COMPANY RESEARCH AND ANALYSIS REPORT

JUST PLANNING INC.

4287

Tokyo Stock Exchange Standard Market

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Index

Summary

Forecasts continued sales and profit growth, driven by recovery in the ASP Business for the restaurant industry

JUST PLANNING <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 5,316 store contracts as of the end of FY1/22, 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. Also, its subsidiaries are conducting the Logistics Solution Business and Solar Power Generation Business, while in February 2018, the Company newly established Putmenu Inc. to conduct the new business of Putmenu (a mobile ordering and payment system that utilizes IoT technologies).

* 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 FY1/22 results

In the FY1/22 consolidated results, net sales increased 0.2% year on year (YoY) to ¥2,107mn and operating profit rose 52.8% to ¥282mn, with both sales and profit rebounding. Despite an ongoing tough market climate for the restaurant industry, owing to the novel coronavirus pandemic (hereafter, COVID-19) and the Japanese government's subsequent intermittent declarations of a state of emergency and issuances of quasi-emergency measures, the number of stores contracting with Makasete Net, which is the mainstay service, rebounded for the first time in two fiscal periods, rising 7.4% from the end of the previous period to 5,316 stores, owing to existing customers reopening stores and new customer acquisitions. That, as well as the Company's efforts to curb personnel costs and other expenses, drove the growth in sales and profit. In addition, the smartphone app iToGo (an advanced reservation ordering and payment service) for take-out businesses, which is a business that the Company acquired in August 2020, saw a steady rise in the number of contracting restaurants amid growth in restaurants starting take-out service due to COVID-19, although its sales are still small in scale. Conversely, Putmenu sales were quite sluggish due to impact from COVID-19, despite progress with deployments at AEON stores and SS (service stations).

2. FY1/23 outlook

The FY1/23 outlook is for ongoing growth in sales and profits, with net sales to rise 7.9% YoY to ¥2,274mn and operating profit to increase 31.2% to ¥370mn. The Company assumes COVID-19 will subside somewhat around late June 2022 and expansion of the number of contracting stores in the ASP Business will continue to drive growth in sales and profits. It also forecasts expansion of the highly profitable ASP Business will lead to a higher profit margin. As for priority measures, the Company plans to focus on growing sales of iToGo to capture customers for take-out businesses where market expansion continues. It will enhance the product's competitive abilities, including strengthening its CRM (customer relationship management) functions for which there are strong customer needs, and propose its deployment to its existing Makasete Net customers, while working to develop new customers as well. Meanwhile, Putmenu deployments are also expected to progress at tourist sites, event venues, and so forth as demand materializes after COVID-19 subsides.

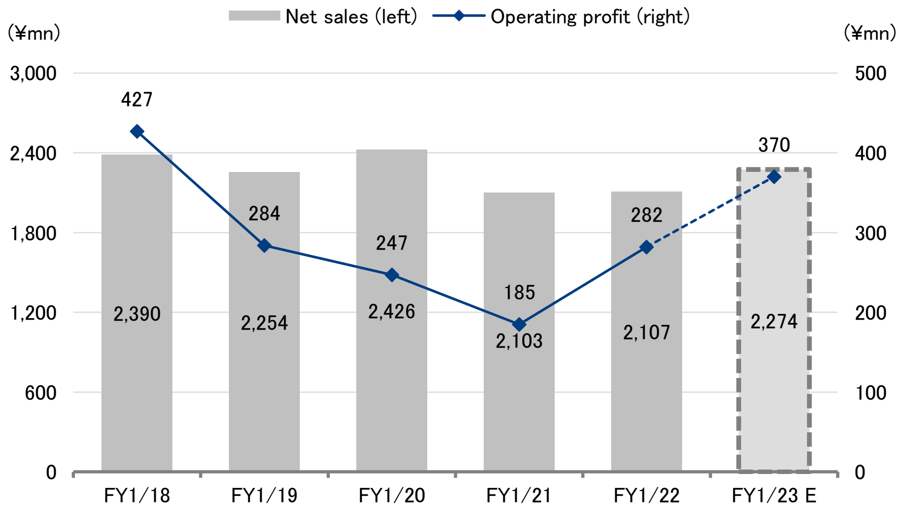
3. Shareholder return policy

The Company's basic policy for shareholder returns is to stably and continuously pay dividends, while also retaining profits necessary for business development in the future and to strengthen the management structure. For FY1/23, it plans to pay a dividend per share of ¥7.4 (dividend payout ratio, 37.0%), which is unchanged YoY. The capital ratio at the end of FY1/22 was 92.2%, and as it conducts no-debt operations, it has ample cash and deposits of ¥2,585mn. Therefore, in the future also, it is expected to continue its basic policy of stably paying dividends, while considering the demand for funds.

Key Points

- In FY1/22, sales and profits rebounded due to a recovery in the ASP Business
- In FY1/23, is aiming for continued increases in sales and profits by focusing on growing iToGo sales
- Concentrating on expanding sales and strengthening functions for iToGo for take-out businesses, and has expectations for Putmenu development after COVID-19 subsides

Results trends

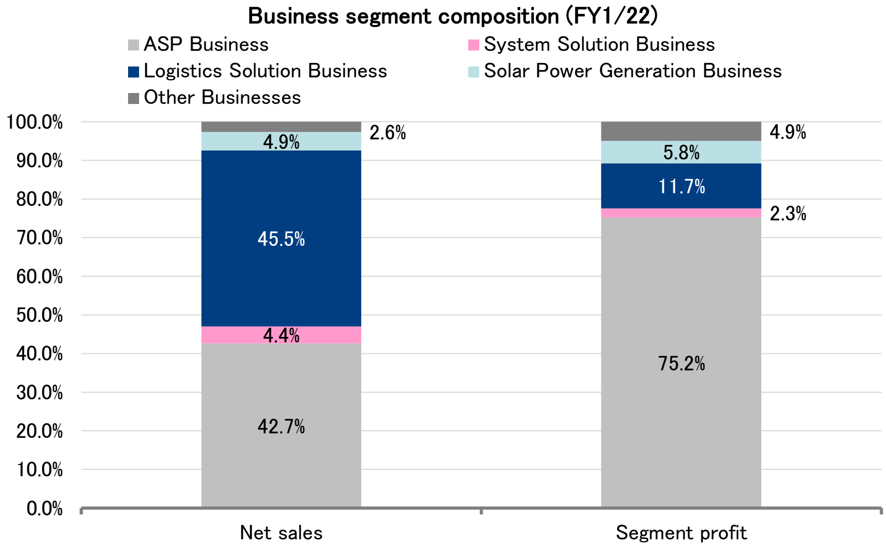


Source: Prepared by FISCO from the Company's financial results

Business overview

Major supplier of store management systems to the restaurant industry; exceeding 5,300 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 FY1/22 business segment composition, the ASP Business and Logistics Solution Business accounted for just under 90% of net sales at 42.7% and 45.5%, respectively. However, the ASP Business dominates overall earnings at 75.2% of segment profit. We review segment content below.



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

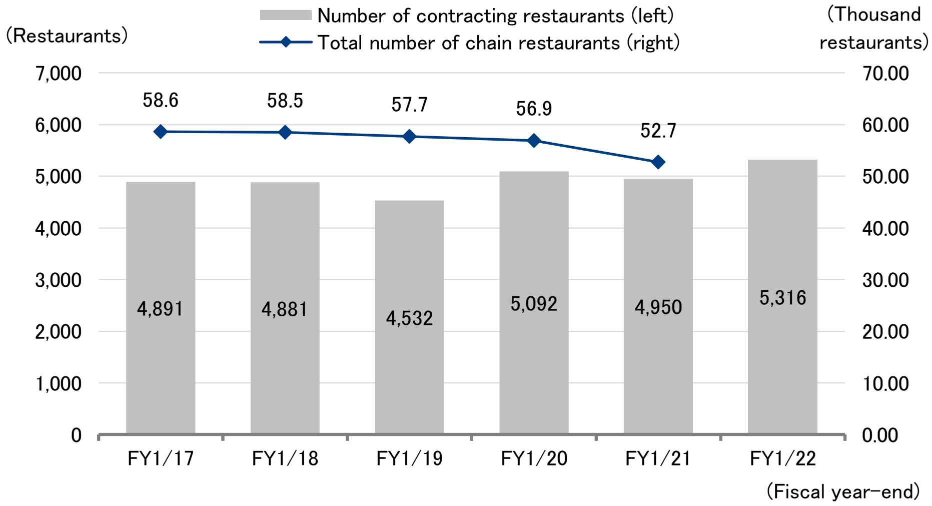
1. ASP Business

In the ASP Business, the core service is 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 ¥20,000 range per store (full service costs about ¥30,000). This seems 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 5,316 stores at the end of FY1/22 (including 255 contracting stores for the Logi Logi logistics management system). Japan has about 52,700 restaurant chain stores as of March 31, 2021 (according to data from the Japan Franchise Association). While the Company's industry share is just under 10%, we estimate that it holds a share of just over 10% for small and medium-sized restaurant chains with less than 50 stores, its main target.

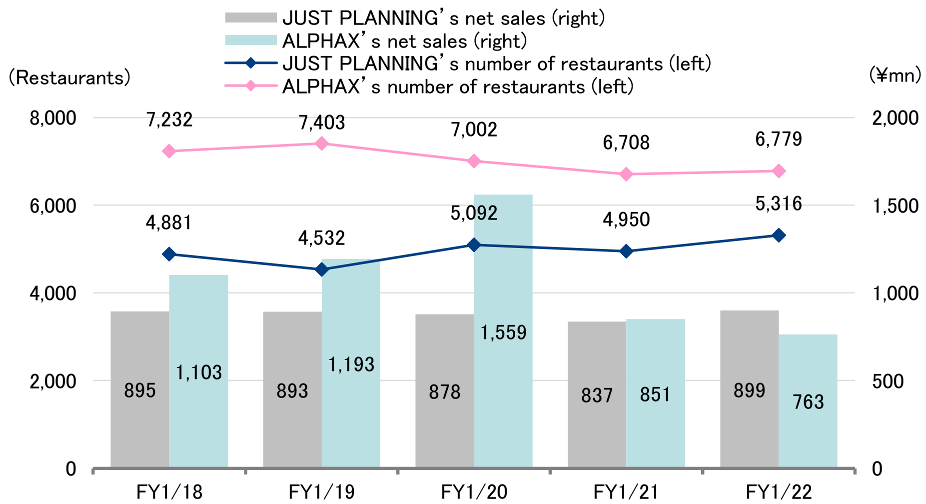
Number of chain restaurants in Japan and JUST PLANNING's contracting restaurants



Note: Figures for the number of chain restaurants are from the Japan Franchise Association (as of the end of March 2021)
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 in FY2021 the number of contracting restaurants returned to growth at both companies, but JUST PLANNING's sales rebounded, whereas ALPHAX FOOD SYSTEM's sales continued to decline due to impact from its discounting of monthly fees in connection with COVID-19. 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 promoting enhancement of 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. The number of contracting stores is still small, at slightly about 200 stores, but the number of contracts has started to steadily increase not only from stores that have already deployed Makasete Net, but also from new customers.

Separately, the ASP business includes Putmenu. In February 2018, the Company established Putmenu Inc. as a consolidated subsidiary through joint investment with Boxyz Inc. and Tagcast Inc. (investment ratio: 70%). Boxyz is responsible for developing Putmenu, which it is progressing while also utilizing external partners, mainly the Company, for customer acquisitions.

Putmenu is a mobile ordering and payment system that realizes “zero minute” order and payment wait times at restaurants and other stores by having customers utilize a smartphone app. Payment options include not only major credit cards but also the three mobile carriers and various online payment systems, such as LINE Pay, Apple Pay, PayPal, Alipay and PayPay. The app is also available in 12 languages and provides allergy-related information at the menu display stage, if the user has preregistered allergy substances, as well as halal and vegan displays. This service envisioned use by foreigners from the initial design.

The main targets for deployments are restaurants, particularly food courts in commercial facilities, but also venues such as restaurants and merchandise stores at sites where people tend to line up, like event venues, and at hotels, tourist sites and SS with many foreign visitors. The service has three income models. It is available at a monthly fixed fee for restaurants and other sites operating on a regular basis; with a revenue-sharing framework that charges a certain percentage of the gross purchase value handled through Putmenu, mainly for event venues and tourist sites; and is now offered in a hybrid-type fee structure combining the monthly fixed fee and revenue-sharing frameworks.

Although there are many similar services*, what is different from competitors’ systems is that the Company’s system combines a beacon (radio wave transmitter) using near field communication technology (Bluetooth) and IoT technology that utilizes a GPS function to recognize the position of the user. It is a mechanism in which orders can only be made from an area determined in advance through confirming the user’s location information via the beacon and other means. For businesses, it provides the ability to collect and analyze data on the seat and location of the order, enabling effective marketing measures, which is a strength compared to similar services. Tagcast holds the international patent for the Company’s mechanism (patents acquired in nine countries, including Japan, the US, China, South Korea, the UK, Germany, and France).

* Since 2019, Starbucks Coffee Japan Ltd. and McDonald’s Holdings Company (Japan), Ltd. launched services from systems developed in-house for some stores. Also, several IT venture companies, such as Showcase Gig Inc. and O:der, provide mobile ordering and payment services.

Features of Putmenu

Main features	Effect
1. Increase in sales contact points Orders can be received anytime because it does not use register (face-to-face) sales Supports larger sales per hour without additional investment	Larger sales, labor savings, improved customer satisfaction
2. Cashless (non-face-to-face online payment) Eliminates need for register support due to payment via an app Only necessary to hand over product	Labor savings, improved customer satisfaction
3. Foreign language and allergen ingredient display Foreign visitors to Japan can conduct ordering and payment in their native language on their own smartphone Supports display of allergen ingredients and halal and vegan dishes	Labor savings for foreign traveler support, improved customer satisfaction
4. Provision of convenience tailored to the user experience Use of spatial awareness technology prevents order placement outside of the defined area Allows for customer recruitment measures via O2O (Online to Offline)	Promotion, improved customer satisfaction

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

Also, the Company acquired the iToGo smartphone app business for restaurant take-out operations from its business partner SUNCORPORATION <6736> in August 2020. By using the app to place and pay for orders in advance (paying at the restaurant is also possible), the service enables customers to pick up orders without waiting. In addition to a function for delivering coupons offered exclusively via the app, a push notification function to inform customers about deals, and other functions supporting sales promotions, the app is equipped with optional functions. In addition to initial deployment costs, the service incurs a monthly usage fee and a usage-based fee (3% of the sales amount).

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 revenues. 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. Also, it provides a comparatively low amount of the segment profit margin, as these items are purchased from third parties for sale to customers.

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. The Company is pursuing increased sales of the Logi Logi system, a service for a total logistics management system (store order placement, warehouse management, inventory management, etc.) developed in-house.

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. Since the Company intends to maintain the current level of power generation capacity, this will become a business of stable income that is projected to achieve a higher margin as the burden of depreciation expenses declines.

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 FY1/22, there were two Japanese-style izakaya pubs and one golf bar in addition to a shop for box lunches and side dishes, bringing the total number of stores to four.

Results trends

In FY1/22, sales and profits rebounded due to a recovery in the ASP Business

1. Review of FY1/22 results

In the FY1/22 consolidated results, net sales rose 0.2% YoY to ¥2,107mn, operating profit grew 52.8% to ¥282mn, ordinary profit rose 78.4% to ¥354mn, and profit attributable to parent shareholders increased 226.4% to ¥248mn. Net sales rebounded for the first time in two fiscal periods, while operating profit swung up for the first time in six fiscal periods. Net sales only increased slightly, owing to a challenging market climate for the restaurant industry, with the Japanese government's repeated declarations of a state of emergency and issuances of quasi-emergency measures* in connection with COVID-19. However, sales in the mainstay ASP Business rebounded due to a rise in the number of contracting stores, and the Company worked to keep down SG&A expenses, which both contributed to growth in sales and profits.

* In 2021, state of emergency declarations were issued for January 8–March 21, April 25–June 20, and July 12–September 30.

Consolidated financial results for FY1/22

(¥mn)

	FY1/21		FY1/22				
	Results	% of sales	Company's forecast	Results	% of sales	YoY	% of forecast
Net sales	2,103	-	2,372	2,107	-	0.2%	-11.1%
Gross profit	768	36.5%	-	825	39.1%	7.3%	-
SG&A expenses	583	27.7%	-	542	25.7%	-7.1%	-
Operating profit	185	8.8%	348	282	13.4%	52.8%	-18.7%
Ordinary profit	198	9.4%	368	354	16.8%	78.4%	-3.8%
Extraordinary loss	-75	-	-	-4	-	-	
Profit attributable to owners of parent shareholders	76	3.6%	255	248	11.8%	226.4%	-2.5%

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

The gross profit margin rose from 36.5% in the previous period to 39.1%, mainly owing to an increase in the ASP Business's share of overall sales. SG&A expenses declined ¥41mn compared to the previous period, and the SG&A ratio decreased from 27.7% to 25.7%. The decline in SG&A expenses primarily reflects decreases of ¥21mn in executive compensation and ¥3mn in travel expenses. As a result, the operating profit margin rose from 8.8% in the previous period to 13.4%. The Company recorded compensation of ¥58mn (an increase of ¥50mn from the previous period) received in connection with compliance with government orders for restaurants to temporarily close for business due to COVID-19 as non-operating income, and extraordinary losses shrank, which magnified growth in profit attributable to parent shareholders.

In addition, net sales and profits at all levels were lower than the Company forecast. However, that is because sales in the ASP Business, System Solution Business, Logistics Solution Business, and Other Businesses segments were lower than initially forecast, owing to the frequent issuances of state of emergency declarations and quasi-emergency measures due to COVID-19.

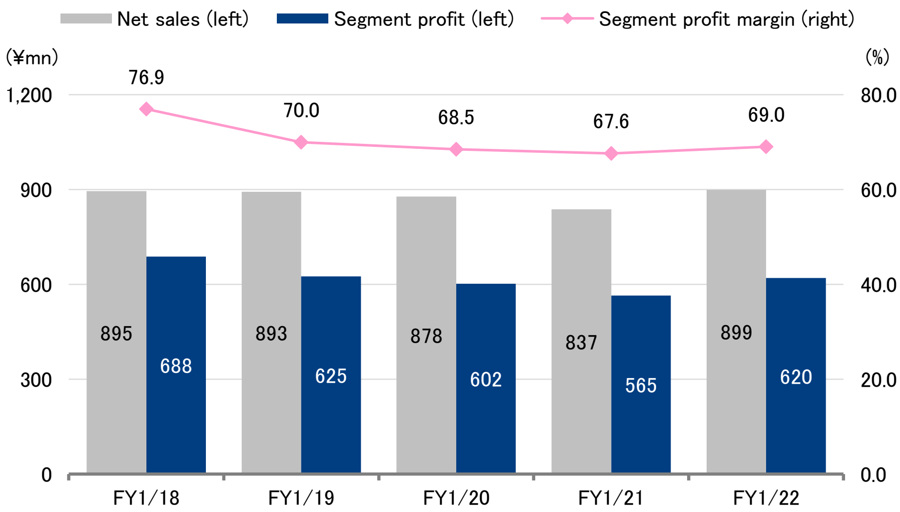
ASP Business sales rebounded for first time in six fiscal periods due to a rise in contracting stores

2. Performance trends by business segment

(1) ASP Business

In the ASP Business, sales and profits rebounded, with net sales increasing 7.4% YoY to ¥899mn and segment profit rising 9.7% to ¥620mn. Net sales grew for the first time in six fiscal periods, while segment profit rose for the first time in four fiscal periods. Sales and profits declined in FY1/21, mainly because the number of customer companies temporarily closing their stores increased (so usage fees were not invoiced) in April and May due to the declaration of a state of emergency, the Company responded to customers' requests for discounts, and store closures among existing customers increased. In contrast, sales and profits rose in FY1/22, primarily because few restaurants aside from Japanese-style izakaya pubs temporarily closed for business, and the number of contracting stores grew for the first time in two fiscal periods by 7.4% from the end of the previous fiscal period to 5,316, owing to openings of new stores by existing customers and progress cultivating new customers.

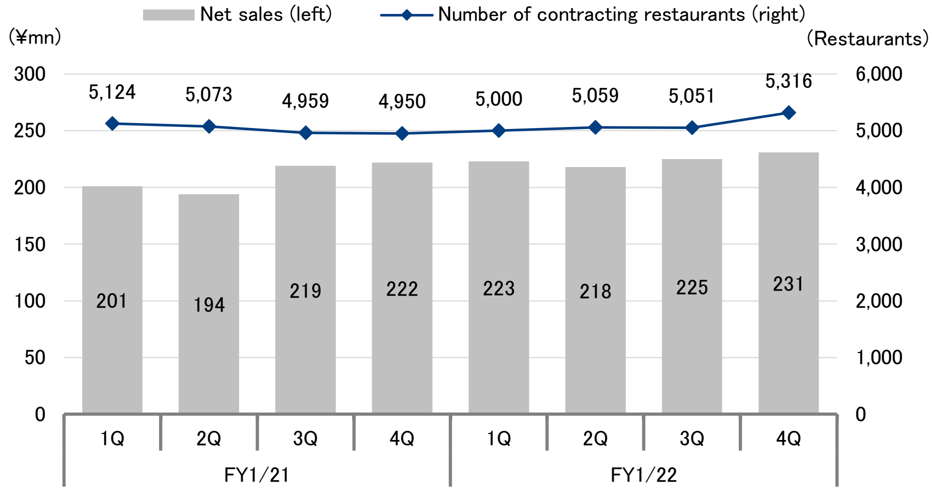
Results of the ASP Business



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

Looking at trends in net sales and the number of contracting restaurants on a quarterly basis, net sales have generally stayed on a YoY uptrend since 3Q FY1/21, partly owing to the addition of the iToGo business. Also, the number of contracting restaurants is on a gradual growth trajectory after bottoming out in 4Q FY1/21. The number of contracting restaurants does not include the numbers for iToGo and Putmenu.

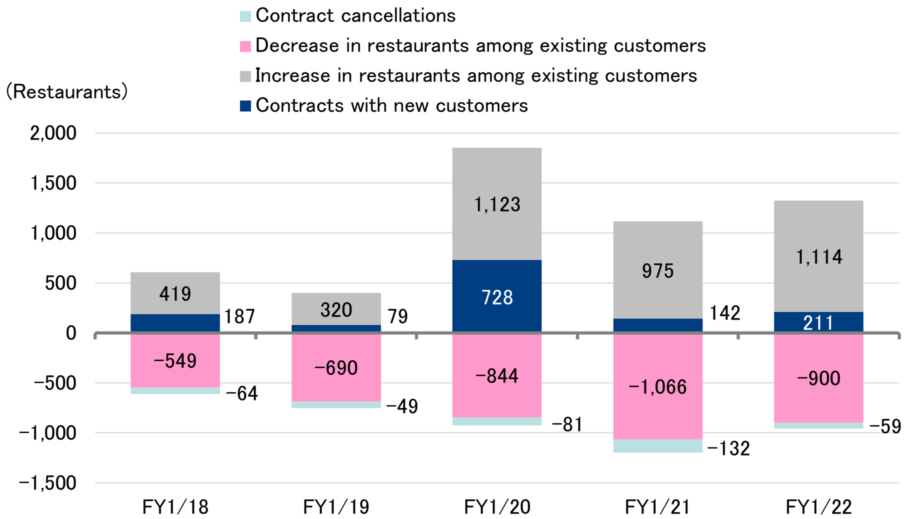
Quarterly net sales and number of contracting restaurants for the ASP Business



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 the breakdown of changes in the number of contracting restaurants in FY1/22, acquisitions of new customers totaled 211 restaurants (up 69 restaurants YoY), openings of new restaurants by existing customers (including restaurants reopened for business) 1,114 restaurants (up 139 restaurants), contract cancellations 59 restaurants (down 73 restaurants), and decrease in existing customers 900 restaurants (down 166 restaurants). Regarding existing customers, the volume of restaurant openings recovered to levels before COVID-19, but the volume of restaurant closures remained high. Also, the Company steadily made progress developing new customers, and was able to keep contract cancellations below the usual level, which led to growth in the number of contracting restaurants.

Breakdown of changes in the number of contracting restaurants



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

Putmenu, which is a new business, made progress on deployments at the AEON Group's food courts and take-out operations, as well as at SS. Nevertheless, its contribution to sales was minor. The number of SS deploying Putmenu is steadily increasing, partly because Putmenu was adopted in April 2020 as a mobile ordering and payment system for Refueling Orders by Smartphone, which is a mobile ordering and payment service provided by NEC Platforms, Ltd. Business conditions are also severe in the SS industry, and improving work efficiency through digitalization (labor saving, going paperless, etc.) and strengthening services for customers have become important management issues. Use of Putmenu is expected to spread in the future as a solution for those issues.

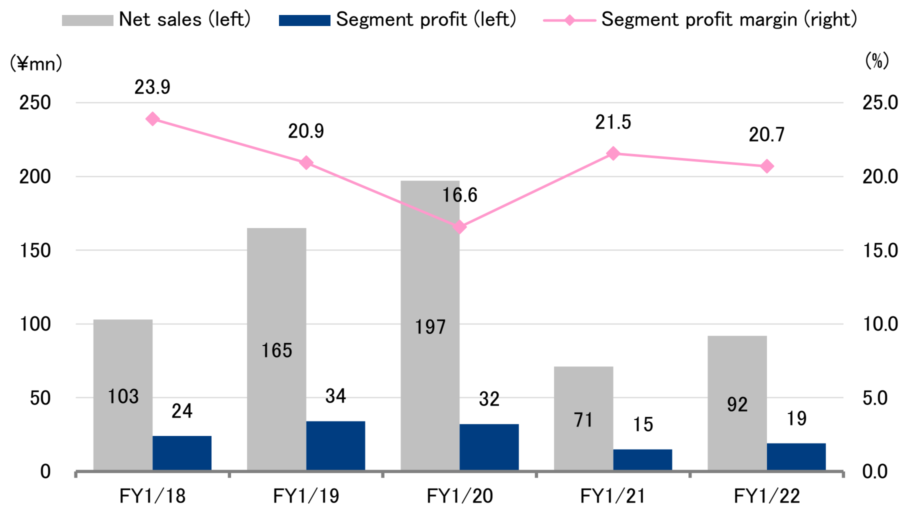
Also, deployments of Putmenu for tourist sites, event venues, and sports stadiums did not progress. The Company's service is useful at places where queues tend to form, but that is rarely the situation due to COVID-19, so there were apparently many cases of deployment being postponed. However, Putmenu is expected to contribute to the Company's earnings in the future as such latent demand is bound to emerge after COVID-19 subsides.

On the other hand, COVID-19 has become a tailwind for take-out, such as for box lunches and sushi, and the number of restaurants deploying the iToGo mobile ordering and payment app is steadily increasing, mainly among existing Makasete Net customers. There are also companies newly deploying the app to capture demand for take-out, and the Company plans to continue to strengthen iToGo as a core business going forward. Users apparently appreciate that iToGo can be deployed under customer companies' own brands and linked to their own websites, enables a system to be developed more inexpensively than developing one in-house, and offers a UI (user interface) that is easy to understand and operate.

(2) System Solution Business

In the System Solution Business, net sales rose 29.9% YoY to ¥92mn, and segment profit increased 24.8% to ¥19mn. Sales and profits rebounded, but were lower than levels before COVID-19 since customers' appetite for investing in systems remained weak due to COVID-19.

Results of the System Solution Business

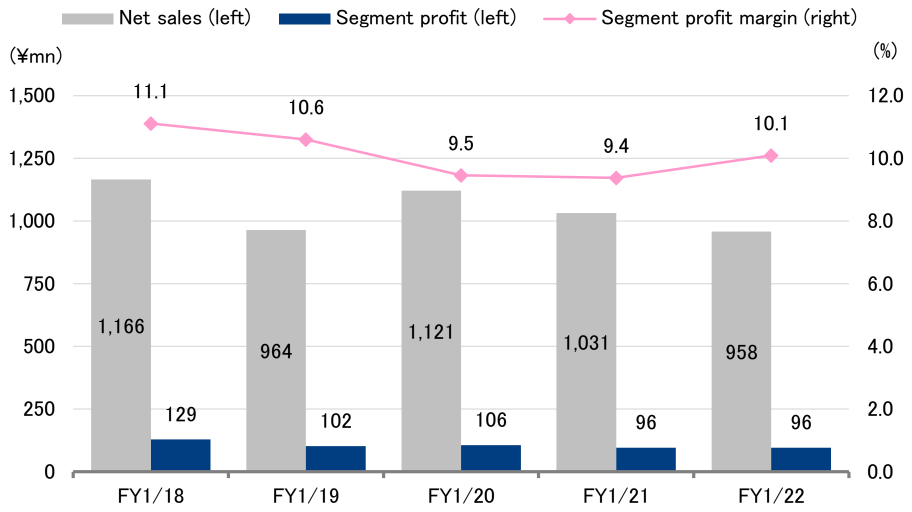


Source: Prepared by FISCO from the Company's financial results

(3) Logistics Solution Business

In the Logistics Solution Business, net sales declined 7.1% YoY to ¥958mn, and segment profit was flat at ¥96mn. Although the market environment remained tough for the restaurant industry, and the Company's customers also struggled with sales declines, the Company maintained profit levels on par with the previous period by working to keep down expenses.

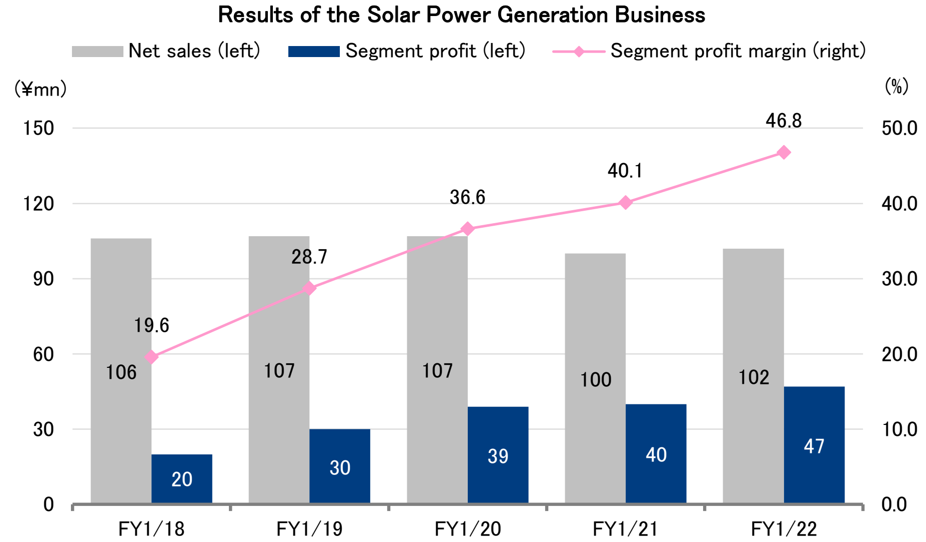
Results of the Logistics Solution Business



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

(4) Solar Power Generation Business

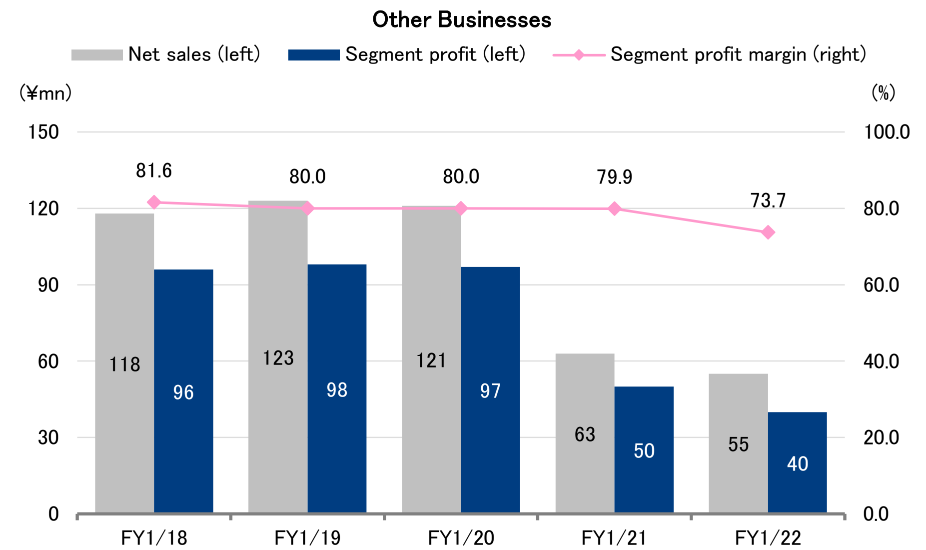
In the Solar Power Generation Business, net sales increased 2.1% YoY to ¥102mn, and segment profit increased 19.0% to ¥47mn.Sales rose because the weather was better than in the previous period, so the amount of power generated increased. Profit rose because sales increased, and depreciation expenses declined by ¥6mn, from ¥54mn in the previous period to ¥48mn. Since depreciation expenses will also decrease in FY1/23 onward, profit will continue to grow if the amount of power generated remains the same.



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

(5) Other Businesses

In the Other Businesses, net sales decreased 12.5% YoY to ¥55mn and segment profit declined 19.2% to ¥40mn. Although the box lunches and side dishes store opened in 2H FY1/21 contributed throughout the period, sales and profits declined as a result of reduced operating hours at Japanese-style izakaya pubs, golf bars, and so forth, owing to the Japanese government's declarations of a state of emergency and issuances of quasi-emergency measures due to COVID-19. That said, 4Q sales and profits rebounded.



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

Maintains 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 FY1/22, total assets were up ¥187mn compared to the end of the previous period to ¥3,565mn. Looking at the main factors for change, in current assets, cash and deposits increased ¥354mn, while accounts receivable decreased ¥81mn. In non-current assets, property, plant and equipment decreased ¥48mn, and software decreased ¥24mn.

Total liabilities were up ¥33mn compared to the end of the previous period to ¥273mn. Accounts payable decreased ¥13mn, while income taxes payable increased ¥52mn. Total net assets increased ¥153mn to ¥3,291mn. Profit surplus increased ¥154mn, owing mainly to the recording of profit attributable to parent shareholders.

Looking at the management indicators, the equity ratio, which indicates management stability, continues to be maintained at the high level of 92.2%. The Company also operates debt-free, and has amassed record-high cash and deposits of ¥2,585mn. Its financial condition can be judged to be sound. In addition to maintaining 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. On the other hand, it is also true that results have been lackluster these past few years, and it can be said that the Company has not been able to effectively utilize ample cash on hand, so that is a management issue to address going forward.

Consolidated balance sheet

(¥mn)

	FY1/19	FY1/20	FY1/21	FY1/22	Change
Current assets	2,579	2,460	2,548	2,833	284
(Cash and deposits)	2,044	2,179	2,230	2,585	354
Non-current assets	824	976	828	731	-97
Total assets	3,403	3,437	3,377	3,565	187
Total liabilities	267	284	240	273	33
(Interest-bearing debt)	-	-	-	-	-
Net assets	3,136	3,152	3,137	3,291	153
Key financial indictors					
(Stability)					
Equity ratio	92.0%	91.6%	92.8%	92.2%	-0.6pt
Interest-bearing debt ratio	-	-	-	-	-
(Profitability)					
ROA (return on assets)	8.6%	7.2%	5.8%	10.2%	4.4pt
ROE (return on equity)	4.7%	3.4%	2.4%	7.7%	5.3pt
Operating margin	12.6%	10.2%	8.8%	13.4%	4.6pt

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

Outlook

In FY1/23, is aiming for continued increases in sales and profits by focusing on growing iToGo sales

1. FY1/23 outlook

The forecasts for the FY1/23 consolidated results are for net sales to increase 7.9% YoY to ¥2,274mn, operating profit to rise 31.2% to ¥370mn, ordinary profit to grow 4.5% to ¥370mn, and profit attributable to parent shareholders to increase 2.8% to ¥255mn. So the outlook is for ongoing growth in sales and profits based on the assumption that COVID-19 will subside somewhat around late June 2022 and the ASP Business will continue to drive earnings.

As for expenses, levels on par with the previous period are forecast since costs for information security actions are expected to increase, but the Company plans to continue to keep down other costs. The operating profit margin is forecast to rise further, from 13.4% in the previous period to 16.3%, owing to growth for the highly profitable ASP Business. However, the ordinary profit margin is forecast to decline to the single-digit level, owing to the expected absence of compensation received in connection with compliance with COVID-19 restrictions and recorded as non-operating income in the previous period.

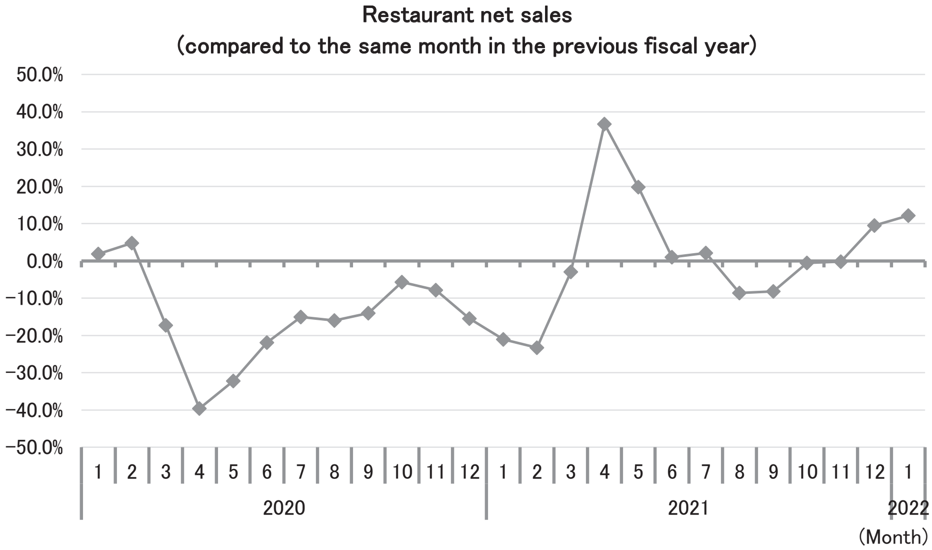
FY1/23 outlook

(¥mn)

	FY1/22		FY1/23			
	Full-year results	YoY	1H forecast	YoY	Full-year forecast	YoY
Net sales	2,107	0.2%	1,069	-0.1%	2,274	7.9%
Operating profit	282	52.8%	174	21.7%	370	31.2%
Ordinary profit	354	78.4%	174	-2.3%	370	4.5%
Profit attributable to owners of parent shareholders	248	226.4%	120	-4.8%	255	2.8%
Earnings per share (EPS) (¥)	19.53		9.42		20.02	

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

Looking at the growth rates of monthly sales of restaurant chains announced by the Japan Foodservice Association, sales for January 2022 rose 12.2% YoY, marking the second straight month of growth. They rose despite quasi-emergency measures being issued for major prefectures due to the renewed spread of COVID-19. This is because sales levels were low in January 2021 when many restaurants were temporarily closed due to the Japanese government's declaration of a state of emergency. Sales for January 2022 were still only at 90% of the level in January 2020. However, sales are expected to recover since operating hours and so forth have returned to normal due to the lifting of quasi-emergency measures in all 18 prefectures on March 21, 2022. COVID-19 countermeasures have also become commonplace at restaurants in general, and we, at FISCO, project the restaurant industry overall will enter a recovery trajectory and new store openings and system investment will increase, as long as a state of emergency declaration or similar measures are not issued again.



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

Even looking at the number of restaurants contracting to Makasete Net and other services, it has turned to a modest uptrend, rising 7.4% from the end of the previous period to 5,316 restaurants as of the end of January 2022. The Company plans to expand the ASP Business by developing new customers, in addition to proposing deployment of iToGo to companies that are existing customers and either offer take-out service or are considering doing so. As for the System Solution Business, Logistics Solution Business, and Other Businesses, sales and profits are forecast to grow alongside recovery in the market environment. In addition, the Solar Power Generation Business is forecast to stay on a profit uptrend due to a decline in depreciation expenses.

Source: Prepared by FISCO from Company materials

Concentrating on expanding sales and strengthening functions for iToGo for take-out businesses, and has expectations for Putmenu development after COVID-19 subsides

2. Growth strategy

As a strategy for future growth, the Company has set a course of aiming to expand business by working on horizontal business development in the restaurant industry and horizontal business development to other industries.

(1) Vertical business development in the restaurant industry

Regarding vertical business development in the restaurant industry, the Company will provide value-added services, such as Makasete Touch, Putmenu or iToGo to customers that have deployed Makasete Net, and promote expansion in the System Solution Business, Logistics Solution Business, and so forth.

As part of this, the Company plans to focus on growing sales of iToGo to acquire customers in take-out businesses where the market continues to expand during COVID-19. It will propose deployment not just to retail chains specializing in take-out and delivery, but also to companies starting and considering offering take-out and delivery services to offset lower sales at restaurants. Although there are lots of similar services, the Company aims to differentiate iToGo as a brand app by striving to strengthen its functions. Specifically, it looks to bolster iToGo's CRM functions for which there are strong customer needs, and plans to start offering optional services such as delivery on behalf of customers.

The Company also expects iToGo to act as a hook for acquiring new customers for Makasete Net. This is because customers' strong interest in the iToGo app for take-out and delivery services could increase opportunities for sales discussions, whereas it is difficult to obtain appointments for sales discussions with Makasete Net alone. If the Company can advance proposals of iToGo deployment to existing customers of Makasete Net, while using iToGo deployment as an opportunity to increase Makasete Net contracts, the ASP Business's growth potential will also rise, so focus will be on future developments. As for Putmenu, the Company expects demand to materialize after COVID-19 subsides.

(2) Horizontal business development to other industries

As one more growth strategy, the Company is progressing measures to horizontally develop services constructed for the restaurant industry to other industries. One specific example is development of Putmenu for SS. Since NEC Platforms, a major provider of SS-use POS systems, is expanding sales of Putmenu as one solution for the SS industry, there are no concerns on the sales front either. There are about 29,000 SS in Japan. In addition to accepting cash payments, they have deployed multiple payment systems, including for prepaid cards and credit cards. Therefore, mobile payment systems are also expected to become widespread. Along with enabling ordering and payment for refueling services via a smartphone in the car, they can be used as a promotional tool for providing discounts, encouraging high user repeat rates. Deployments at SS are likely to contribute to Putmenu's earnings.

In addition, deployment of Putmenu is expected to advance at event venues, tourist sites, and other places that it initially targeted after COVID-19 eases. COVID-19 has resulted in fewer situations where queues tend to form, and there are apparently many cases of deployment being postponed. When customer traffic recovers to levels before COVID-19, however, more operators are expected to deploy Putmenu with the aim of growing sales and raising customer satisfaction. Deployments at stores within stadiums of professional sports teams, including those in the J.LEAGUE and the BJ.LEAGUE, are also expected to increase after COVID-19 subsides.

(3) Joint development with OGIS-RI

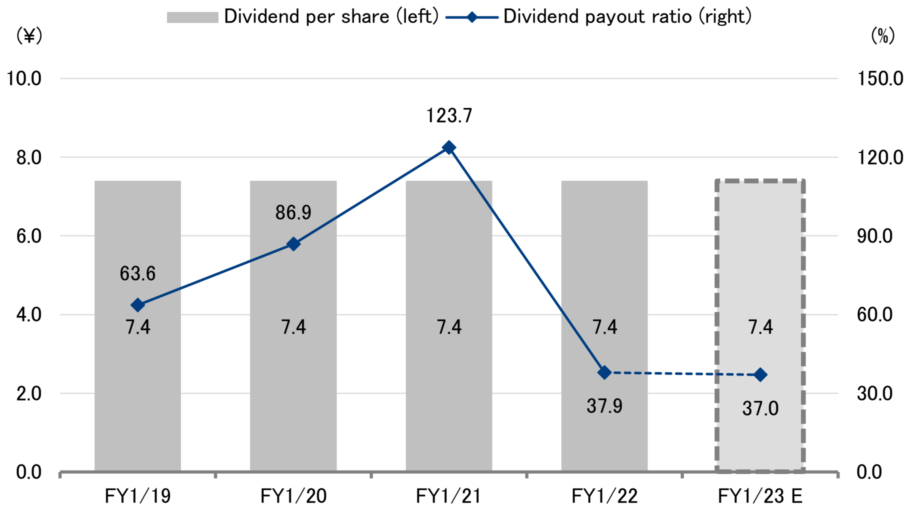
In June 2020, the Company announced that it had concluded a capital and business partnership agreement with OGIS-RI Co., Ltd., and that OGIS-RI would become the Company's second largest shareholder, holding 10% of its shares. OGIS-RI is a subsidiary of Osaka Gas Co., Ltd. <9532> and its strengths include 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 that integrate the Company's expertise, including in systems development for the restaurant industry, with OGIS-RI's solutions capabilities. They are currently at the stage of regularly holding meetings to plan and propose new projects, and it seems some time will be required until a project is actually realized. But we shall be focusing on developments in the future, from a medium- to long-term viewpoint.

Shareholder return policy

At the present time, intends to return profits to shareholders based on a basic policy of stable dividends

The Company's basic shareholder return policy is to stably and continuously pay dividends, while securing the retained profits necessary to develop its business in the future and to strengthen its management structure. In accordance with this policy, it plans to pay a dividend per share of ¥7.4 (dividend payout ratio: 37.0%) in FY1/23, the same as in the previous fiscal year. In the future also, its basic policy is to stably pay dividends while considering the demand for funds, and when results are back on a growth track, it is expected to pay dividends with an awareness of the level of the dividend payout ratio.

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

Information security

As information security actions, the Company implements various measures, such as building firewalls, using antivirus software, etc. in information infrastructure equipment for detecting and removing computer viruses. In server policy, it completed a transition from running its own servers to cloud-based servers in FY1/19. Moving onto the cloud is expected to contribute to stable operation and cost efficiencies in the Makasete Net business.

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