COMPANY RESEARCH AND ANALYSIS REPORT

JUST PLANNING INC.

4287

Tokyo Stock Exchange Standard Market

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Summary

Launching the next generation of Makasete Net for further earnings growth

JUST PLANNING INC. <4287> (hereafter, also "the Company") operates Makasete Net service (ASP* business), a store management system (sales, purchasing, and attendance management) for the restaurant industry, as its mainstay business. It is one of the industry's largest firms with over 6,000 store contracts, mainly with small and medium-sized restaurant chains. It achieves high profitability and stability thanks to having a recurring-income business model based on monthly fees. The Company also operates the Logistics Solution Business and Solar Power Generation Business through its subsidiaries.

* ASP (Application Service Provider): a business that provides customers with application software functions used on IT devices as a service via networks. ASP can also refer to this type of service itself.

1. Review of FY1/24 results

In the FY1/24 consolidated results, net sales increased 3.2% year on year (YoY) to ¥2,071mn and operating profit rose by 25.7% to ¥493mn, so both sales and profits increased. Against the backdrop of a recovery in the restaurant industry, this was mainly attributable to store contracts for mainstay product Makasete Net increasing 3.1% YoY to 6,083*, increasing to a record high level that resulted in the ASP Business seeing net sales gain 5.4% to ¥1,027mn and segment profit grow by 13.4% to ¥809mn. The release of the next-generation Makasete Net, which was initially planned, was pushed back to FY1/25 in part to prioritize revisions in existing systems to comply with amendments to the Act on Book and Record Keeping through Electronic Methods.

* This figure includes 637 stores contracting with Logi Logi distribution management. The same applies below.

2. FY1/25 outlook

In its outlook for FY1/25, the Company is forecasting net sales to increase 6.2% to ¥2,200mn and operating profit to increase 11.5% to ¥550mn, so higher sales and profits are expected to continue. Expansion in the ASP Business is the factor behind this growth, so other businesses are expected to mark time. Store contracts for Makasete Net are expected to increase by 5.2% YoY to 6,400 stores, and a portion of the functions of the next-generation Makasete Net are scheduled to be released during the period, and by cross-selling to existing customers of Makasete Net, the Company will increase sales per customer. It also plans to promote new customer acquisition in the retail industry. Online marketing will be strengthened to acquire new customers.

3. Growth strategy

Regarding the Company's growth strategy going forward, it intends to raise per-customer sales by developing and providing various services for the digital transformation of corporate business and not just the digital transformation of stores via next-generation Makasete Net, and will work for growth while expanding target markets (beyond the restaurant and retail industries). By the end of FY1/26, it is targeting Makasete Net store contracts of 7,200 stores and monthly usage fees of ¥96mn. There are many competitor services, so the strategy is to make customization possible and enhance services provided in partnership with other companies as points of differentiation to thereby expand sales. If customer acquisition outside the restaurant industry proceeds smoothly, the Company's earnings growth expectations are expected to go up another rung.

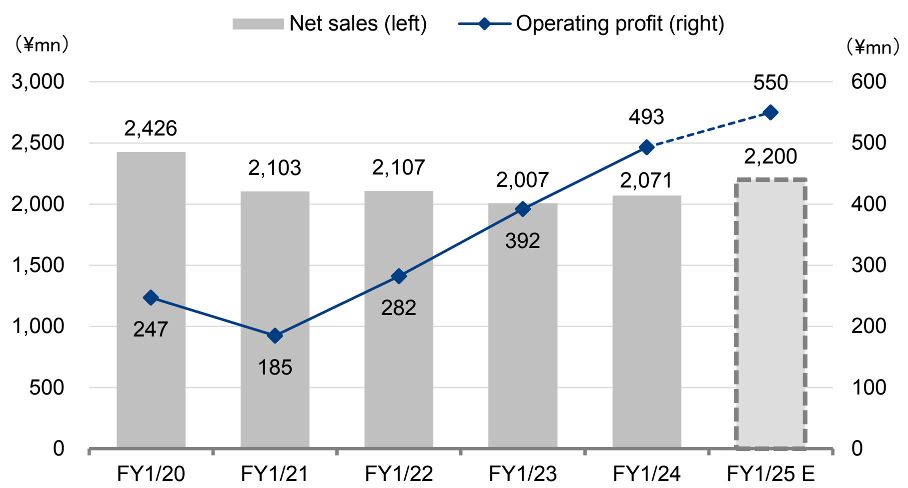
4. Shareholder return policy

The Company's basic policy for shareholder returns is to pay dividends stably and continuously, while also retaining profits necessary for business development in the future and to strengthen the management structure. It appears that the Company is targeting a dividend payout ratio of around 30%. The per-share dividend for FY1/24 was ¥8.0 (payout ratio of 28.7%), a YoY increase of ¥0.6, the first dividend increase in six years. For FY1/25 as well, the Company is planning to raise the dividend by ¥2.0 to ¥10.0 (payout ratio of 33.3%). The capital ratio at the end of FY1/24 was 92.4%, and as it conducts no-debt operations, it has ample cash and deposits of ¥2,954mn, raising expectations of further dividend payout increases as profit grows.

Key Points

- In FY1/24, sales and profits increased by double digits for the third consecutive year due to growth in the ASP Business
- For FY1/25, expecting continued increases in sales and profits behind the release of some functions of the next-generation Makasete Net
- With the next-generation Makasete Net, the Company will support the digital transformation of corporate functions and will aim to accelerate growth while developing new markets outside the restaurant industry

Results trends



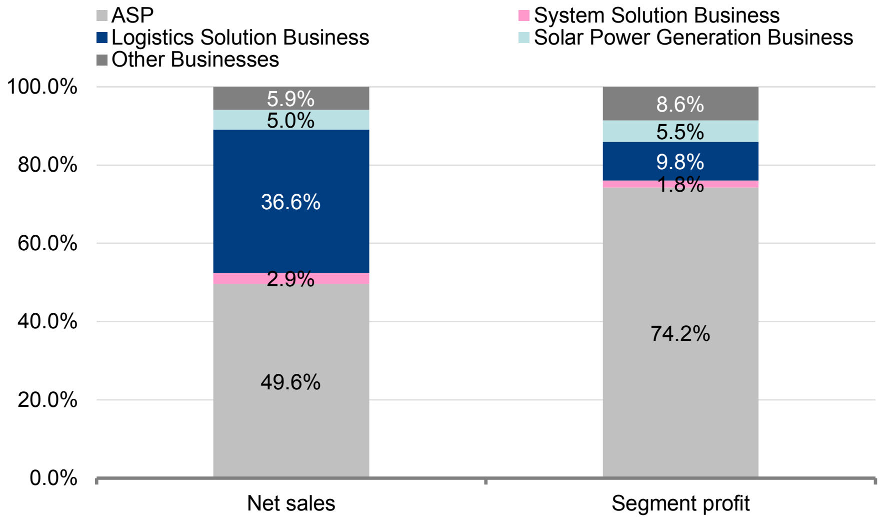
Source: Prepared by FISCO from the Company's financial results

Business overview

Major supplier of store management systems to the restaurant industry; exceeding 6,000 contracting stores

The Company's operations are classified into five business segments: ASP Business, System Solution Business, Logistics Solution Business, Solar Power Generation Business, and Other Businesses. In the FY1/24 business segment composition, the ASP Business and Logistics Solution Business accounted for more than 80% of net sales at 49.6% and 36.6%, respectively. However, the ASP Business dominates overall earnings at 74.2% of segment profit. We review segment content below.

Business segment composition (FY1/24)



Note: Net sales indicate sales to external customers
Source: Prepared by FISCO from the Company's financial results

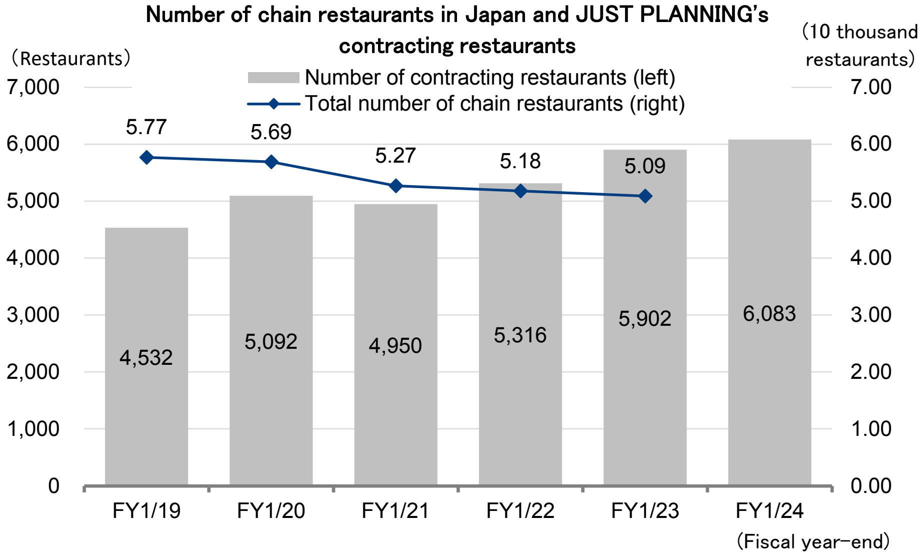
1. ASP Business

In the ASP Business, the Company develops and provides Makasete Net (launched in 1999). This service allows customers to utilize the business software they need to operate various aspects of restaurants, such as sales, purchasing, and attendance management, via the internet. The main customers for this service are small and medium-sized restaurant companies that operate chains of between 20 to 50 restaurants. Introducing Makasete Net makes it possible for these client companies to promptly and inexpensively gather, manage, and analyze data on operating conditions at their restaurants. It is a recurring-income business model in which the monthly usage fees from the contracting restaurants provide the majority of the net sales. Its gross profit margin is also high and it is the Company's mainstay business.

While the Makasete Net monthly fee varies depending on the services used, it averages in the ¥12,000 range per store (full-service costs about ¥30,000). This seems slightly expensive compared to the services from many rivals supplied in the range of ¥10,000 per month. However, the difference can be attributed to the Company's free provision of customized support that requires additional charges at other companies (though the Company charges extra fees in the case of large-scale changes to specifications).

Contracting store volume totaled 6,083 stores at the end of FY1/24 (Number of contracting companies: 248, including contracts of Logi Logi, the logistics management system). Japan has about 50,900 restaurant chain stores as of March 31, 2023 (according to data from the Japan Franchise Association). While the Company's industry share is around 11%, it is estimated that it holds a slightly higher share of the market for small and medium-sized restaurant chains with less than 50 stores, its main target.

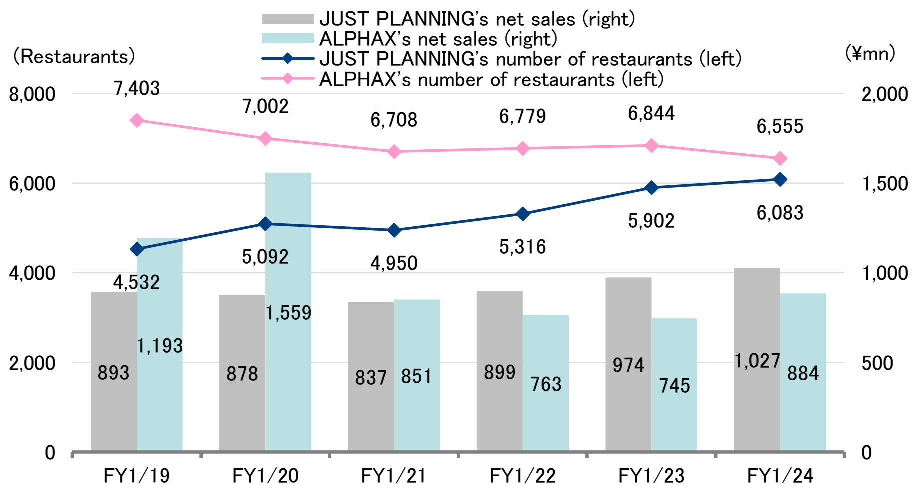
Number of chain restaurants in Japan and JUST PLANNING's contracting restaurants



Note: Figures for the number of chain restaurants are from the Japan Franchise Association (as of the end of March)
Source: Prepared by FISCO from the Company's results briefing materials and other materials

Looking at the Company's competitors, there are five to six rival companies of a similar size, including ALPHAX FOOD SYSTEM CO., LTD. <3814>, Gulfnet Co., Ltd., and ASPIT CO., LTD. Among them, a comparison between JUST PLANNING and ALPHAX FOOD SYSTEM shows that while the Company increased the number of contracted restaurants at the end of FY2023, ALPHAX FOOD SYSTEM decreased due to the impact of restaurant closures. At the same time, there were increases in sales at both companies. Regarding ALPHAX FOOD SYSTEM, this was apparently because sales per customer increased after discounts to monthly fees had run their course. In ASP services for restaurant companies, Infomart Corporation <2492> also provides order receipt and placement services, so some of its services overlap with those of the Company. However, Infomart Corporation mainly focuses on providing services to the selling side (food wholesalers), so these two companies have built a good relationship, such as by mutually linking their systems when their customers overlap.

Trends in the number of contracting restaurants and net sales in ASP business for the two major companies



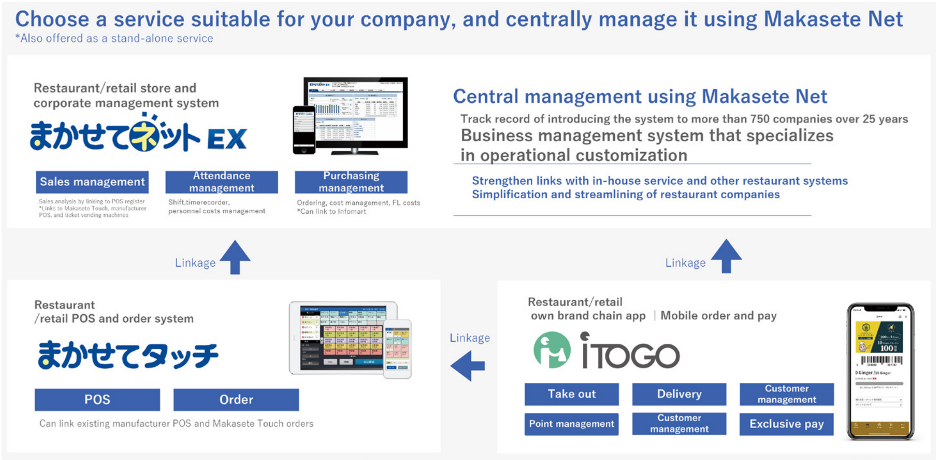
Note: Net sales for JUST PLANNING are based on the ASP Business, and ALPHAX FOOD SYSTEM is based on its fiscal periods ending in September
Source: Prepared by FISCO from Company materials

The Company is also providing value-added services besides Makasete Net, with the aim of vertical expansion within the restaurant industry. Of these services, Makasete Touch (launched in 2012 under the name POSITEV and changed to the current name in 2014) is a service that facilitates replacement of specialized terminals (handy terminals) used to accept orders from customers at restaurants with an iPad, iPod Touch, or other general-use terminal. Advantages of this service include a major reduction in initial deployment costs to about one-third the usual amount through utilizing general-use terminals, costs and periods for education and training are minimized as employees learn quicker when using terminals they are already familiar with, and reduced maintenance costs.

Also, the ASP Business includes iToGo, the mobile ordering and settlement app acquired from its business partner, SUNCORPORATION <6736>, in August 2020. Using the smartphone app, LINE MINI app or web browser to place and pay for orders in advance (paying at the restaurant is also possible). In addition to this, the app offers sales promotion capabilities such as a feature for delivering coupons exclusively via the app, a push notification function to inform customers about deals, and optional CRM (Customer Relationship Management) functions. The rate structure combines a fixed monthly fee and pay-as-you-go fees*, and initial deployment fees are also posted as sales. Although the number of contracting stores and number of contracting companies at the end of FY1/24 were low at 905 stores and 56 companies respectively, and still small, accounting for only about 10% of the ASP Business sales, the Company aims to increase these numbers while promoting alliance strategies.

* Monthly fees are ¥3,000 per store, and for chain stores, the web plan is ¥5,000 and the app plan is ¥8,000. The usage-based fee (sales amount) is a flat 3% of the gross purchase value.

Service overview



Source: The Company's results briefing materials

2. System Solution Business

The System Solution Business is mainly comprised of the sales of various devices and equipment, such as POS systems and order entry systems that are deployed by the restaurants of companies contracting to Makasete Net and other services, as well as related system configuration and maintenance services. However, net sales in the System Solution Business are only weakly correlated to those of the ASP Business. This is because there is no need for customers to repurchase devices and other equipment that are already installed in their restaurants, which is true even when customers are contracting to Makasete Net or another service for the first time. Additionally, it provides a comparatively low segment profit margin, as these items are purchased from third parties for resale to customers, which in turn places this segment in a complementary position to the ASP Business.

3. Logistics Solution Business

The Logistics Solution Business is mainly being developed by SuccessWay Inc., made a wholly owned subsidiary of the Company in 2005. This business mainly provides services such as logistics and merchandising solutions for restaurant companies, along with corporate business support services. Currently, since labor-intensive logistics business support services account for the bulk of its net sales, the segment profit margin trended at a low level, but the Company is focusing on increasing sales of the Logi Logi system which was developed in-house and updated in 2022. The number of contracting stores and number of contracting companies at the end of FY1/24 were at 840 stores and 17 companies respectively.

4. Solar Power Generation Business

The Company operates its solar power business through subsidiary JP Power Inc. (wholly owned). It runs power plants at two sites in Tochigi Prefecture with a total of 1.7MWh (started operating in February 2015) and one location in Miyagi Prefecture with 1.1MWh (February 2016) and sells electricity to power companies. The price of power sales is fixed for 20 years from the start of sales under the FiT system, so for the time being as the burden of depreciation lessens, the profit rate is expected to go up for a stable source of earnings.

5. Other Businesses

Subsidiary JP Power operates restaurants as locations for employee training to obtain know-how on store operations and test marketing of new systems. As of the end of FY1/24, there were two Japanese-style izakaya pubs and one golf bar in addition to a shop for set meals (change of category from box lunches and side dishes shop), bringing the total number of stores to four, unchanged from the end of FY1/23.

Results trends

In FY1/24, sales and profits increased by double digits for the third consecutive year, driven by the ASP Business

1. Review of FY1/24 results

In the FY1/24 consolidated results, net sales went up 3.2% YoY to ¥2,071mn, operating profit went up 25.7% to ¥493mn, ordinary profit grew 23.4% to ¥496mn and profit attributable to owners of parent shareholders increased 72.0% to ¥354mn, so both sales and profits increased. Against Company forecasts, acquisitions of customers for Makasete Net were below expectations and net sales did not quite meet the target, while profit was generally in line with plans due in part to reining in administrative expenses. Since hitting a low in FYH1/21 due to restaurants closing or operating on shortened hours due to the COVID-19 pandemic, operating profit and ordinary profit have grown by double-digits for three consecutive terms, so results have steadily been recovering.

Consolidated financial results for FY1/24

(¥mn)

	FY1/23		FY1/24				
	Results	% of sales	Company forecast	Results	% of sales	YoY	% of forecast
Net sales	2,007	-	2,172	2,071	-	3.2%	-4.6%
Gross profit	970	48.3%	-	1,090	52.7%	12.4%	-
SG&A expenses	577	28.8%	-	597	28.8%	3.4%	-
Operating profit	392	19.6%	500	493	23.8%	25.7%	-1.3%
Ordinary profit	402	20.1%	500	496	24.0%	23.4%	-0.6%
Extraordinary loss	-100	-	-	-	-	-	
Profit attributable to owners of parent shareholders	206	10.3%	345	354	17.1%	72.0%	2.8%

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

Net sales rose for the first time in two periods, but all business segments saw higher sales, excluding the System Solution Business. The recovery in the restaurant market from the pandemic subsiding provided a tailwind. Gross profit margin was up 12.4% to ¥1,090mn thanks to growth in the ASP Business and lower depreciation, and the gross margin also rose, from 48.3% the previous term to 52.7%. SG&A expenses increased by 3.4% to ¥597mn due to increased personnel expenses and other factors, but these were absorbed by the increase in gross profit, so the operating margin increased from 19.6% the previous term to 23.8%, the first time in eight terms it had reached over 20%. The large growth rate in profit attributable to owners of parent shareholders was the result of an extraordinary loss of ¥100mn posted last term dropping off and also a lower income tax burden due to tax exemptions associated with application of the tax code promoting income expansion.*

* The income tax rate burden after application of tax effect accounting dropped 3.2 percentage points from 31.9% the previous term to 28.7%. Of this, 2.3 percentage points was from the impact of tax exemptions from applying the tax code promoting income expansion. On a monetary basis, this factor increased profit by ¥11mn.

ASP Business sales and profits increased for the third consecutive year due to a record number of contracting restaurants

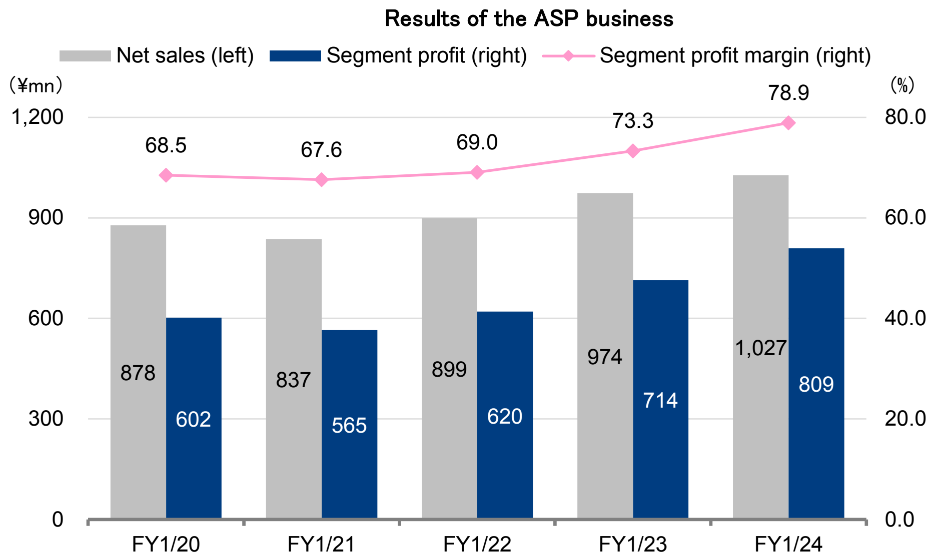
2. Performance trends by business segment

(1) ASP Business

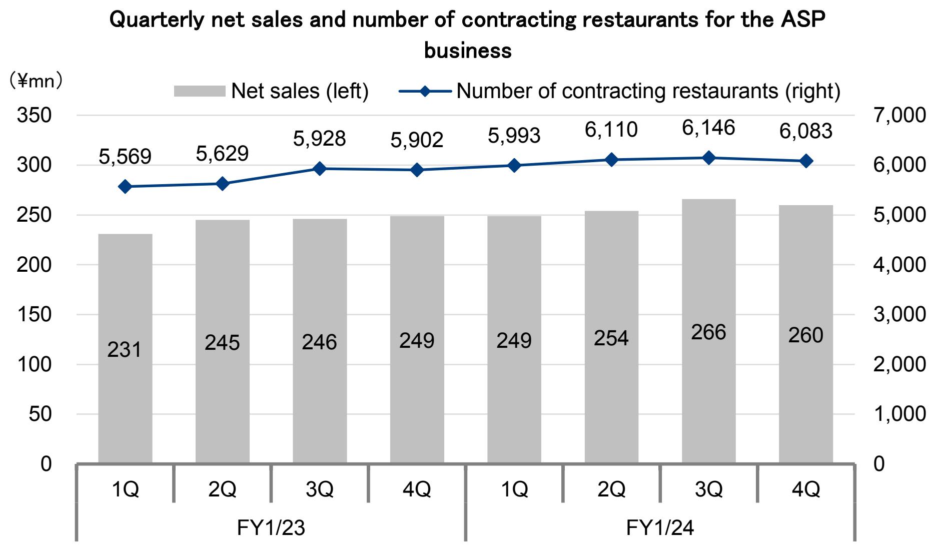
In the ASP Business, sales and profit increased for the third consecutive year, with net sales growing by 5.4% YoY to ¥1,027mn, and segment profit rising by 13.4% YoY to ¥809mn. As the pandemic subsided and the restaurant industry recovered its vitality, store contracts for mainstay product Makasete Net at the end of the term increased 3.1% YoY to 6,083 stores, setting a new record high, which was the main factor (term average of 7.2% increase). iToGo, a mobile ordering and settlement service, which accounts for around 10% of sales, also promoted an alliance strategy, which resulted in an increase in store contracts of 47.6% YoY to 905 stores, a factor that increased revenue.

The segment profit margin went up from 73.3% last year to 78.9%. This was largely the result of selling all shares in subsidiary Putmenu LLC, which developed the mobile ordering and settlement app Putmenu, to the developers and withdrawing from the business in June 2022. The profit margin of the ASP Business had trended around 80%, but since starting the Putmenu business in 2018, due to upfront investments and other factors the margin dropped to the low 70% range. The profit margin in 4Q FY1/24 was 78.9%.

Results trends



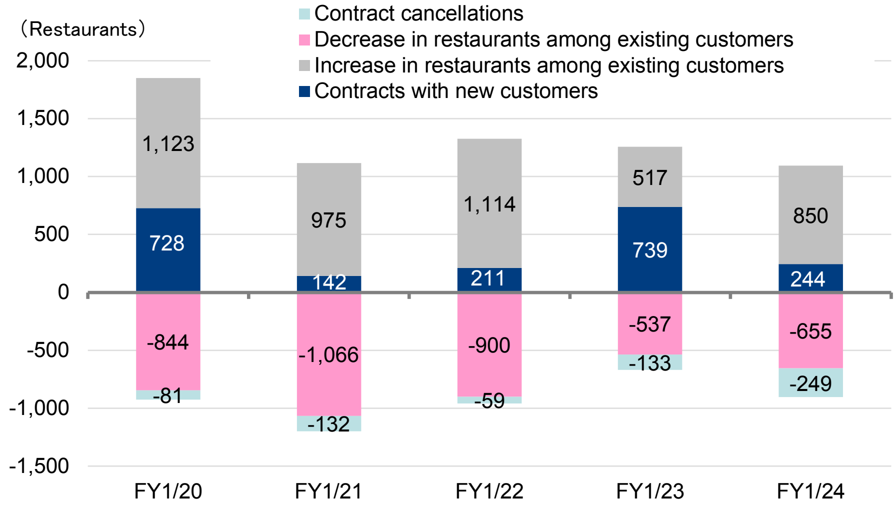
Source: Prepared by FISCO from the Company's financial results



Note: Number of contracting restaurants at the end of the quarter
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Looking at a breakdown of the change in the number of contracting stores for Makasete Net in FY1/24, 244 new customers were acquired (down 495 YoY), 850 stores (up 333) were new stores from existing customers (including stores where operations recommenced), and 249 stores cancelled (up 116), and a decrease in existing customers of 655 stores (up 118). There were several major cancellations on a relatively large scale due to integrating with the parent company system, which is why the number of cancellations increased, but this was covered by new store openings from existing customers and acquisition of new customers. Overall, stores increased by 181 YoY to 6,083 (contracting companies decreased by 2 to 248). The initial company target was 6,800 stores, but new customer acquisitions fell short of expectations (cancellations were nearly exactly as forecast). In addition, regarding the next generation of Makasete Net, which was to be released this term, the timing for the release was pushed back to FY1/25. This is apparently from the impact of the Company prioritizing revisions to existing systems in order to comply with amendments to the Act on Book and Record Keeping through Electronic Methods, which went into effect in January 2024. Average monthly sales per customer was approximately ¥12,000, which was nearly in line with expectations.

Breakdown of changes in the number of contracting restaurants

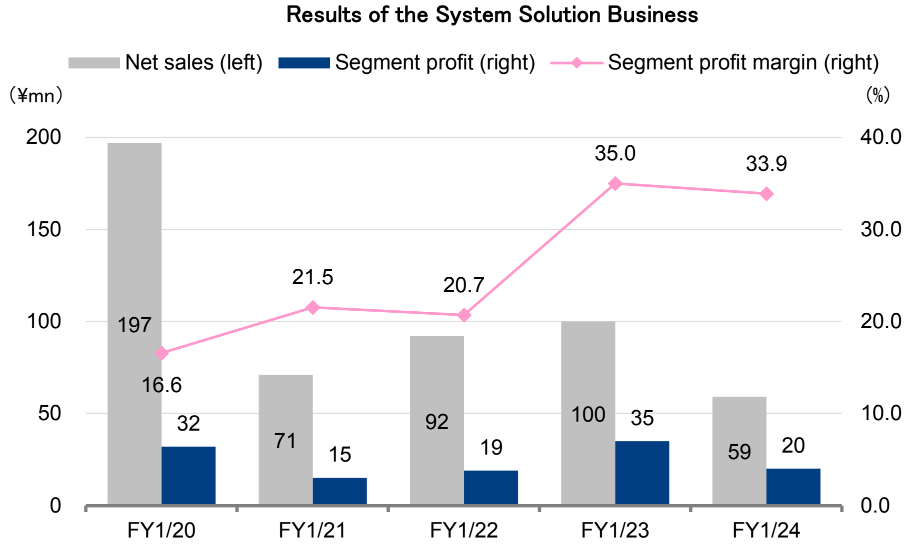


Note: Changes in existing restaurants include closed restaurants and reopenings
Source: Prepared by FISCO from the Company's results briefing materials

Regarding iToGo, the Company strengthened the functions of the smartphone app and bolstered partnerships with other companies, which is serving to expand the number of contracting stores. iToGo has been commended for being able to be developed as an app (including LINE Mini App) in the customer company's own platform, being able to be linked to the company's own website, allowing for inexpensive systems to be built through in-house development, and having a UI that is easy to understand and use. In particular, the function for the store's unique point program has been especially lauded, and the profit margin is high. The growth in the overall market has stayed at a low level, partly because of the pandemic subsiding, and this is will be an issue going forward.

(2) System Solution Business

Net sales in the System Solution Business declined by 40.8% YoY to ¥59mn and segment profit dropped 42.6% to ¥20mn. While restaurant market sales have recovered to pre-pandemic levels, there has been no change in small and medium-sized companies continuing to encounter strict management conditions with prices and personnel expenses rising, and there was low demand for hardware system upgrades like point-of-sale registers.

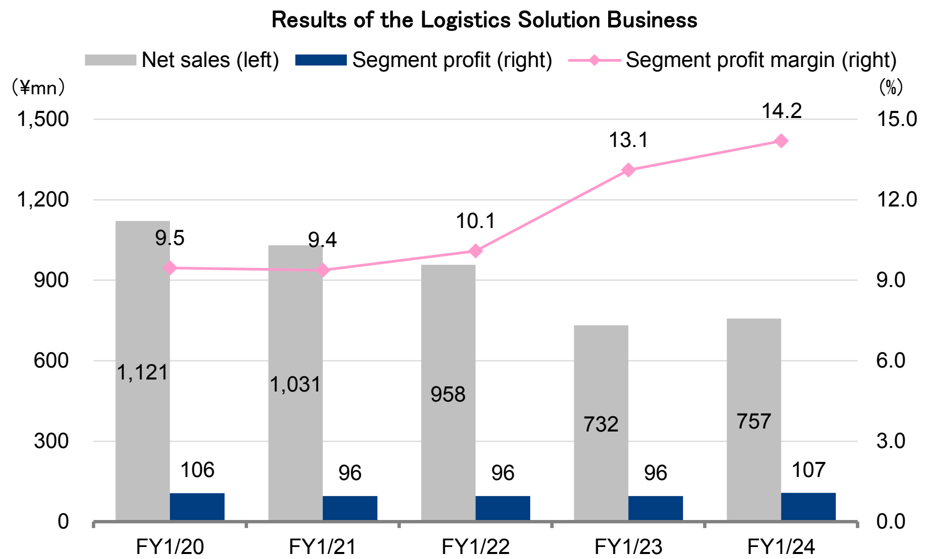


Source: Prepared by FISCO from the Company's financial results

(3) Logistics Solution Business

In the Logistics Solution Business, net sales increased by 3.3% YoY to ¥757mn, and segment profit rose 11.8% YoY to ¥107mn. Net sales increased for the first time in four terms. Logistics service sales grew on the recovery in sales at restaurants, the segment's customer. The number of stores contracting Logi Logi, a logistics management system, increased by 203 YoY to 840 stores, a reason for the increase in sales and profits. The segment profit margin increased from 13.1% the previous term to 14.2% due to changes in the sales mix.

* Sales from the agent sales business were changed from total amount recording to net amount recording (sale fees only recorded).

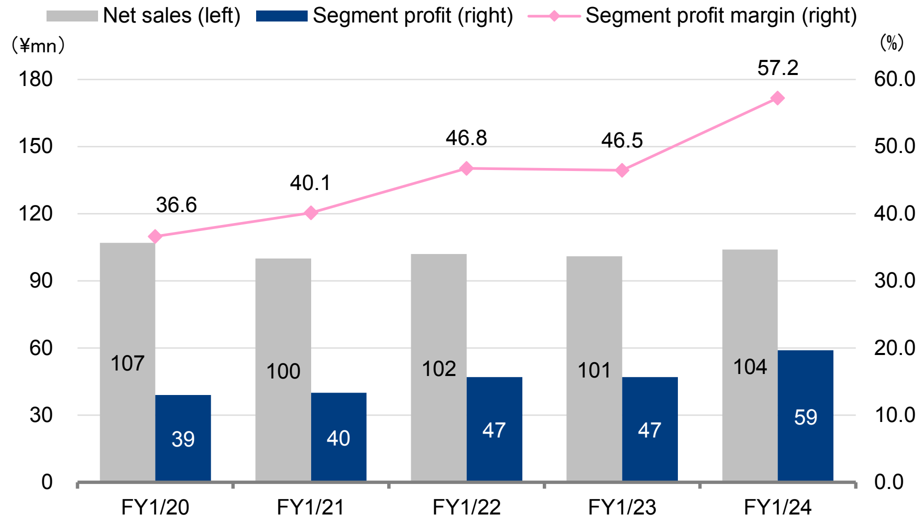


Source: Prepared by FISCO from the Company's financial results

(4) Solar Power Generation Business

In the Solar Power Generation Business, net sales increased 2.9% YoY to ¥104mn, and segment profit increased 26.8% to ¥59mn. There was no change in solar power capacity, but the amount generated increased, which increased revenue. On the profit side, profit increased due the increase in revenue and also a decrease in depreciation of ¥8mn.

Results of the Solar Power Generation Business

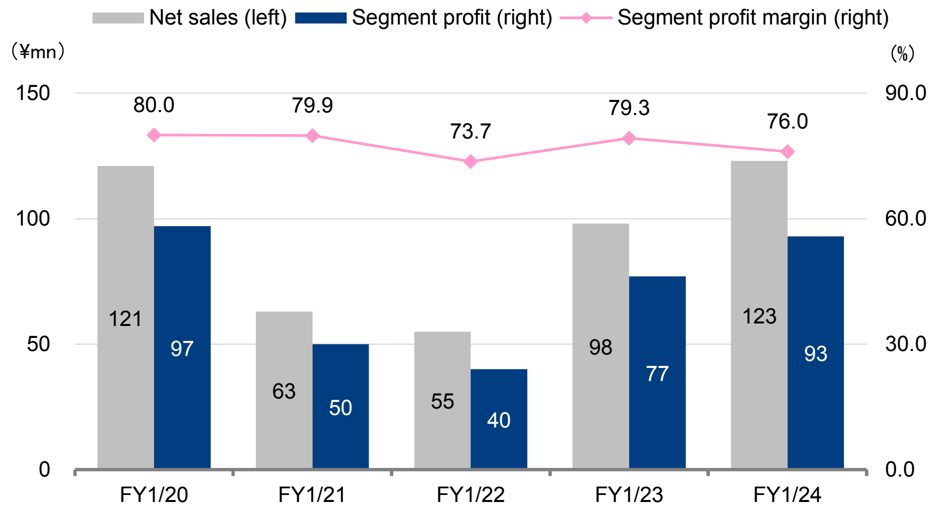


Source: Prepared by FISCO from the Company's financial results

(5) Other Businesses

Net sales from Other Businesses increased 25.3% YoY to ¥123mn, and segment profit increased 20.2% to ¥93mn, for a second consecutive year of higher sales and profits. With customers returning to managed stores as the pandemic has subsided, sales and profits increased.

Other Businesses



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

Healthy financial standing with no-debt operations and an equity ratio of just over 90%

3. Financial condition and key financial indicators

At the end of FY1/24, total assets were up ¥141mn compared to the end of the previous fiscal year to ¥3,878mn. Looking at the main factors for change, in current assets, cash and deposits increased ¥83mn, and accounts receivable increased ¥4mn. In non-current assets, property, plant and equipment decreased ¥38mn, and software decreased ¥11mn, while long-term time deposits increased ¥100mn.

Total liabilities decreased ¥54mn YoY to ¥296mn. Looking at the main factors for the decrease, in current liabilities, contractual liabilities decreased by ¥13mn, while accounts payable-trade decreased by ¥7mn. Total net assets increased by ¥195mn to ¥3,582mn, ¥354 million in profit attributable to owners of parent shareholders was posted and retained earnings increased ¥260mn. Shares were bought back to increase treasury shares by ¥64mn (a decrease factor).

Looking at cash flow, cash flow from operating activities declined to ¥350mn from ¥399mn from the previous year. Cash flow from investing activities was an outflow of ¥7mn, a decline from an outflow of ¥719mn (¥700mn in time deposits). Cash flow from financing activities included outflows in the form of dividend payments of ¥93mn and share buybacks of ¥64mn. As a result, cash and cash equivalents at the end of the period increased ¥183mn YoY to ¥1,354mn.

Looking at the management indicators, the equity ratio, which indicates management stability, continues to be maintained at the high level of 92.4%. As the Company also operates debt-free, and has amassed record-high cash and deposits of ¥3,054mn, its financial condition can be judged to be sound. In addition to generating stable earnings with a recurring-income business model in the mainstay ASP Business, this is because it does not have significant demand for investment funds. Regarding profitability, ROA was 13.1%, ROE was 10.2%, and the operating margin was 23.8%, all rising compared to the previous year, as high profitability was maintained. The issue going forward is growth potential. How liquid cash on hand will be utilized in growth investment will be watched. The Company set record high sales of ¥2,450mn in FY1/17 and in operating profit of ¥711mm in FY1/08. To set new highs, FISCO believes it will be important for the Company to develop new services and cultivate new markets.

Consolidated balance sheet

(¥mn)

	FY1/21	FY1/22	FY1/23	FY1/24	Change
Current assets	2,548	2,833	3,146	3,250	103
(Cash and deposits)	2,230	2,585	2,871	2,954	83
Non-current assets	828	731	590	628	37
Total assets	3,377	3,565	3,736	3,878	141
Total liabilities	240	273	350	296	-54
(Interest-bearing debt)	-	-	-	-	-
Total net assets	3,137	3,291	3,386	3,582	195
Key financial indictors					
(Stability)					
Equity ratio	92.8%	92.2%	90.6%	92.4%	1.7pt
Interest-bearing debt ratio	-	-	-	-	-
(Profitability)					
ROA (return on assets)	5.8%	10.2%	11.0%	13.1%	2.0pt
ROE (return on equity)	2.4%	7.7%	6.2%	10.2%	4.0pt
Operating margin	8.8%	13.4%	19.6%	23.8%	4.3pt

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

Consolidated cash flow statement

(¥mn)

	FY1/21	FY1/22	FY1/23	FY1/24
Cash flow from operating activities	185	464	399	350
Cash flow from investing activities	-40	-416	-719	-7
Cash flow from financing activities	-94	-93	-94	-158
Cash and cash equivalents at end of period	1,630	1,585	1,171	1,354

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

Outlook

For FY1/25, expecting continued increases in sales and profits behind the release of some functions the next-generation Makasete Net

1. FY1/25 outlook

For its consolidated results in FY1/25, the Company is forecasting net sales to increase 6.2% YoY to ¥2,200mn, operating profit to rise 11.5% to ¥550mn, ordinary profit to increase 10.7% to ¥550mn, and profit attributable to owners of parent shareholders to increase 6.3% to ¥377mn, as higher sales and higher profits are expected to continue. Due to growth in the mainstay ASP Business, the operating margin is expected to rise further to 25.0%. 1H results are showing single-digit growth for sales and profit from the previous 1H, so there has been some slowing. However, the Company is planning to release the next generation Makasete Net in stages and expects growth to accelerate in 2H and onward from up-selling and cross-selling to existing customers and acquiring new customers. By business segment, other than the ASP Business, levels equivalent to the previous year have been incorporated into plans. The rate of change in profit attributable to owners of parent shareholders is smaller than ordinary profit because the Company does not expect to apply the tax code for promoting income expansion.

FY1/25 outlook

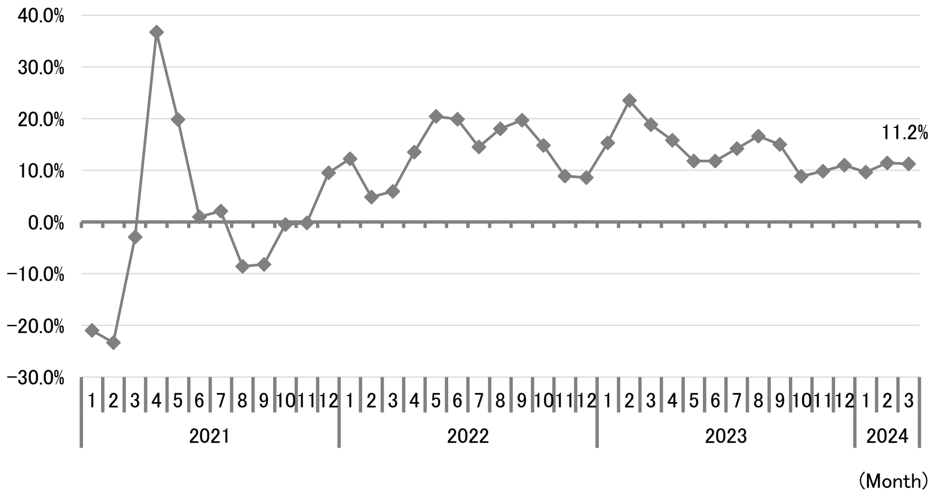
(¥mn)

	FY1/24		FY1/25				
	Full-year results	% of sales	1H forecast	YoY	Full-year forecast	% of sales	YoY
Net sales	2,071	-	1,040	1.2%	2,200	-	6.2%
Operating profit	493	23.8%	255	3.6%	550	25.0%	11.5%
Ordinary profit	496	24.0%	255	2.4%	550	25.0%	10.7%
Profit attributable to owners of parent shareholders	354	17.1%	175	2.8%	377	17.1%	6.3%
Earnings per share (EPS) (¥)	27.90		13.92		30.02		

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

The market environment in the restaurant industry, the Company's main customer, is marked by concern about people tightening their purse strings amid rising prices, but this is being offset by rising incomes and increased demand from foreign visitors to Japan thanks to the weak yen. Overall, the market is expected to continue to expand in 2024. Actually, looking at the figures for monthly sales growth by restaurant chains, which are released each month by the Japan Foodservice Association, March 2024 was up 11.2% YoY, the 28th consecutive month of increases. There is continuing sales growth in all formats, from fast food and restaurants to Japanese-style izakaya pubs and cafés. At the same time, closures are increasing due to higher food ingredient prices and personnel expenses. It is a fact that the trend toward bifurcation in the restaurant industry is getting stronger. In particular, worker shortages are a profound problem, and the need for DX investment to achieve labor savings is growing. The Company plans to capture these needs with Makasete Net and next-generation Makasete Net and tie this to the growth of its ASP Business.

Restaurant net sales
(compared to the same month in the previous fiscal year)



Source: Prepared by FISCO from the monthly data of the Japan Foodservice Association

The Company expects the year-end number of stores contracting with Makasete Net to increase 5.2% YoY to 6,400 stores, and monthly fees (January 2025) to rise 14.7% to ¥85mn. Per store average usage fees are expected to be about ¥13,000, up 9.0%. The Company is currently involved in a new project relatively large in scale, and as long as unexpected cancellations do not occur, FISCO believes the number of contracting stores is an achievable level. At the same time, regarding increases in average monthly usage fees, the Company is making progress in cross-selling to existing customers. Through Makasete Net the Company has provided sales management, attendance management, and order management functions, but it newly added a sanitation management function, and linking with some of the functions (HR function) of the next generation Makasete Net to be released going forward should lead to an increase in average monthly fees.

The sanitation function is for efficiently implementing on a store by store basis HACCP, a sanitation management method used by food providers to ensure the safety of food products. The Company will provide functions mainly for health management records for store staff, management plan creation for each store, records of implementing sanitation management, and complaint records. HACCP compliance is required in principle by all food providers as of June 2021 by notice of the Ministry of Health, Labour and Welfare, and thinking there would be demand to lessen the administrative burden, the new functions were developed. If cross-sales proceed smoothly, it is expected to increase sales in the ASP Business by around 13% YoY.

On the expenses side, the Company plans to hire a number of engineers to strengthen development, so personnel expenses will go up slightly. In addition, it is planning to strengthen online marketing to acquire new customers, so advertising expenses are expected to increase. The Company had not focused previously on online marketing, but upon beginning it in FY1/24, it resulted in leads being acquired and a high percentage of orders, so the Company will focus on online marketing in a full-fledged manner beginning in FY1/25. Advertising expenses in the previous period were ¥9mn, just 0.5% of net sales, so advertising was hardly used and customers were acquired through personal networks and referrals from partner companies, but going forward, along with these initiatives, the Company will acquire customers by utilizing online marketing as well. For this reason, SG&A expenses will go up to a certain extent YoY, but this will be more than offset by the ASP Business's increased revenue, so the operating margin is expected to go up from the previous period.

With the next-generation Makasete Net, the Company will support the digital transformation of corporate functions and will aim to accelerate growth while developing new markets outside the restaurant industry

2. Growth strategy

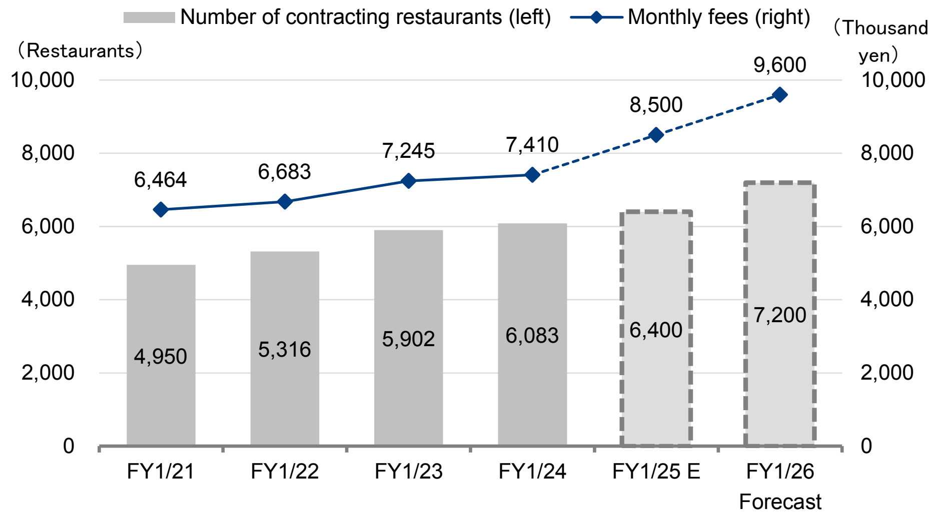
As for the Company's growth strategy going forward, it will acquire new customers, raise per-customer sales through release of the next generation Makasete Net, and will develop new markets and cultivate iToGo. If this proceeds smoothly, the Company's growth potential will go up starting in FY1/26, and in several years, the Company is expected to eclipse its record high operating profit of ¥711mn from FY1/08. In particular, trends in the next-generation Makasete Net to be released going forward will need to be watched.

(1) Provides support for digital transformation between stores and corporate departments through the next-generation Makasete Net.

Roughly 10 years have elapsed since the current Makasete Net EX was released in 2012, and the Company is now developing the next-generation version. The current Makasete Net reduces the work burden of store management (sales, orders, purchasing, attendance management, etc.), but the next-generation Makasete Net advances the digital transformation of various legacy work of corporate departments. Next-generation Makasete Net will provide a system by which managers, corporate departments, and stores aiming to improve sales per customer can efficiently understand information and mutually communicate with each other to create an environment in which they can demonstrate their creative abilities. In terms of new functions, as the first phase, an HR system function was released that links to Makasete Net's attendance management. After that, communication tools (chat, email, workflow, etc.) will be added, and the UI improved. New features will continue to be added. In FY1/25, the Company plans to expand sales outside the restaurant industry to retail companies that manage multiple stores. If this proceeds smoothly, it plans to expand to other industries with DX needs for its corporate department functions.

Numerical targets include expanding the number of Makasete Net contracted stores from 6,083 at the end of FY1/24 to 6,400 stores by the end of FY1/25 (up 5.2% YoY) and 7,200 stores by the end of FY1/26 (up 12.5% YoY). The Company aims to increase the ASP monthly fee of ¥74.1mn in FY1/24 to ¥85mn in FY1/25 (up 14.7% YoY) and ¥96mn in FY1/26 (up 12.9% YoY). If contracting stores and monthly usage fees grow according to plan, the ASP Business is expected to record double-digit annual growth in sales and profits. There are many competitor services, but the Company is able to customize services in line with the customer's needs and is also differentiating itself by enhancing partnerships with other companies that provide peripheral services.

Makasete Net contracting stores and monthly fees



Note: Store number as of end of fiscal year. Monthly fee is the figure for January each year
Source: Prepared by FISCO from the Company's results briefing materials

(2) Expanding to other sectors through iToGo

By strengthening functions and increasing convenience by linking to other companies' systems through iToGo, the Company intends to expand the online ordering connection for daily life scenarios from restaurants to different business areas, and develop it for new industries (such as retail stores, supermarkets, commercial facilities, etc.) in order to pursue growth. Sales are still at a low level and the contribution to results is marginal, but the Company plans to develop iToGo into a revenue pillar in around two to three years. But with the pandemic subsiding, demand is soft for mobile ordering and settlement services, and going forward the key to growth will be whether it can strengthen functions, expand partners and increase the number of contracting stores.

iToGo external link function

Function	Partner
Delivery service	Willport Co., Ltd.
Proprietary pay service	valuedesign inc., arara inc.
Receiving lockers	GLORY Service Co., Ltd., TOKAIRIKEN Co., Ltd.
Point program	VLe Linac, Inc., Blue Chip Co., Ltd.
App embedded	VLe Linac, Inc., NEOS Co. Ltd.

Source: Prepared by FISCO from the Company's website

(3) Joint development with OGIS-RI

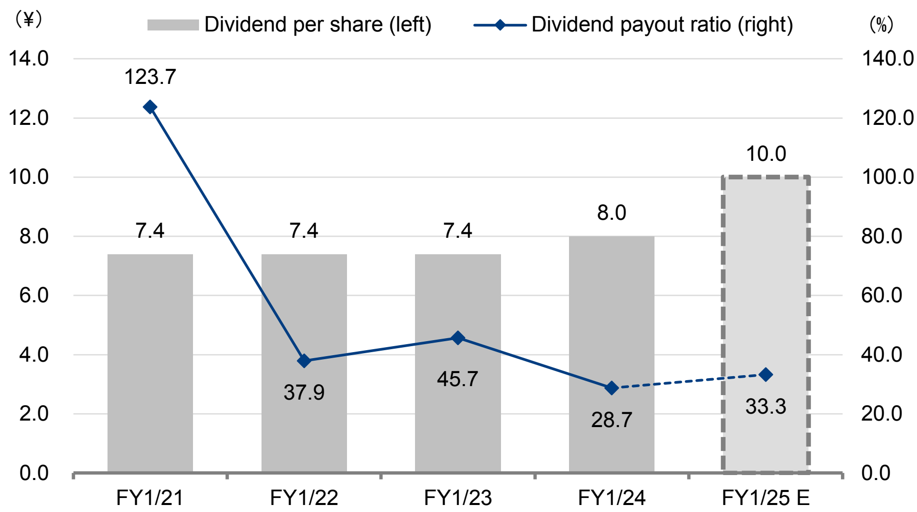
In June 2020, the Company concluded a capital and business partnership agreement with OGIS-RI Co., Ltd., and agreed that OGIS-RI would become the Company's second largest shareholder, holding 10% of its shares. OGIS-RI is a subsidiary of Osaka Gas Co., Ltd. <9532> and its strengths include its information solutions business, such as IT services and big data analysis. In addition to mutual customer referrals, the Company and OGIS-RI aim to co-develop next-generation services using AI that integrate the Company's expertise, including in systems development for the restaurant industry, with OGIS-RI's solutions capabilities. They are currently still at the project planning and proposal stage, and it seems some time will be required until a project is realized. But attention should be given to developments in the future, from a medium- to long-term viewpoint.

Shareholder return policy

In FY1/24, dividend increased for the first time in five years; planning another increase in FY1/25

The Company's basic shareholder return policy is to pay dividends stably and continuously, while securing the retained profits necessary to develop its business in the future and to strengthen its management structure. Based on this policy and the payout ratio level, the dividend per share for FY1/24 rose ¥0.6 to ¥8.0 (payout ratio of 28.7%). In FY1/25 as well, earnings growth is expected to continue, so the Company plans a second consecutive increase, raising the dividend ¥2.0 to ¥10.0 (payout ratio of 33.3%). The Company appears to be targeting a dividend payout ratio of around 30%, and expectations are for further increases in the dividend rate if profits continue to grow.

Dividend and dividend payout ratio



Note: The Company implemented a 1:3 stock split in August 2018. Figures for dividends have been retroactively adjusted
Source: Prepared by FISCO from the Company's financial results

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