

## Logizard Co., Ltd.

4391

Tokyo Stock Exchange Growth Market

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## ■ Summary

### **FY6/23 saw sales increase and profit decline. Despite a temporary decline in profit due to upfront investment, strong performance from cloud services meant the margin of decline was less than anticipated**

Logizard Co., Ltd. <4391> (hereinafter, “the Company”) sells systems that support inventory management and provides services ancillary to these systems to its customers, which are mainly companies in the retail and logistics industries, manufacturers, and third-party logistics (3PL) companies. The three systems provided by the Company are Logizard ZERO, which supports inventory management in warehouses; Logizard ZERO-STORE, which supports inventory management in stores; and Logizard OCE, which supports the realization of efficient inventory management and logistics through the integrated management of the inventory information of multiple stores and warehouses. It provides them through the cloud so they are easy to introduce even for small- and medium-sized companies, and has a subscriptions-based earnings model and therefore a stable earnings foundation (in FY6/23, cloud services, which are highly profitable, provided 78.9% of sales).

#### **1. Outline of results for FY6/23**

In FY6/23 consolidated results, net sales increased 4.6% year on year (YoY) to ¥1,853mn, operating profit fell 29.0% to ¥260mn, ordinary profit declined 29.0% to ¥260mn and net profit declined 22.0% to ¥184mn. There continued to be extensive inquiries for Logizard ZERO, Logizard ZERO-STORE and Logizard OCE due to labor shortages in the logistics industry and the increasing need for labor savings and automation. Profit declined due to upfront investment in human resources and R&D to raise enterprise value over the medium to long term. Despite a temporary decline in profit, the Company upwardly revised its full-year results forecasts for net sales and profit in May 2023 as sales of cloud services exceeded expectations. Thanks to strong performance from highly profitable cloud services, the margin of decline in profit was less than anticipated. The Company changed to non-consolidated accounting beginning in 3Q FY6/23 with the completion of liquidation procedures for Logizard SCM Technology (Shanghai) Co., Ltd., which had previously been underway.

#### **2. Outlook for FY6/24**

For FY6/24 results, the Company is forecasting net sales to increase 9.2% YoY to ¥2,024mn, operating profit to rise 27.0% to ¥331mn, ordinary profit to increase 27.0% to ¥331mn, and net profit to increase 22.7% to ¥226mn, so both sales and profit are expected to rise. The Company anticipates that the external environment will continue to be favorable in FY6/24 given the labor shortages in the logistics industry and the increasing need for automation and labor savings resulting from these shortages. Additional positive factors from the standpoint of the Company’s results are the increasing interest in OMO marketing\* among customer companies and the increase in inquiries from B2B companies. With the business environment providing a tailwind, the Company will work to expand results by carrying out various initiatives based on its new management plan. With regard to profits, growth is expected beyond the growth rate in sales. While the Company will invest in human resources and R&D to further expand results and raise enterprise value, it will look to raise profitability by building up sales in cloud services, which is highly profitable.

\* OMO (Online Merges with Offline) refers to building an online integrated state that does not distinguish between the online and the offline. It is a concept and initiative that provides a new purchasing experience never seen before.

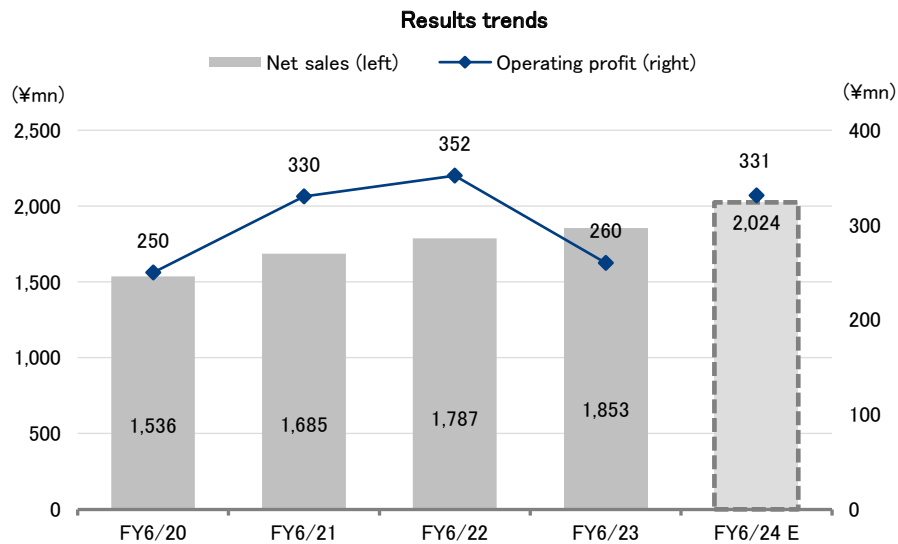
Summary

3. Overview of the new management plan

With COVID-19 being reclassified as a Class V infectious disease under the Infectious Diseases Control Law and changes in business trends which affect the Company occurring daily, in August 2023 the Company established a new management plan (FY6/24 – FY6/26). As economic and social activities recover from the COVID-19 pandemic, within the logistics industry, the importance of brick-and-mortar stores is being reaffirmed. The Company sees business opportunities in the increasing need for OMO marketing, which more seamlessly integrates online and offline services, and in robust demand for automation and labor savings, given that labor shortages in the logistics industry remain an issue, and will tie these opportunities to results expansion. In particular, as inquiries from B2B companies increase amid this business environment, the Company will actively expand its business to the B2B domain while maintaining a firm hold on its share of the existing B2C domain. Through this, the Company is aiming for ¥1,875mn in sales of mainstay cloud services (up 28.2% from FY6/23) and overall ordinary profit of ¥434mn (up 66.9%) for FY6/26, the final year of the plan. Also, the Company intends to continue focusing on securing human resources and is planning to increase its workforce from 115 employees in FY6/23 to 157 in FY6/27.

Key Points

- FY6/23 saw an increase in sales and decrease in profit
- Even while making upfront investment, cloud services performed well, and the margin of decline in profit was less than expected
- With the business environment favorable, the Company is expecting higher sales and profit in FY6/24
- Under its new management plan, the Company will enter the B2B domain while accommodating increasing needs for OMO marketing and for automation because of labor shortages



Note 1: Changed to non-consolidated accounting as of 3Q FY6/23  
 Note 2: Adopted the Accounting Standard for Revenue Recognition, etc., from FY6/22  
 Source: Prepared by FISCO from the Company's financial results

## ■ Company profile

**Since its foundation, has provided WMS to customers via the cloud.  
Supports the improved accuracy and efficiency of logistics work  
through systems**

### 1. Company profile

The Company was founded in 2001 in Saitama Prefecture in order to develop and sell warehouse inventory management systems (hereinafter, WMS). The Company's name is a portmanteau of logistics and wizard and incorporates the idea of "contributing to industry and to society by innovatively improving the efficiency of logistics as if by magic." Since its foundation, based on its mentality that "customers' shipments should be absolute" and that "customers and shipment receivers should absolutely not be inconvenienced," it has contributed to improving the accuracy and efficiency of the logistics work of customers, which are mainly small- and medium-sized companies for which aggressive IT investment is difficult due to cost reasons.

President and CEO Shigenori Kanazawa previously worked in the apparel industry, so initially the Company started a business whose mainstay service was Logizard PLUS (service provision ended in January 2023), a WMS for the apparel industry. It expanded its target customers by reflecting the needs of customers into its systems, and currently provides services via the cloud to customers in a wide range of industries, from food and beverages through to cosmetics and 3PL.

Going forward, the Company will reliably capture new needs that have emerged with the resumption of economic and social activities post-pandemic and bridge this to results expansion in the future. Specifically, under its new management plan established in August 2023, the Company intends to accommodate WMS needs, which are expanding to B2B companies, automation trends caused by labor shortages and new trends related to the creation of smart stores and their online integration, and incorporate them into its own results. To this end, the Company will make upfront investment in R&D and in personnel hiring and development and further strengthen its business base to expand results over the medium to long term and raise enterprise value.

Company profile

**History**

| Date           | Event   |
|----------------|---|
| July 2001      | Logizard Ltd. was established in Warabi City, Saitama Prefecture, in order to develop and sell warehouse inventory management systems<br>Started sales of the Logizard PLUS warehouse inventory management system |
| September 2002 | Started sales of the RB-Manager store inventory management system   |
| May 2003       | Relocated main store to Minato Ward, Tokyo  |
| August 2005    | Conducted an absorption merger of Logizard Co., Ltd. (formerly Soft communications Co., Ltd.) and changed the corporate name to Logizard Co., Ltd.  |
| July 2006      | Opened the Akita Development Center in Akita City, Akita Prefecture   |
| January 2008   | Opened the Osaka Sales Office in Kita Ward, Osaka City, Osaka Prefecture (currently relocated to Chuo Ward, Osaka City, Osaka Prefecture)   |
| August 2009    | Opened the Yokote Development Center in Yokote City, Akita Prefecture   |
| September 2009 | Started sales of the POS Pita RBM store inventory management system   |
| September 2012 | Started sales of Logizard ZERO, a new version of Logizard PLUS  |
| April 2018     | Acquired the Privacy Mark   |
| July 2018      | The Company's shares were listed on the Tokyo Stock Exchange's Mothers market   |
| May 2019       | Started sales of Logizard ZERO-STORE, a new version of POS Pita RBM   |
| December 2019  | Acquired the Information Security Management System (ISMS) certification  |
| January 2021   | Acquired the Information Security Management System (ISMS) Cloud security certification   |
| April 2022     | Transferred to the Tokyo Stock Exchange's Growth Market following the TSE's market restructuring  |

Source: Prepared by FISCO from the Company's securities reports

**2. Business description**

The Company's business is broadly divided into three segments: cloud services, in which it provides WMS via the cloud; development and introduction services, which involves supporting the introduction of systems for customers that are using its cloud services; and device-sales services, which means selling devices necessary for warehouse work, such as dedicated printers to create barcode labels. In the percentage of total net sales by segment in FY6/23, cloud services provided 78.9%, development and introduction services 17.1%, and device-sales services 4.0%. The mainstay cloud services have a subscription model in which the Company collects monthly usage fees from customers. Once a service is introduced, the profit margin is high as it generates earnings automatically and regularly, creating a stable earnings foundation (operating profit margin was 14.1% and ROE (Return on Equity) was 11.4% in FY6/23.) Other than this segment, the development and introduction services and device-sales services segments have a business model in which earnings are generated when an order is received from a customer and a delivery is made.

## Company profile

**(1) The Logizard ZERO warehouse inventory management system**

For its customers, which include manufacturers, distribution companies, and 3PL companies, the Company provides this system which accurately ascertains the number of inventory items stored in warehouses and improves the efficiency of work in warehouses. Through barcode reading and the integrated management of all of the movements of products from deliveries through to shipments, returns and movements on shelves in warehouses, it realizes “accurate inventory management,” prevention of erroneous shipments,” and “the improved efficiency and standardization of work in warehouses.” The functions of this system are many and diverse, including functions to coordinate with materials handling and logistics robots in order to realize improved efficiency and labor saving at logistics worksites, product management functions that manage expiration dates and other items, functions to manage goods packaged together that improve the accuracy and efficiency of repeat online sales, inventory and status-inquiry functions that enable inventory inquiries from storage locations and products, security-compatible functions that can manage password logins and related, and store inventory management functions linked with Logizard ZERO-STORE. Customers rent the handy terminal that reads the barcodes, while the Company replaces batteries free of charge and repairs or replaces a broken device on the same day. The Company also provides fixed-mount barcode readers as an option, and is working to strengthen its products by adding optional functions as appropriate to improve customer convenience.

Also, one of the appeals of this service is an enhanced support structure through a dedicated support team that enables speedy introductions in a minimum of one month and linkages with a variety of other third-party systems. Since customization is minimal and the service can be linked with external systems, customers can introduce it at a low cost and in a short period of time. Steady progress is being made to link external systems, with the link to multi-channel commerce platform Shopify commencing in November 2022. In addition, in April 2023, it strengthened system linkage with “Aladdin Office for fashion,” a sales and inventory management system for apparel. Additionally, for 3PL companies that must respond on the tight schedule of the shipper, its appealing points include a secure and reliable service with a short introduction period and that the system can be steadily operated up to the shipment date specified by the shipper.

One specific instance of usage is the picking operation that occurs when an order is received from a consumer. Logizard ZERO provides instructions stating that “the targeted product is third from the right, second from the bottom shelf. Please package it and ship it to Mr. OO,” which enables accurate picking operations.

**(2) The Logizard ZERO-STORE store inventory management system**

Logizard ZERO-STORE is a system that realizes the improved efficiency of inventory management in stores. Its three main functions are inventory management, POS cash register (optionally provided as linked to the products of other companies), and analysis tools. The analysis tools have functions to automatically aggregate and analyze net sales in stores and can be utilized to plan sales strategies. Inventory management and POS cash register are provided as effective functions for both the administrators (head office) and the business offices (stores). In inventory management, functions including inventory management, sales management and stock management are provided for the administrators. For example, it enables the head office to conduct the integrated management of various business offices’ data, which is beneficial for the efficient management of the various business offices and for overall optimization. It provides functions including a sales and inventory registration function using smartphones for business offices, and a function for inquiring about the inventories of other stores in which a store’s inventory can be checked in real time. This service makes it possible to improve the efficiency of store operations and to respond quickly to consumers.

Company profile

POS cash register is provided linked to the payment work support service that uses tablet devices. In addition to the basic cash register functions such as credit card processing, it has functions to change unit prices such as for discounts, to print receipts, and to send a store's sales data to the head office, among other things. It can also be easily linked to peripheral devices like receipt printers and barcode scanners, and is notable for being highly versatile. Another appealing point of this system is that it can be introduced at low cost. Instead of an expensive POS cash register, the service can be obtained via the cloud on a tablet device, so it can be easily introduced even by small- and medium-sized customers. It can be introduced in a short time and has an enhanced support structure, which are some of the reasons why customers support it, the same as the Company's other services.

Specific usage scenarios include confirming inventory on a smartphone when there is an inquiry from a customer on whether a product is in stock, and if it is in stock, confirming which shelf it is on, such as in the backroom. This system makes it possible to respond quickly to consumers.

### (3) The Logizard OCE omni-channel support system

Logizard OCE is a product that supports customers' omni-channels\*. By linking it to the Company's Logizard ZERO and Logizard ZERO-STORE, it can utilize the integrated data on stores and warehouses and realize optimized shipping and deliveries for each customer. Through the integrated management of inventory, it contributes to the smooth management of an omni-channel strategy that comprehensively utilizes multiple channels. Also, another feature is that it can be connected to the WMS provided by other companies and can utilize the above-described functions. It seems that needs for OMO marketing are rising, and amid these conditions, we at FISCO think that demand for this system will continue to be strong.

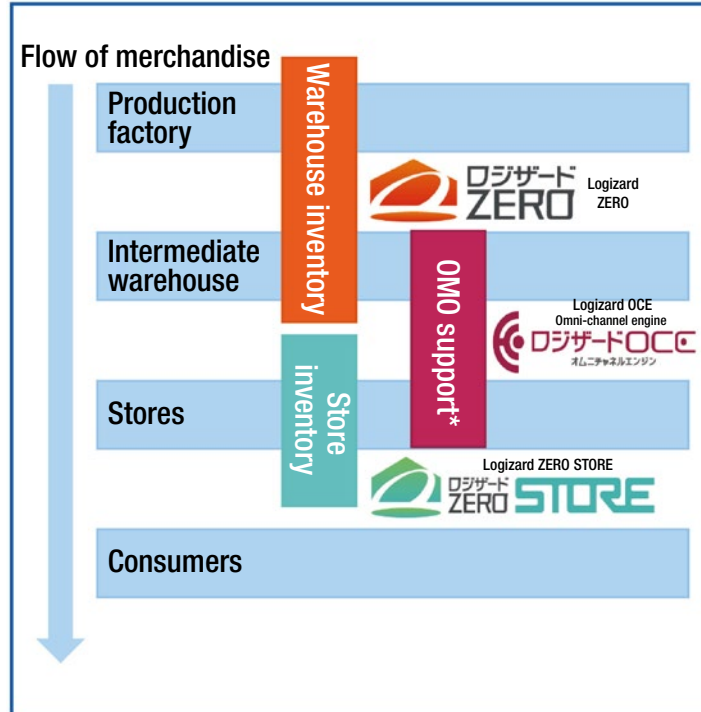
\* Omni-channel is an environment in which consumers, when making purchases, can purchase with all (= omni) the contacts points (= channels) seamlessly connected. It is a state in which with regards to each channel provided by the selling side, regardless of whether online (e.g.: online shops) or offline (e.g.: actual stores), the consumer side can purchase products without worrying about the number of items in stock, point cards, etc., providing a "seamless purchasing experience."

Specific usage scenarios include when there is an order from a consumer via an e-commerce site, the inventory of the relevant product is confirmed in the stores and warehouses and a decision is made on the most efficient place to send it from.



Company profile

The Company's cloud services and corresponding areas



\* OMO...abbreviation of Online Merges with Offline

Source: Reprinted from the Company's business plan and materials on growth potential

**(4) Fees system and sales channels**

The three cloud services of Logizard ZERO, Logizard ZERO-STORE, and Logizard OCE can be used by customers based on the characteristics of their own or their shippers' business. Logizard ZERO is offered for a fixed monthly fee or a monthly usage fee and Logizard ZERO-STORE and Logizard OCE are provided for a fixed monthly fee. For linkages to the systems of other companies, there is a mechanism to link to the apps provided by the application partners so that they can be used without the need for additional development by adding an optional fee. This earnings model achieves stable earnings from the cloud service, while allowing upselling from options, etc.

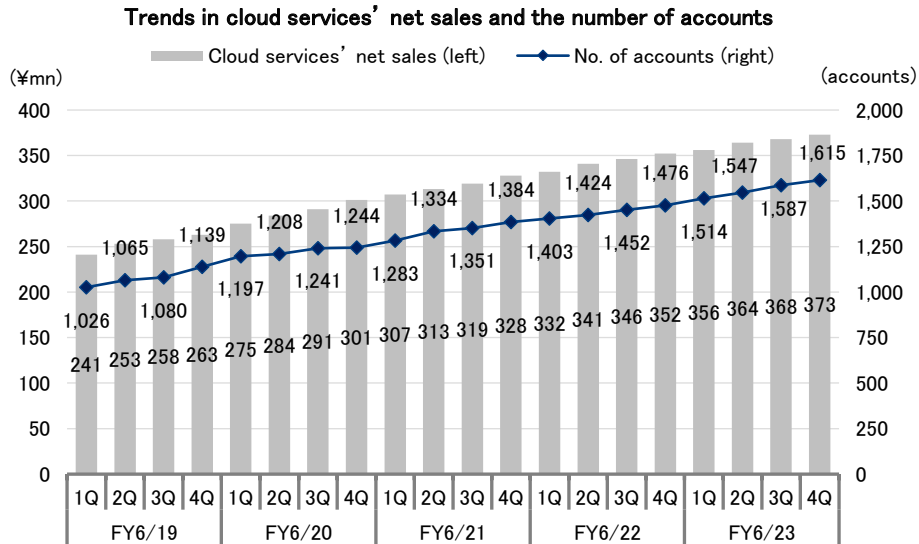
The sales channels are direct sales by the Company and sales activities through agencies. The agencies are divided into application partners that develop and sell systems linked to the Logizard series, and sales partners such as agencies. The application partners include many companies that are developing EC support systems and order management systems, including GMO MAKESHOP Co., Ltd.

**3. Features and strengths**

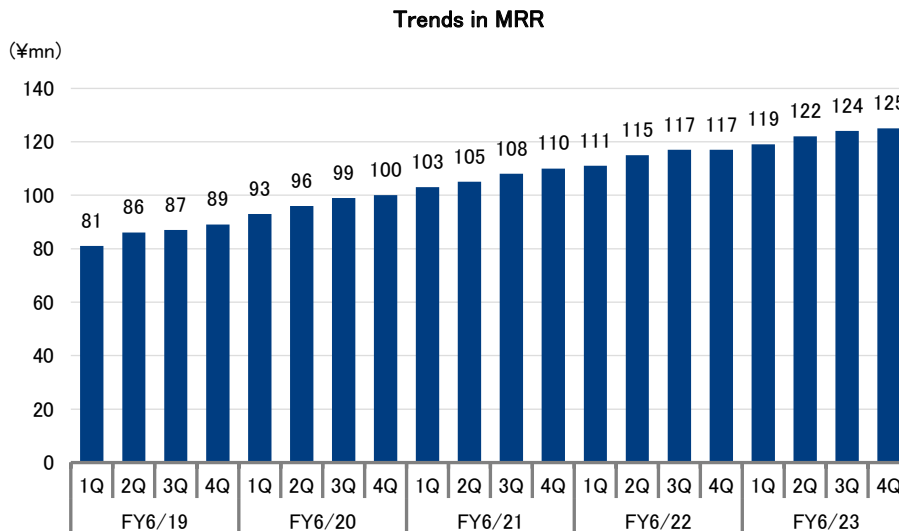
The strengths of the Company's products include their short delivery times, low prices, and high-quality services. They can be introduced with short delivery times and at low cost through the ability to accurately ascertain through interviews with customers the products' characteristics and management requirements and the shipping destinations' characteristics and also as they are highly versatile systems. Moreover, many small- and medium-sized customers do not have dedicated system engineers, so they are also appealing services through the Company supporting customers' introductions of IT through its operations support service provided 365 days a year.

Company profile

Also, as was mentioned above, the Company is able to stably generate earnings through adopting a subscription model. It continuously upgrades the versions of its products so that they reflect customers' current needs, which contributes to lowering the cancellation rate. In the future as well, at FISCO, we expect it to stably generate earnings from both existing customers and new customers. By gradually increasing new accounts while keeping the cancellation rate at a low level, the Company is steadily building up its monthly recurring revenue (MRR).



Source: Prepared by FISCO from the Company's results briefing materials



Source: Prepared by FISCO from the Company's business plan and materials on growth potential

#### 4. Business environment

With regards to the Company's business environment, at FISCO we think its markets will steadily grow in the future, based on the current situation of e-commerce in people's daily lives, the labor shortage in the transportation industry, and the shortage of human resources able to respond to digitalization. In particular, in a survey of small- and medium-sized companies, which are the Company's main customers, while there were some companies "in a state of shifting from analog conditions to a business environment in which digital tools are used," 37.9% of companies answered that they "do not have human resources able to advance digitalization" (The Ministry of Economy, Trade and Industry's 2022 White Paper on Small and Medium Enterprises). In addition, according to the 2023 White Paper on Small and Medium Enterprises, 69.4% of companies responded that they had not hired IT or digital personnel within the most recent year, and 20.7% responded that there was a shortage of personnel. This suggests that personnel for promoting digitalization remain in short supply. Within this environment, we at FISCO think that demand for the Company's services, which can be easily introduced via the cloud and for which it has established a comprehensive support structure able to respond to requests 365 days a year, will be strong.

## Results trends

### In FY6/23, cloud services progressed beyond expectations, and thanks to the strong performance from cloud services, the margin of profit decline was lower than anticipated

#### 1. Outline of results for FY6/23

In FY6/23 results, net sales increased 4.6% YoY to ¥1,853mn, operating profit declined 29.0% to ¥260mn, ordinary profit fell 29.0% to ¥260mn, and net profit decreased 22.0% to ¥184mn. With regard to net sales, there were extensive inquiries for Logizard ZERO, Logizard ZERO-STORE and Logizard OCE because of labor shortages in the logistics industry and the increasing need for labor saving and automation. Against the backdrop of a favorable external environment, the Company made priority allocations of personnel to new customer acquisition that had been assigned to deal with EOS and tied this to expanding sales while securely incorporating robust demand. With regard to Logizard ZERO, there continued to be many inquiries from second-tier and larger companies with integrated inventory management needs including actual stores. Regarding Logizard ZERO-STORE and Logizard OCE, inquiries increased on rising demand for integrated inventory management by stores and B2B companies along with e-commerce in the retail and logistics industries, which have an eye on new markets post-pandemic. With increasing needs for inventory management that supports OMO marketing, the Company worked to create services in closer alignment with customers' business activities in cooperation with pilot users. Going forward, the Company intends to progressively add to its systems while carefully considering functions that match customer needs as it moves to strengthen its products. In addition, it introduced new fixed-mount barcode readers as an optional function and strengthened linkage with "Aladdin Office for fashion," continuing to strengthen its products and increase the appeal of its services. Based on this, accounts and sales in mainstay cloud services both steadily increased. Accounts rose 9.4% YoY to 1,615 and sales increased 7.5% to ¥1,462mn.

#### Results trends

On the profit front, the Company made upfront investments in human resources and R&D to raise medium- to long-term enterprise value, which caused profit to fall. The decline in profit from upfront investment was temporary, but the business environment itself is good, and mainstay cloud services in particular progressed ahead of expectations. Actually, in May 2023, the Company upwardly revised its full-year results forecasts for FY6/23. It had anticipated a temporary decline in profit due to upfront investment since the start of the period, but cloud services performed better than projections, which led to a smaller margin of decline in profit. Compared to initial forecasts, the Company upwardly revised net sales by ¥35mn, ordinary profit by ¥63mn and net profit by ¥37mn.

Sales increased 5.0% YoY to ¥317mn in the development and introduction services segment, but decreased 4.0% YoY to ¥74mn in the device sales service segment.

#### FY6/23 results

|   | FY6/22  |                | FY6/23  |                |        |             |
|---|---------|----------------|---------|----------------|--------|-------------|
|   | Results | % of net sales | Results | % of net sales | Change |             |
|   |         |                |         |                | Change | % of change |
| Net sales                               | 1,771   | -              | 1,853   | -              | 82     | 4.6%        |
| Cost of sales                           | 831     | 46.9%          | 899     | 48.5%          | 67     | 8.2%        |
| SG&A expenses                           | 572     | 32.3%          | 693     | 37.4%          | 121    | 21.1%       |
| Operating profit                        | 367     | 20.7%          | 260     | 14.1%          | -106   | -29.0%      |
| Ordinary profit                         | 367     | 20.7%          | 260     | 14.1%          | -106   | -29.0%      |
| Profit attributable to owners of parent | 236     | 13.4%          | 184     | 10.0%          | -51    | -22.0%      |

Note: The Company has changed to non-consolidated accounting as of 3Q FY6/23, so non-consolidated figures are used for the previous year  
 Source: Prepared by FISCO from the Company's financial results briefing materials

## The equity ratio is at the high level of 86.2%. The current ratio and non-current ratio are both sound and there are no concerns about short- or long-term fund liquidity

### 2. Financial condition and business indicators

Looking at the financial condition in FY6/23, total assets increased ¥135mn from the end of the previous period to ¥1,965mn. The main factors behind this change were an increase in cash and deposits of ¥209mn in current assets due to recovering cash from the increase in net sales, while in non-current assets, software fell by ¥28mn due to the recording of a loss on retirement of non-current assets.

Total liabilities decreased ¥11mn from the end of the previous period to ¥271mn. This was mainly due to a decline of ¥82mn in income taxes payable because of a special income tax exemption. Total net assets increased ¥147mn to ¥1,693mn. This was primarily the result of retained earnings increasing ¥130mn due to recording a substantial level of net profit, while dividend payments totaled ¥47mn.

Looking at management indicators, the current ratio is 634.1% and the non-current ratio is 14.5%. Both improved from the end of the previous period, meaning short- or long-term fund liquidity has further increased. The equity ratio remains high at 86.2%, an increase of 1.7 percentage points (pp) from the end of previous fiscal year. It can be understood from its financial statements that the Company is conducting management while taking into consideration financial soundness and liquidity of funds.

## Results trends

## Consolidated balance sheet and management indicators

|                                  | (¥mn)  |        |        |
|----------------------------------|--------|--------|--------|
|                                  | FY6/22 | FY6/23 | Change |
| Current assets                   | 1,558  | 1,720  | 162    |
| Cash and deposits                | 1,244  | 1,453  | 209    |
| Non-current assets               | 271    | 244    | -26    |
| Net assets                       | 1,829  | 1,965  | 135    |
| Total liabilities                | 282    | 271    | -11    |
| Current liabilities              | 282    | 271    | -11    |
| Net assets                       | 1,546  | 1,693  | 147    |
| Retained earnings                | 1,111  | 1,241  | 130    |
| Total liabilities and net assets | 1,829  | 1,965  | 135    |
| <Main management indicators>     |        |        |        |
| Equity ratio                     | 84.5%  | 86.2%  | 1.7pt  |
| Current ratio                    | 551.0% | 634.1% | 83.1pt |
| Non-current ratio                | 17.5%  | 14.5%  | -3.0pt |

Note: The Company has changed to non-consolidated accounting as of 3Q FY6/23, so non-consolidated figures are used for the previous year

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

## ■ Outlook

**For FY6/24, the Company is projecting higher sales and profit, and with conditions expected to be favorable in the external environment, will actively invest in product development and human resources**

For its FY6/24 results, the Company is forecasting net sales to increase 9.2% to ¥2,024mn, operating profit to increase 26.9% to ¥331mn, ordinary profit to rise 27.0% to ¥331mn and net profit to rise 22.4% to ¥226mn, so it is projecting both sales and profit to increase. In the logistics industry, where the Company's main customers are located, there is a high level of demand for automation and labor saving due to labor shortages, and in the logistics industry, with economic and social activities resuming post-pandemic, there is greater interest in OMO marketing. Amid these developments, inquiries are also increasing from B2B companies.

With a tailwind blowing from the external environment, the Company will focus on expanding results for cloud services based on its newly established management plan. Specifically, it intends to focus on expanding its market position to B2B, developing functions needed by B2B companies and linking data, promoting labor savings and automation on the logistics frontlines by adding optional functions, and promoting OMO support by strengthening the functions of Logizard ZERO-STORE and Logizard OCE. In addition, it will continue hiring activities aimed at reliably capturing expanding market opportunities and continue to enhance its internal systems. The Company specifically plans to increase its workforce to 132 employees by the end of FY6/24 (115 employees as of end-FY6/23).

Outlook

On the profit front, even while making upfront investments in R&D and human resources with a view toward further results expansion in the future, the Company is projecting profit growth that exceeds net sales growth. This is because profit will accumulate steadily with the growth of highly profitable cloud services. As previously stated, the Company's profit margins are high because its mainstay business is subscription-based cloud services. Going forward, as the Company increases new accounts while accommodating OMO marketing needs, FISCO believes that profit will steadily accrue.

Outlook for FY6/24

|                  | FY6/23  |                | FY6/24   |                | YoY    |             |
|------------------|---------|----------------|----------|----------------|--------|-------------|
|                  | Results | % of net sales | Forecast | % of net sales | Change | % of change |
| Net sales        | 1,853   | -              | 2,024    | -              | 170    | 9.2%        |
| Operating profit | 260     | 14.1%          | 331      | 16.4%          | 70     | 26.9%       |
| Ordinary profit  | 260     | 14.1%          | 331      | 16.4%          | 70     | 27.0%       |
| Net profit       | 184     | 10.0%          | 226      | 11.2%          | 41     | 22.4%       |

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

## ■ Medium- to long-term growth strategy

**With a basic growth strategy of combining trendy products with high-contact service, the Company will make upfront investment in R&D and human resources to further expand results in the future**

### 1. Overview of the new management plan

In August 2023 the Company established a new management plan that runs through FY6/26 in response to the changing business environment. Because of the COVID-19 pandemic, trends had been weighted toward e-commerce, but with COVID-19 being reclassified as a Category V infectious disease, economic and social activities have resumed and the importance of stores is being reaffirmed. In addition, with the needs and purchasing behaviors of consumers diversifying, there is a high level of demand for OMO marketing that seamlessly integrates brick-and-mortar stores and online stores and for inventory management methods that make this possible. In particular, there has been increased focus on OMO marketing and inventory management methods in the B2B industry as well. Also, in the logistics industry, labor shortages remain and there is a need for automation and labor savings because of this. With the business environment surrounding the Company changing as previously described, the Company has put forth a basic growth strategy of combining trendy products with high-contact service. It intends to carry out upfront investment in R&D and human resources to establish services and systems capable of accommodating needs that are expected to increase in the future. "High-contact" here means that in business activities the Company's employees are actively involved with customers and provide value to them. Sales and development employees will communicate closely with customers to provide support for their businesses. In order to further promote high-contact service, the Company will 1) build systems that make it possible to simultaneously deliver orders and develop products, 2) expand support systems, 3) systematize and schedule initial training for employees, whose numbers are increasing, and 4) create systems that enable employees to work with peace of mind.

Medium- to long-term growth strategy

As for numerical targets, by FY6/26, the Company intends to grow cloud service net sales to ¥1,875mn (up 28.2% compared to FY6/23) and ordinary profit to ¥434mn (up 66.9%). Regarding hiring to strengthen systems, the Company is looking to increase its workforce to 157 employees by the end of FY6/27. Sales and ordinary profit targets in the new management plan have been upwardly revised in light of cloud services performing well and beating expectations in FY6/23. The sales and ordinary profit targets for cloud services in FY6/26 have been upwardly revised by ¥46mn and ¥1mn respectively compared to the previous medium-term management plan. In addition to the favorable external environment, FISCO believes that the direction of the Company's product development is appropriate. Because cloud services have a high profit margin, we surmise that ordinary profit may come in above the target.

## 2. Specific trends and response policies

### (1) WMS needs expanding to B2B

As mentioned above, trends had been weighted to e-commerce because of the pandemic, but with COVID-19 being reclassified as a Category V infectious disease, economic and social activities have resumed and the importance of brick-and-mortar stores is being reaffirmed. In addition, as the needs and behavior patterns of consumer diversify, even among companies in the B2B domain, there is an increased need for OMO marketing and integrated management to more seamlessly connect brick and mortar and online stores. In order to accommodate these increasing needs, the Company will search for and make available distinct B2B functions required by different workflows, from allocation methods to packing slips, shipping tags, SCM labels, serial shipping, and traceability, and will actively acquire customers involved in B2B businesses. A background factor for this is the increasingly intense competition in the existing B2C market. While securing shares in existing markets, the Company intends to enter markets where it can demonstrate its strengths and which has relatively less competition in order to reliable secure profits. In addition, it intends to grow into the standard WMS in the B2B industry while determining how it will handle the industry standard EDI.

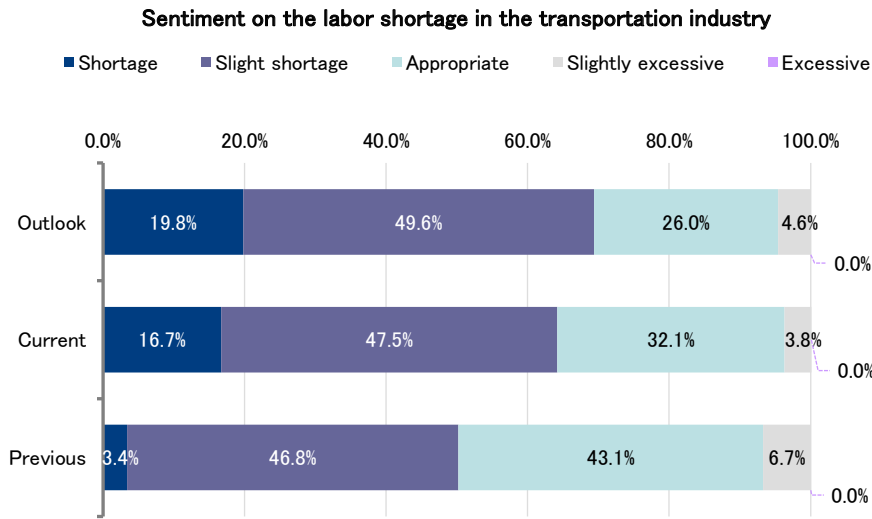
With regard to making available functions required by B2B, in FY6/23, it created functions in line with B2B workflows while collaborating with customer companies. Because the Company got its start in business for B2B companies in the apparel industry, it is assumed that the process of creating systems suited to B2B companies will proceed smoothly.

### (2) Trend of using automation to make up for labor shortages

The Company will continue to accelerate its provision of products in response to needs for labor saving and automation in order to deal with labor shortages in the logistics and warehouse industries. Specifically, it plans to improve the efficiency of work in warehouses by expanding linkages to logistics robots, such as AI logistics robots, and by strengthening optional functions like RFID\*. The shortage of labor in the truck transportation industry is a major problem, and we at FISCO think that demand will trend strongly for services that realize labor saving and automation. According to the Truck Transport Industry Business Sentiment Survey (flash report) by the Japan Trucking Association published on February 10, 2023, the percentage of respondents replying that they had a shortage or a slight shortage of labor (from October to December 2022) worsened by 14.0 pp compared to the previous survey (July to September 2022) to 64.2%. With regards to the future outlook as well, 69.4% answered that they anticipated having a shortage or a slight shortage, so the labor shortage is expected to continue for some time. Given this outlook, the Company intends to appeal to customers by enhancing functions and options that contribute to their labor savings and automation.

\* A system that uses radio waves to read the tag data of installed memory without direct contact. Compared to barcodes in which each and every tag is scanned by a laser, RFID is able to scan multiple tags at the same time by using radio waves. If the tag is within the range of the radio waves, it can be read from even far away.

Medium- to long-term growth strategy



Source: Prepared by FISCO from the Japan Trucking Association's Truck Transport Industry Business Sentiment Survey

**(3) Advancing smart stores and online integration**

With increasing interest in OMO marketing and increasing focus on inventory management methods to make it possible, the Company will accelerate its OMO response. Specifically, by expanding API\* linkage with other companies' products, and by organizing and making available functions required by OMO marketing, the Company intends to enhance the functions of Logizard ZERO-STORE and Logizard OCE.

\* API (Application Programming Interface) refers to the connecting interface that connects software and applications. By connecting API with the products of other companies, the user can use functions that are not installed on its own company's systems, such as software and applications.

Along with these measures, the Company will actively continue sales promotion activities. In order to accommodate customers with warehouses in outlying regions and customers spread out across the country, the Company has actively carried out online sales promotion activities since before the pandemic. It has accumulated expertise in online customer acquisition and sales activities based on this experience. It will also hold offline events. These events are sales opportunities where new customers can be expected to be acquired, with existing customers attending the events together with prospective customers, for example. Offline communication is also important from the perspective of grasping customer needs. This is because customer needs which have been identified can be incorporated into product development. The Company plans to hold an offline event in November 2023.



## ■ Shareholder return policy

### **The Company paid its first dividend in FY6/22 and is expecting to pay ¥12.00 per share in FY6/23**

Having expanded its business base, the Company has acquired the potential to secure stable earnings while working for business growth going forward through investment in human resources and products, so in FY6/22 it paid its first dividend, a year-end dividend of ¥14.95 per share. For FY6/23, it plans to pay a year-end dividend of ¥12.00 per share. Results for FY6/23 came in above expectations, so the Company added ¥3.00 per share to its previous dividend forecast. For FY6/24, it is expecting to pay a year-end dividend of ¥15.00 per share.

Going forward also, its policy is to continuously return profits to shareholders in order to further increase its enterprise value. It plans to pay a dividend targeting a dividend payout ratio of 20%, while considering its financial condition and the state of internal reserves.

The Company is conducting upfront investment in product development based on the new management plan, and if it can grow sales of cloud services in the future, we at FISCO think it may increase the dividend. This is because its subscription model has a high profit margin, so we expect that alongside the growth of sales, profits, which are the source of funds for dividends, are also likely to increase.

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