the dispersion of the timing of sales. If any of the Company's shares belonging to the trust assets remain by the initial trust period expiration date, the expiration date of the Trust will be changed to July 31, 2026.
- The number of shares sold each business day will be approximately 15% of the total trading volume, taking into account the stock price trend on that day.
- In principle, sales orders will be placed as limit orders, and no market orders will be placed.
- The pace of sales may be adjusted within a certain range depending on the stock market situation. In particular, sales may be suspended in cases where the stock price falls significantly.
- In the event that the shares are designated as Securities Under Supervision or Securities to Be Delisted by the Financial Instruments Exchange, the sale will be completed promptly, irrespective of the above circumstances.

6. Impact on the Company's Business Performance

The impact of the implementation of the Trust on the Company's business performance is currently being calculated. The impact on net assets due to the acquisition and sale of shares to be implemented by the end of the second quarter and the valuation of remaining shares, etc. will be announced in the financial results of the second quarter for the fiscal year ending July 2025.

(Reference)

*The Impact Neutralization Trust® is a registered trademark of Nomura Securities Co., Ltd.