COMPANY RESEARCH AND ANALYSIS REPORT

Logizard Co., Ltd.

4391

Tokyo Stock Exchange Growth Market

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Summary

Increase in sales and profit driven by results of mainstay cloud services. Expected to improve profitability through the steady accumulation of monthly recurring revenue (MRR)

Logizard Co., Ltd. <4391> (hereafter, also “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. The mainstay cloud services have a subscriptions-based earnings model and therefore a stable earnings foundation (in FY6/25, cloud services, which are highly profitable, provided 79.2% of sales).

1. Overview of FY6/25 results

In the FY6/25 results, net sales increased 10.1% year on year (YoY) to ¥2,177mn, operating profit rose 17.8% to ¥408mn, ordinary profit was up 18.3% to ¥409mn, and net profit was up 12.1% to ¥283mn. As a result of steadily implementing various measures to address demand such as WMS (Warehouse Management System) needs expanding to B2B, the trend of using automation to solve labor shortages, and integrating smart and online stores, net sales and profits increased. In addition to smoothly acquiring new accounts for highly profitable cloud services, the increase in projects with B2B needs in development and introduction services led to a net sales budget progress rate of 98.3%. The double-digit growth of operating profit and subsequent lines of profit was particularly notable, surpassing the growth rate of net sales. As a result, the operating profit margin rose 1.2 percentage points (pp) to 18.7%. Additionally, the Company actively invested in human resources and product development in accordance with its medium-term management plan, while also keeping cost increases within appropriate levels, which greatly contributed to the steep rise in profits.

2. FY6/26 forecasts

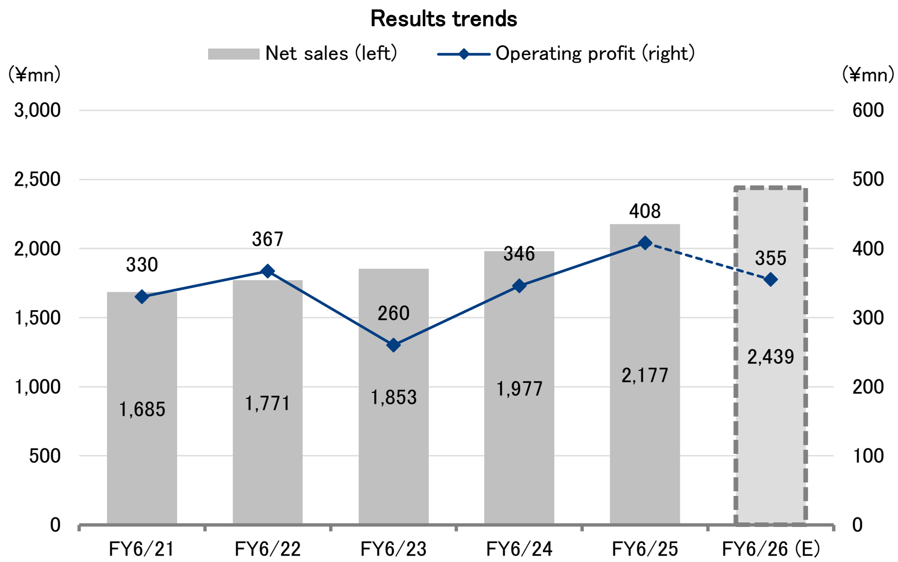
For FY6/26 results, the Company is forecasting a 12.1% YoY increase in net sales to ¥2,439mn, 12.9% decrease in operating profit to ¥355mn, 13.0% decrease in ordinary profit to ¥356mn, and 8.6% decrease in net profit to ¥258mn. Regarding the business environment, the outlook remains favorable, backed by factors such as the expansion of demand for cloud-based WMS into the B2B domain. Amidst this, the Company’s core cloud services continue to perform well, and net sales are expected to increase due to growth from redesigning business processes aimed at increasing customer-facing work hours and improving operational efficiency. The net sales growth rate is also expected to exceed that of FY6/25. In terms of profit, the outlook is for a decrease due to the introduction of advanced technologies such as AI, fundamental reforms of business processes, active investment in human capital including human resource development, and investment in IR activities. The Company expects to ensure profitability by increasing the number of new accounts in profitable cloud services and appropriately controlling the increase in cost of sales and SG&A expenses. It plans to respond appropriately to changes in the market, which will lead to earnings expansion by steadily implementing the initiatives set out in the medium-term management plan.

3. Overview of the medium-term management plan

Amid changes in the business environment and customer needs following the COVID-19 pandemic, the Company is focusing on expanding performance and enhancing corporate value under its medium-term management plan with following the trend and high-contact service as its basic growth strategy. In the WMS market, needs for automation, labor saving, and logistics DX are increasing. In this context, the Company sees business opportunities in trends such as expansion of WMS needs to B2B, trend of using automation to solve labor shortages, and integration of smart and online stores. Its strategy is to promote product development that accurately captures current trends and to establish and expand systems for continuously providing high-contact service, thereby reliably capturing changing customer needs and linking them to business growth. Recently, inquiries from companies operating in the B2B sector have been brisk. At the same time, competition has intensified in the existing B2C market due to new entrants. In this context, the Company aims to secure its share in the B2C market while actively expanding its business into the B2B domain. Furthermore, the Company plans to launch new services during the current medium-term management plan period with an eye toward the next plan, aiming to accelerate the pace of net sales growth. It is also hiring more personnel and building its internal human resource system to refine its ability to provide value to customers. By solidly implementing these measures, the Company targets net sales of ¥2,397mn (up 39.1% from FY6/25) and ordinary profit of ¥539mn (up 31.8%) in mainstay cloud services in FY6/28, the final year of the medium-term management plan. It also aims to increase its work force to 177 in FY6/28.

Key Points

- Increase in sales and profit in FY6/25 driven by results of mainstay cloud services
- Profitability expected to further improve through the steady accumulation of MRR
- FY6/26 is expected to see higher sales but lower profits. Outlook for the external environment is good
- Under its medium-term management plan, the Company will focus on entering the B2B domain while accommodating increasing needs for logistics DX and for labor saving and automation because of labor shortages



Note: Changed to non-consolidated accounting as of 3Q FY6/23
Source: Prepared by FISCO from the Company's financial results

Company profile

Since its foundation, the Company 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 WMS. The Company's name is a portmanteau of logistics and wizard and incorporates the idea of "striving to contribute to the 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's policy is to accurately capture the new needs that have emerged since the COVID-19 pandemic to expand its earnings. Specifically, it incorporates new trends into its business performance, such as expansion of WMS needs to B2B, the trend of using automation to solve labor shortages, and integration of smart and online stores. To this end, the Company will invest upfront in product development and hiring and training personnel, further strengthening its business base for earnings expansion and enhancement of corporate value in the medium to long term.

History

Date	Event
July 2001	Logizard Ltd. was established in Warabi City, Saitama Prefecture in order to develop and sell warehouse inventory management systems Started sales of the Logizard PLUS warehouse inventory management system
September 2002	Started sales of the RB-Manager store inventory management system
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 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 Growth Market following the TSE's market restructuring
February 2023	Completed liquidation of Logizard SCM Technology (Shanghai) Co., Ltd.

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 involve supporting the introduction of systems for customers that are using its cloud services; and device sales services, which sell devices necessary for warehouse work, such as dedicated printers to create barcode labels. In the percentage of total net sales by service at the end of FY6/25, cloud services provided 79.2%, development and introduction services 16.8%, 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. 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.

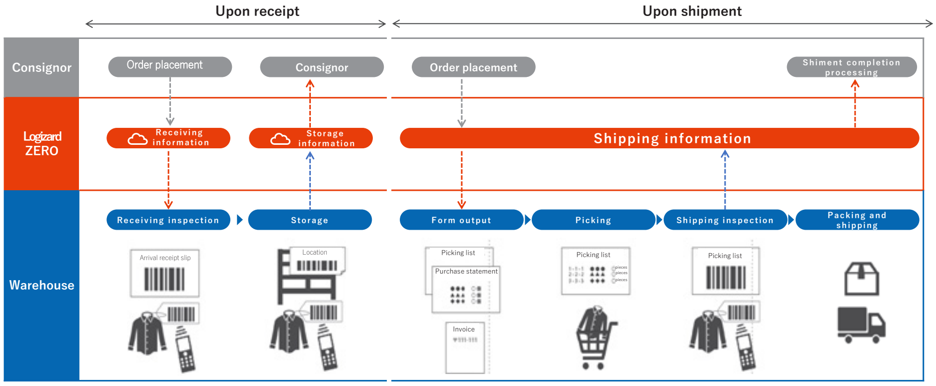
(1) The Logizard ZERO warehouse management system (WMS)

For its customers, which include retailers, distribution companies, and 3PL companies, the Company provides this system which accurately ascertains the number of products (inventory) 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 main functions of this system are many and diverse, including a function to coordinate with materials handling and logistics robots in order to realize improved efficiency and labor saving at logistics worksites, a product management function that manage expiration dates and other items, a function to manage goods packaged together that improve the accuracy and efficiency of repeat online sales, an inventory and status-inquiry function that enable inventory inquiries from storage locations and products, a security-compatible function that can manage password logins and related, and a store inventory management function linked with Logizard ZERO-STORE store inventory management system. 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 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 introduction in a minimum of one month and linkage with a variety of external 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. In particular, for 3PL companies that need to meet the tight schedule of shippers, its appeal 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 shippers. In addition, linkages with external systems is steadily progressing. In April 2025, the Company began efforts to enhance collaboration with the warehouse automation system MMLogiStation provided by YE DIGITAL <2354>, and the Company continues to work on improving the convenience of this service.

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

Logizard ZERO coverage areas



Source: The Company's business plan and materials on growth potential

(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 tool. The analysis tool has a function 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. It enables the head office to conduct the integrated management of various business offices' data, which is beneficial for the efficient management of each business office 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.

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 handy terminals, 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. In September 2023, the Company began linking with Smaregi, a highly functional cloud POS cash register app, improving customer convenience and the system's appeal. Similar to the Company's other services, it can be introduced in a short time and has an enhanced support structure, which are some of the reasons why customers support it.

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 its location, such as which shelf in the backroom its on. This system makes it possible to respond quickly to consumers.

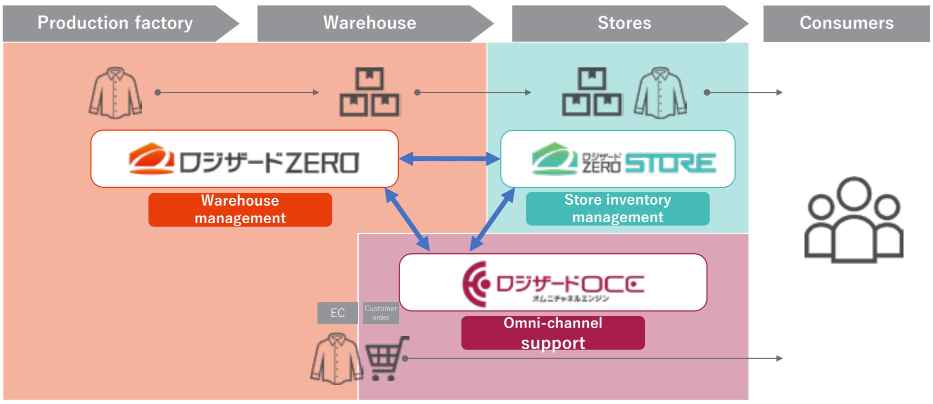
(3) The Logizard OCE OMO support system

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 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 consumers can purchase products via any channel provided by the seller, regardless of whether online (e.g.: online shops) or offline (e.g.: actual stores), 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.

The Company's cloud services and corresponding areas



Source: The Company's business plan and materials on growth potential

(4) Fees system and sales channels

The 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 with external systems, it is possible to use apps provided by application partners without 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 include direct sales by the Company and sales activities through partners. Partners are divided into application partners that develop and sell systems linked to the Logizard series, and sales partners such as agencies. Application partners include companies developing e-commerce support systems and order management systems, such as GMO MAKESHOP Co., Ltd.

The Company is introducing unique systems as a way to capture customers, including exhibitions, online advertising, and a referral system called Introduction Partner. The number of attendees at its seminars and exhibitions is on an upward trend. These events are also available to existing customers as opportunities to gather information, creating points of contacts with other customers. The Company is also promoting its strong track record of WMS introductions and is receiving lots of inquiries through its website.

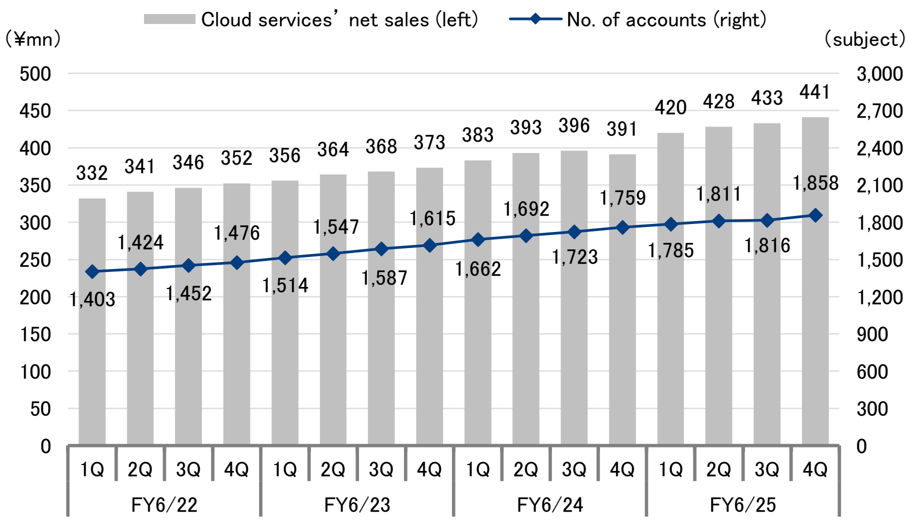
Additionally, there are cases where the Company has been mistaken for a warehousing company due to the Logizard name, so it is responding to these kinds of inquiries by providing Logizard Matching, a completely free service that provides referrals to logistics and warehousing companies in the Company's network. We at FISCO believe this is a unique initiative that will lead to future customer acquisition.

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 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 through the highly versatile systems. Moreover, many small- and medium-sized companies do not have dedicated system engineers, so the Company supports customers' introductions of IT through its operations support service provided 365 days a year.

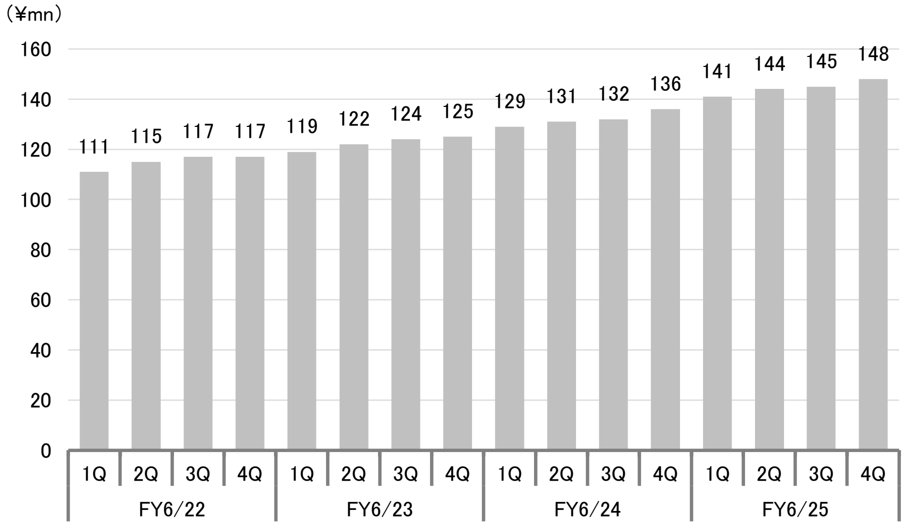
Also, the Company is able to stably generate earnings through adopting a subscription model. It continuously upgrades the versions of its products so that they reflect customers' current needs, which contributes to lowering the cancellation rate. At FISCO, we expect solid earnings expansion as a result of keeping the cancellation rate of existing customers low and increasing the number of new customers. By maintaining an increase of new accounts while keeping the cancellation rate at a low level, the Company is steadily building up its MRR.

Trends in cloud services' net sales and the number of accounts



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

Trends in MRR



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

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 taking root in people's daily lives, the labor shortage in the logistics industry, and the shortage of human resources able to respond to digitalization. There is a shortage of human resources to progress digitalization particularly among small- and medium-sized companies, which are the Company's main customers. According to the Ministry of Economy, Trade and Industry's 2023 White Paper on Small and Medium Enterprises, 69.4% of the companies responded that they had not employed IT or digital personnel within the most recent year, and 20.7% responded that there was a shortage of such personnel. In addition, according to the 2025 White Paper on Small and Medium Enterprises, 51.2% of companies responded that there was a shortage of personnel to advance digitalization, including those that answered that they were "in a state of shifting from analog conditions to a business environment in which digital tools were used." This suggests that personnel for promoting digitalization remains in short supply. Within this environment, we at FISCO think that demand for the Company's services will remain strong, because they can be easily introduced via the cloud and have a comprehensive support structure able to respond to requests 365 days a year. Furthermore, the Company has noted that there is a shortage of IT personnel among relatively large B2B companies as well. As the 2025 digital cliff (the 2025 digital cliff is referred to in a report released by the Ministry of Economy, Trade and Industry in 2018, which states that if Japanese companies fail to promote their management reforms through digital transformation, economic losses of up to ¥12tn per year will be incurred after 2025) approaches, a shortage of personnel for updating on-premises legacy systems remains in Japan, raising expectations of a growing need for the Company's cloud-based services.

Results trends

Net sales from cloud services are driving overall performance. Each stage profit achieved double-digit growth

1. Overview of FY6/25 results

In the FY6/25 results, net sales increased 10.1% YoY to ¥2,177mn, operating profit rose 17.8% to ¥408mn, ordinary profit was up 18.3% to ¥409mn, and net profit was up 12.1% to ¥283mn. As a result of steadily implementing various measures to address demand such as expansion of WMS needs to B2B, the trend of using automation to solve labor shortages, and integration of smart and online stores, the Company achieved increased net sales and profits. In addition to steadily acquiring new accounts for highly profitable cloud services, the increase in projects with B2B needs in development and introduction services led to a net sales budget progress rate of 98.3%. The double-digit growth of operating profit and subsequent lines of profit was particularly notable, surpassing the growth rate of net sales. As a result, the operating profit margin rose 1.2pp to 18.7%. Additionally, the Company actively invested in human resources and product development in accordance with its medium-term management plan, while also keeping cost increases within appropriate levels, which greatly contributed to the steep rise in profits.

Amid the profitability improvement, the rate of achievement on the FY6/25 forecasts was 98.3% for net sales, 101.9% for operating profit, 102.3% for ordinary profit, and 100.8% for net profit. Performance on each line of profit was generally good. Looking at cost of sales, labor costs increased 6.4% YoY due to strengthened human resources, outsourcing costs rose 40.0% YoY due to expanded order delivery and product development investment, and server costs increased 11.2% YoY due to additional server capacity in response to the growing number of accounts and investment in strengthening security. Furthermore, rent expenses rose following an increase in office size in the previous fiscal year and there was an increase in amortization expenses associated with the accumulation of software assets. In SG&A expenses, personnel expenses increased 9.5% as the establishment of human resources systems enabled the Company to secure more personnel, but R&D investment shrank by 40.1% as projects previously in the R&D phase transitioned into the product development phase. There were also increases in other expenses, such as travel expenses and order support costs.

By service, net sales of the core cloud services increased 10.2% YoY to ¥1,723mn due to an increase in new accounts, gross profit rose 17.0% YoY to ¥1,092mn, and the budget progress rate exceeded the plan at 101.3%. Under its medium-term management plan, the Company is focusing on attracting customers in the B2B market, and it made steady progress on winning new transactions from B2B companies. Inquiries from B2C companies (its main customers) also remained brisk. As a result, the number of accounts at the end of FY6/25 increased by 99 compared to the end of FY6/24 to 1,858 and MRR grew 8.9% to ¥148mn. Efforts to strengthen linkage with external systems and enhance product features, as well as conducting aggressive online-offline promotion activities, kept cancellation rates low while increasing the number of new customers, which contributed to earnings expansion. For the optional RFID feature, efforts continue to address issues such as higher costs compared to barcodes and radio wave coverage. Regarding implementation results, certain achievements were seen, such as adoption for the dress and formal wear rental service LULUTI operated by AEON Retail Co., Ltd.

Net sales of development and introduction services increased 15.2% YoY to ¥365mn, while gross profit decreased 21.4% YoY to ¥81mn. Driven by strong demand in the B2B domain, orders for large projects and ongoing projects from existing clients have continued, resulting in steady expansion of net sales. Although the complexity of development projects has increased man-hours and tended to lengthen lead times from order to delivery, such projects also have higher unit prices and transaction volumes, significantly contributing to the increase in net sales. Gross profit temporarily declined, but with the accumulation of B2B projects, FISCO thinks the potential for medium- to long-term growth has further increased. Net sales of device sales services decreased 8.7% YoY to ¥87mn, and gross profit decreased 14.7% YoY to ¥34mn. Sales of dedicated printers and supplies such as forms progressed smoothly, but due to a reactionary decline from large-scale equipment sales in the previous fiscal year, both net sales and profit decreased year-on-year.

Results for FY6/25

(¥mn)

	FY6/24		FY6/25			
	Results	% of net sales	Results	% of net sales	Change	% of change
Net sales	1,977	-	2,177	-	199	10.1%
Operating profit	346	17.5%	408	18.7%	61	17.8%
Ordinary profit	346	17.5%	409	18.8%	63	18.3%
Net profit	252	12.8%	283	13.0%	30	12.1%
Net profit per share (¥)	78.87	-	87.91	-	9.04	11.5%

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

2. Progress on product measures

(1) WMS needs expanding to B2B

For capturing expansion of WMS needs to B2B, there is an example of implementation at KICKS LAB. operated by SODA Inc. and LOWTEX INC.

In the SODA case, it was an unprecedented introduction of C2C logistics. C2C logistics is based on direct delivery of products from central warehouses or factories to distant locations, without inventory storage at intermediate points—essentially through-shipment. Therefore, products arriving at the logistics center already have designated shipping destinations, resulting in fast product flow and their product management were highly difficulty and posed a challenge. Additionally, challenges included the inability to manage via manufacturer barcodes due to secondary distribution, and the lack of inventory management functions in the company's core system. With the introduction of Logizard ZERO, products were managed in a system using in-store JAN codes, and shipping operations were automated through linkage with automatic packing machines. As a result, product management man-hours were drastically reduced, lead time from receipt to shipment was shortened from two business days to one business day, and shipping capacity tripled.

In the KICKS LAB. case, the increase in number of product and net sales made it impossible to manage inventory with a single handheld terminal per store, and the inability to check inventory in real time led to customer wait times during service and significant opportunity loss. With the introduction of Logizard ZERO-STORE to address this issue, it enabled immediate and accurate inventory inquiries via smartphones, allowing staff to propose alternatives without making customers wait, greatly improving service quality and customer satisfaction. This also eliminated the hurdle of adding more handheld terminals, and integration with ShopifyPOS enabled unified points for both store and e-commerce, contributing to solving OMO challenges. The inventory inquiry function, in particular, is frequently used each day and has become indispensable for operations.

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

Regarding the trend of using automation to address labor shortages, initiatives have begun to strengthen collaboration with Warehouse automation system MMLogiStation provided by YE DIGITAL. This aims to solve urgent issues facing the logistics industry, such as rising prices, labor shortages (the 2024 problem), and system aging (the 2025 cliff). By linking with MMLogiStation, which holds the top share in warehouse execution system (WES), and Logizard ZERO, which holds the top share in warehouse management system (WMS), seamless system connection without customization is achieved. This enables medium-sized businesses to select necessary automation equipment as options and add devices in a plug-in format, allowing for phased small start automation implementation. The collaboration between the two companies is expected to greatly contribute to resolving labor shortages in the logistics industry by significantly reducing development time and costs for automation equipment implementation and promoting warehouse automation regardless of site scale.

Regarding automatic linkage with other companies' app products, API* linkage between the online shop management system BOSS provided by Hunglead, Inc. and Logizard ZERO has begun. With this linkage, key business data related to orders, shipments, and inventory between BOSS and Logizard ZERO are automatically linked via API. This eliminates the need for staff to exchange CSV files or manually input data, enabling real-time data reflection. The entire flow from order receipt to shipment instructions and inventory reflection is automated, contributing to reduced workload and stabilized on-site operations. BOSS is a highly extensible system optimized for operation on Rakuten Ichiba and supports automatic shipment linkage with RSL. FISCO thinks its linkage with Logizard ZERO will strongly promote the resolution of logistics challenges for companies.

* 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.

In addition, API integration between the Warehouse operations support tool LogiBoard provided by KURANDO INC. and Logizard ZERO has also started. LogiBoard enables visualization of progress within logistics warehouses and accumulation and analysis of daily performance. By integrating with Logizard ZERO, it is possible to support displaying real-time progress and personnel allocation planning. As a result, users of both services can now easily and automatically visualize work progress and check estimated time of completion. No individual development costs or complicated preparations before operation are required, and real-time progress management can be achieved simply by linking the master data.

(3) Integration of smart stores and online channels

Regarding the integration of smart stores and online channels, that is, OMO, traditional inventory management systems were limited to warehouse management, but as cases where in-store and online sales are integrated are increasing, centralized management of warehouse and store inventories is required.

As an initiative to address this, the Shopify app CocoZaiko has been released. This app is a simple O2O app that visualizes in-store inventory information on Shopify product pages. This solves the issue of EC and in-store inventory information being separated, and prevents cases where customers miss purchasing opportunities because they cannot check inventory status at the time of purchase. This app adds a "View store inventory" button to product pages, which displays the number of inventory for each location when clicked. This allows customers to check inventory at the nearest store and smoothly proceed with visiting the store or making a purchase decision. Implementation is easy in three steps: location settings, button placement, and inventory registration. The design of the button, including its position, size, color, and wording, can also be freely adjusted.

In the cloud-based in-store inventory management system Logizard ZERO-STORE, a new follow-up order function has been added. In conventional ordering operations, the order registration function was used, and it was necessary to scan the barcode of each product to be ordered, one SKU (the smallest inventory management unit) at a time. However, with the new follow-up order function, it is now possible to extract product numbers (SKUs) and quantities sold in stores during a specified period in bulk and automatically generate order candidates. This significantly reduces the time required for ordering and enables efficient replenishment orders.

The equity ratio is at a high level of 84.5%. The current ratio and non-current ratio are both sound and at a level where there are no concerns about long- or short-term fund liquidity

3. Financial position and business indicators

Looking at the Company's financial condition at the end of FY6/25, total assets increased by ¥319mn from the end of the previous fiscal year to ¥2,576mn. Current assets increased by ¥188mn from the end of the previous fiscal year to ¥2,048mn. This is mainly due to an increase of ¥169mn in cash and deposits as a result of the collection of accounts receivable. Non-current assets increased by ¥131mn from the end of the previous fiscal year to ¥528mn. This was mainly due to a ¥124mn increase in software to upgrade the basic functions of Logizard ZERO.

Total liabilities increased by ¥67mn from the end of the previous fiscal year to ¥399mn, mainly because of an ¥11mn increase in accrued expenses resulting from higher bonuses and a ¥25mn increase in accrued corporate taxes due to higher profits. Net assets increased by ¥251mn from the end of the previous fiscal year to ¥2,176mn, mainly because of a ¥227mn increase in retained earnings resulting from net profit recorded during the fiscal year.

Looking at management indicators, the current ratio fell 48.2 points from the end of the previous fiscal year to 512.4%, and the non-current ratio rose 4.2pp to 24.3%. Both ratios remain at sound levels, and FISCO considers there are no issues with short- or long-term fund liquidity The equity ratio remains high at 84.5%, having risen 0.8pp from the end of the 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.

Balance sheet and management indicators

(¥mn)

	FY6/24	FY6/25	Change
Current assets	1,860	2,048	188
Cash and deposits	1,537	1,707	169
Non-current assets	396	528	131
Total assets	2,256	2,576	319
Total liabilities	331	399	67
Current liabilities	331	399	67
Net assets	1,924	2,176	251
Retained earnings	1,453	1,680	227
Total liabilities and net assets	2,256	2,576	319
<Main management indicators>			
Equity ratio	85.3%	84.5%	-0.8pp
Current ratio	560.6%	512.4%	-48.2pp
Non-current ratio	20.1%	24.3%	4.2pp

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

Outlook

FY6/26 is expected to see higher sales but lower profits due to the upfront investment phase. Profitability improvement is expected through capacity expansion

For its FY6/26 results, the Company is forecasting a 12.1% YoY increase in net sales to ¥2,439mn, a 12.9% decrease in operating profit to ¥355mn, a 13.0% decrease in ordinary profit to ¥356mn, and an 8.6% decrease in net profit to ¥258mn. Regarding the business environment, the outlook remains favorable, backed by factors such as the demand for cloud-based WMS expanding into the B2B domain. Amidst this, the Company's core cloud services continue to perform well, and net sales are expected to increase due to growth from redesigning business processes aimed at increasing customer-facing work hours and improving operational efficiency. The net sales growth rate is also expected to exceed that of FY6/25. In terms of profit, the outlook is for a decrease due to the introduction of advanced technologies such as AI, fundamental reforms of business processes, active investment in human capital including human resource development, and investment in IR activities. The Company expects to ensure profitability by increasing the number of new accounts in profitable cloud services and appropriately controlling the increase in cost of sales and SG&A expenses. It plans to respond appropriately to changes in the market, which will lead to earnings expansion by steadily implementing the initiatives set out in the medium-term management plan.

By service, net sales from cloud services are expected to increase 10.7% YoY to ¥1,908mn, net sales from development and introduction services are expected to increase 26.6% YoY to ¥462mn, and net sales from device sales services are expected to decrease 20.7% YoY to ¥69mn. The Company will continue to steadily maintain and expand its share in the B2C market, while actively acquiring new customers in the B2B market, which has significant growth potential. The strategy is to further enhance service competitiveness by strengthening optional features, promoting integration with external apps, and advancing OMO support, thereby steadily increasing the number of accounts while keeping the churn rate low and stable. In addition, the Company plans to focus even more on new business development utilizing data obtained from existing service lines and strengthening API integration with third-party products. To accelerate these initiatives, M&A and capital alliances are also being considered in addition to business partnerships. In particular, FISCO thinks that strengthening API integration with third-party products is an effective strategy to simultaneously increase optional revenue and improve customer convenience. Regarding service pricing, the Company does not plan simple price increases, but aims to grow the top line by expanding its target to the B2B domain. While B2C is mainly based on usage-based billing, B2B is generally based on fixed billing, making it possible to receive higher-value orders depending on the size and usage environment of the customer.

In addition, securing personnel responsible for implementation is essential for expanding MRR, and the Company is strengthening its organizational foundation through ongoing recruitment and training. For FY6/26, the Company plans to hire 10 engineers and 10 corporate/sales staff, for a total of 20 new hires, and will continue to strengthen its workforce thereafter. It takes a certain amount of time and cost for new hires to become independent and fully operational, but the expansion of the training system is improving efficiency and contributing to the enhancement of future growth potential. Until now, hiring has focused mainly on younger employees, but for FY6/26, the Company also plans to strengthen hiring of mid-career personnel. This is expected to further strengthen the medium- to long-term organizational structure. Through the accumulation of these initiatives, the Company aims to further solidify stable growth by leveraging the strengths of its subscription model. Although initiatives such as the introduction of advanced technologies, fundamental reform of business processes, and investment in human resources may temporarily weigh on profits, FISCO sees these not as mere losses but as strategic and essential investments for future profit expansion and sustainable growth.

Outlook for FY6/26

(¥mn)

	FY6/25		FY6/26		YoY	
	Results	% of net sales	Forecast	% of net sales	Change	% of change
Net sales	2,177	-	2,439	-	261	12.1%
Operating profit	408	18.7%	355	14.6%	-53	-12.9%
Ordinary profit	409	18.8%	356	14.6%	-53	-13.0%
Net profit	283	13.0%	258	10.6%	-25	-8.6%

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

Medium- to long-term growth strategy

Accelerate business performance and corporate value enhancement through proactive investment in product development and human resources

1. Review of the previous medium-term management plan

Both net sales and operating profit from the core cloud services exceeded the initial plan for three consecutive years (FY6/23–FY6/25). Operating profit recovered ahead of schedule, particularly due to net sales from cloud services exceeding expectations, and continued to outperform the plan from FY6/24 onward.

During the previous medium-term management plan period, the Company focused on two initiatives: a strategy to respond to market trends and a human resources strategy. In the strategy to respond to market trends, the Company made upfront investments to capture logistics needs in the new normal of the With-COVID era. For OMO support, in addition to adding functions such as in-store pickup for online orders, store shipments, and inventory follow-up ordering in Logizard ZERO-STORE, the Company implemented automatic integration with peripheral applications such as Smaregi. To address labor shortages through labor-saving and automation, the Company expanded the standard integration partners for logistics robots, equipped RFID as an optional feature, and added numerous automatic integrations with other companies' applications. Furthermore, in response to new logistics trends, the Company added B2B logistics functions to meet system replacement and DX needs, thereby addressing cloud-based WMS needs for B2B clients. FISCO thinks that horizontal expansion of functions and enhanced connectivity not only contribute to acquiring new accounts, but also help prevent cancellations and increase unit prices, thereby improving the quality of cloud revenue.

In the Company's human resources strategy, it invested in actively recruiting and rapidly developing talent to drive future growth. At the end of FY6/25, the number of personnel was 132, an increase of 29 compared to the end of FY6/22, landing slightly below the initial plan. However, the Company assigned HR specialists, enhanced post-hire training curricula, established a structure enabling simultaneous delivery and product development, improved employee benefits, developed a personnel system oriented toward long-term growth, and expanded its office.

2. Overview of the new medium-term management plan

The Company announced a new medium-term management plan aimed at expanding business scale and accelerating performance through active investment in product development and human resources. The Company maintains its basic policy of focusing on expanding earnings and enhancing corporate value with a basic growth strategy of following the trend and high-contact service. Here, "high-contact" means "listening carefully to customers' issues and requests through one-on-one communication and providing responses tailored to each customer." Sales and development employees communicate closely with customers to provide support for their businesses. In the final year, FY6/28, the Company has set targets of net sales of ¥3,113mn (up 43.0% from FY6/25), operating profit of ¥539mn (up 31.8%), and MRR of ¥209mn (up 40.5%).

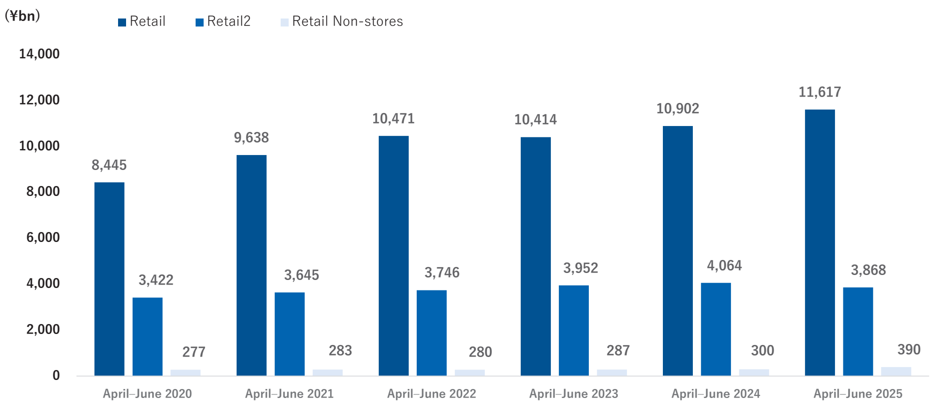
For net sales, the Company expects to steadily expand MRR by strengthening initiatives for B2B companies, with cloud services playing a leading role. Furthermore, the Company plans to launch new services during the current medium-term management plan period with an eye toward the next plan, and expect development sales to grow by responding to diverse customer needs, thereby accelerating sales growth. Regarding operating profit, for FY6/26, the Company expects a decrease in profit due to accelerated investment in talent acquisition, similar to FY6/23. On the other hand, from FY6/27 onward, the Company plans to increase revenue and improve profit margins through the growth and strengthening of its personnel. For MRR, in addition to projects from conventional B2C companies, the Company aims to steadily build up MRR by strengthening initiatives for B2B companies. The Company also expects the amount of MRR accumulation to increase through the strengthening of newly hired personnel and expansion of the order-taking structure. FISCO thinks the direction of the new medium-term management plan appropriately reflects changes in the external environment, and that cloud services provide a highly profitable and stable revenue base. With the increase in B2B projects, we also expect unit prices to rise, and thus anticipate significant medium- to long-term growth.

3. Growth strategy

(1) Strengthening efforts towards B2B companies

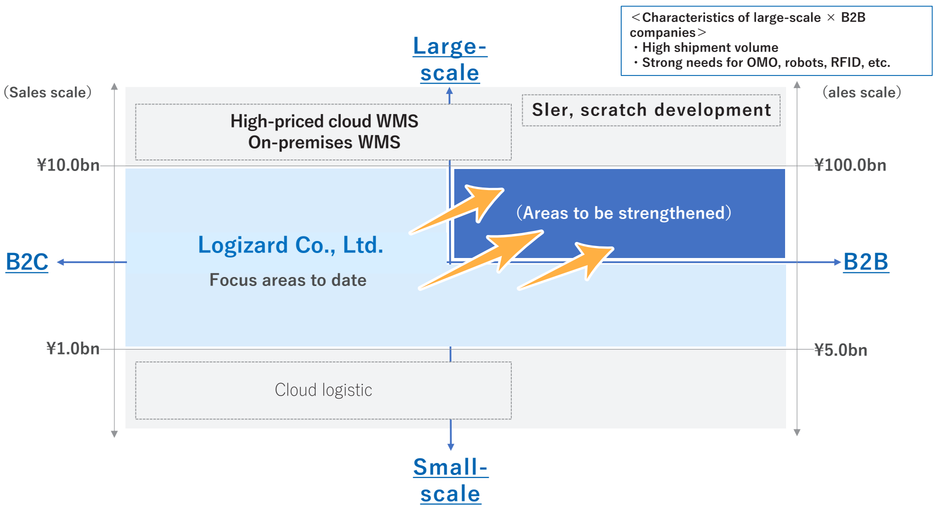
The Company will strengthen initiatives for B2B companies to help solve expanding issues in a changing business environment. Due to labor shortages caused by population decline and wage increases resulting from supply-demand tightening, companies are required to pursue labor-saving and automation. At the same time, DX for productivity improvement is essential, but aging legacy systems are a hindrance to progress. Meanwhile, focusing on the Ministry of Economy, Trade and Industry's published data on "Trends in sales of wholesale, retail, and non-store retail (e-commerce) for April to June 2025," retail sales have slightly decreased compared to last year, while wholesale sales, which are B2B transactions, have expanded, and non-store retail has steadily grown, reflecting diversification of purchasing channels and technological advancement. Under this environmental awareness, the Company will leverage its accumulated expertise to accelerate service deployment for B2B and B2C companies facing logistics 2024 issue and legacy system challenges. Among these, the Company has identified large-scale B2B companies as a focus area, which are characterized by high shipment volumes and strong needs for OMO, robots, RFID, and other solutions.

Trends in sales of wholesale, retail, and non-store retail (e-commerce)



Source: The Company's business plan and materials on growth potential

Image of strengthening initiatives for B2B companies



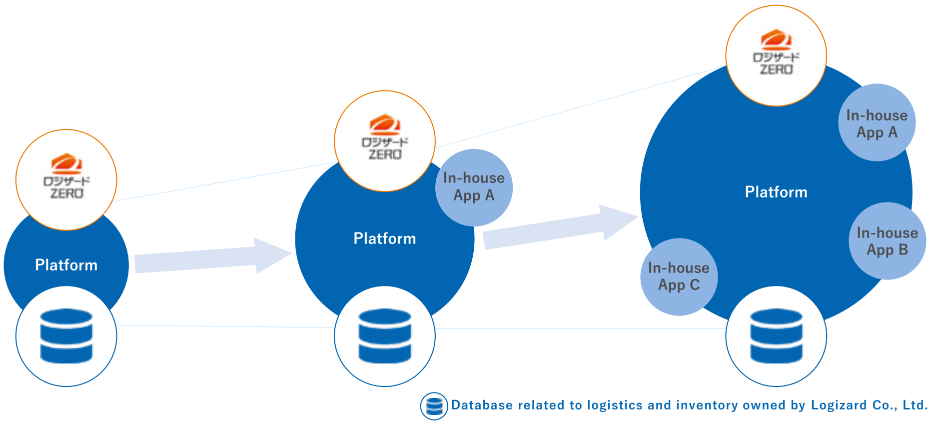
Source: The Company's business plan and materials on growth potential

(2) Provision of application platform through co-creation model

The application platform through a co-creation model is a concept that responds to an era where anyone can easily build apps using generative AI, enabling both internal and external vendors to provide apps utilizing the Company's database via the platform, with Logizard ZERO at its core. The Company aims to develop new services in three areas—scope, social significance, and social impact—to become an indispensable presence in the supply chain.

Growth image of the application platform through co-creation model

In response to the era where anyone can easily create apps using generative AI, an application platform centered on Logizard ZERO is being built. Not only internal staff but also external vendors will be able to provide apps utilizing the database owned by Logizard Co., Ltd. through the platform, further enhancing service convenience and engagement.



Source: The Company's business plan and materials on growth potential

(3) Investment in human resources to promote high-contact service

As an investment in human resources to promote high-contact service, the Company plans to expand to 177 employees in FY6/28 (an increase of 45 compared to FY6/25), and will continue to invest in recruitment. The organization and structure will be enhanced to improve operational efficiency, and AI will be utilized in operations to increase individual work efficiency. As an organizational reform aimed at improving business management capabilities, a Business Process Reform Office will be newly established to frequently analyze company-wide man-hours and promote data-driven operational improvements, advancing efficiency through business DX. Additionally, a Contract Administration Section will be newly established to centralize contract processing, reduce the burden on front-line operations, improve processing accuracy, and establish business workflows. Through these measures, both individual and organizational work efficiency will be increased, creating an environment where the sales team can focus more on acquiring new projects.

4. FISCO's view

The Company's growth strategy is characterized by building a stable earnings base through a subscription model centered on cloud-based WMS. In the new medium-term management plan, the Company has set targets for FY6/28 of net sales of ¥3,113mn (up 43.0% compared to FY6/25), operating profit of ¥539mn (up 31.8%), and MRR of ¥209mn (up 40.5%), confirming a steady growth trajectory for net sales, operating profit, and MRR. MRR, in particular, is an important indicator of the future potential of the subscription business, and the predictable revenue that accumulates over the long term is a factor in building a structure that is resistant to economic fluctuations.

The Company's strength lies not only in providing systems, but also in achieving a high retention rate through support via high-contact service. While increasing profitability through upselling and offering additional features to existing customers, the Company continues to expand MRR through new B2B implementations. The demand for logistics DX, accelerated by labor shortages, is a structural tailwind, and FISCO thinks that the structure in which the Company's cloud-based WMS serves as the foundation will continue going forward.

On the other hand, in FY6/26, operating profit is expected to decrease in the short term due to strengthened investment in human resources such as recruitment and training. However, FISCO thinks this will lead to improved service quality and customer satisfaction, ultimately resulting in a lower churn rate. In the medium to long term, the Company is expected to develop new services incorporating AI and data utilization, and expand co-creation platforms, building new revenue sources on top of the subscription base.

Overall, FISCO believes that, while accepting short-term earnings fluctuations, the Company has a high probability of sustainable growth, backed by stable earnings from the subscription model and growth opportunities in the expanding B2B market.

Shareholder return policy

Dividend payments conducted since FY6/22. For FY6/26, the Company forecasts dividends of ¥18.00 per share

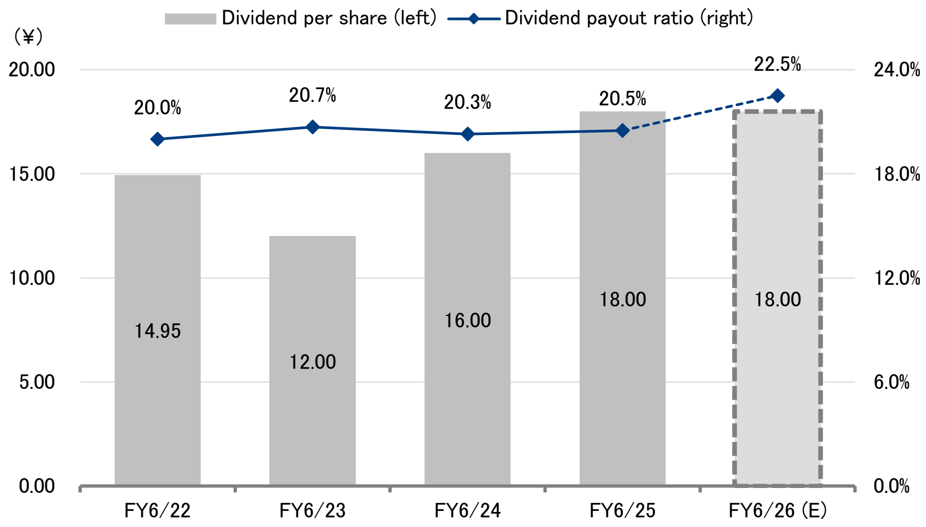
The Company has been paying dividends since FY6/22, as the expansion of its business base has allowed it to secure stable earnings while pursuing business growth through investments in human resources and products. The Company paid a dividend of ¥14.95 per share in FY6/22, ¥12.00 in FY6/23, ¥16.00 in FY6/24, and ¥18.00 in FY6/25. For FY6/26, it is expecting to pay a dividend of ¥18.00.

The Company plans to continuously return profits to shareholders in order to further increase its corporate value. Its basic policy is to aim for a dividend payout ratio of approximately 20%, while considering its financial condition and internal reserves. For FY6/26, a decrease in profit is planned due to upfront investment, and based on the target payout ratio of 20%, earnings per share will be ¥16.07. However, the Company has decided not to reduce the dividend due to the decrease in profit from upfront investment, and will maintain it at ¥18.00. FISCO thinks this reflects the Company's strong commitment to maximizing shareholder returns.

Recent performance of its mainstay cloud services has been robust. Having a subscriptions-based earnings model, cloud services are profitable and a stable earnings foundation. The unit price per project is also likely to rise as the Company actively acquires B2B companies as customers. We at FISCO think that the dividend could be raised if the Company can steadily accumulate profits while growing topline earnings.

Shareholder return policy

Dividend per share and dividend payout ratio



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

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