COMPANY RESEARCH AND ANALYSIS REPORT

JUST PLANNING INC.

4287

Tokyo Stock Exchange Standard Market

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Index

Summary

Targets further growth through development of next generation Makasete Net to support the digital transformation of 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 over 5,000 store contracts, mainly with small and medium-sized restaurant chains. It achieves high profitability and stability thanks to having a recurring-income business model based on monthly fees. The Company also operates Logistics Solution Business and Solar Power Generation Business through its subsidiaries.

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

1. Review of FY1/23 results

In the FY1/23 consolidated results, net sales decreased 4.8% year on year (YoY) to ¥2,007mn, and operating profit rose 38.8% to ¥392mn, broadly in line with the Company's forecasts. Net sales fell by ¥204mn and operating profit by ¥6mn due to the application of the Accounting Standard for Revenue Recognition (hereafter, Revenue Recognition Accounting Standard), and under the former Revenue Recognition Accounting Standard (hereafter, Former Accounting Standard), net sales improved 4.9% and operating profit by 41.1%. With the entire restaurant industry gradually recovering from the impact of the novel coronavirus (hereafter, COVID-19), the number of stores contracting with Makasete Net, which is the mainstay service, increased 11.0% YoY to 5,902 stores*, a new record high, which was the main factor boosting profit. The Company transferred all shares in restaurant mobile ordering and payment system provider Putmenu Inc. in June 2022, removing it from the scope of consolidation.

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

2. FY1/24 outlook

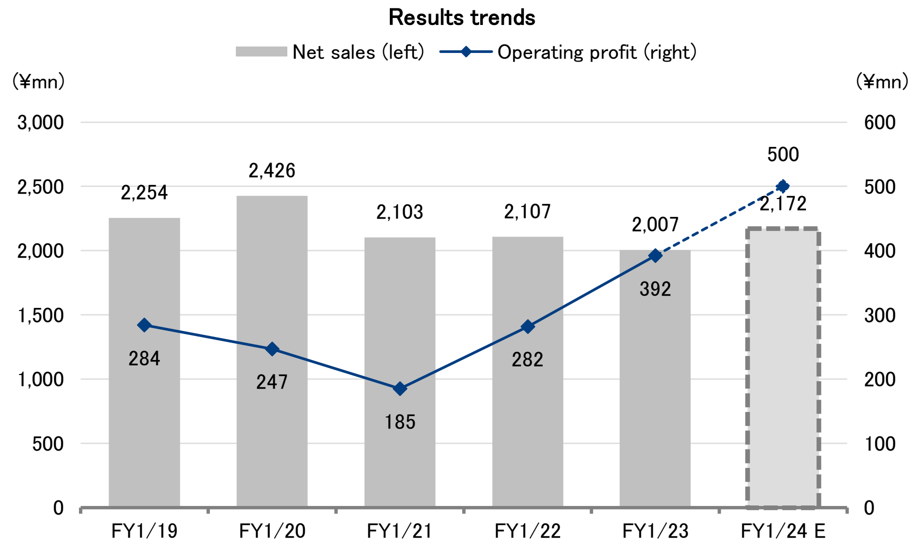
The FY1/24 outlook is for ongoing double-digit growth in sales and profit, with net sales set to rise 8.2% YoY to ¥2,172mn and operating profit to increase 27.3% to ¥500mn. The Company targets sales and profit growth by acquiring new customers and improving sales per customer through its next-generation Makasete Net service which will be ready in May 2023. The Company expects the year-end number of stores contracting with Makasete Net to increase 15.2% YoY to 6,800 stores, and monthly fees to rise 13.2% YoY to ¥82mn. As the next-generation Makasete Net will only fully contribute to earnings from 2H FY1/24, the Company expects net sales to fall 2.3% YoY in 1H but rise by 18.6% YoY in 2H. Next-generation Makasete Net contains new restaurant/corporate communication tools to further support the digital transformation of restaurant companies. The Company has set numerical targets of 8,000 stores contracting with Makasete Net and monthly fees of ¥97mn for FY1/25. The Company is also aggressively seeking partnership with other companies for its iToGo mobile ordering and payment system for takeout and delivery categories, and aims to make it a mainstay business in the next two to three years, while horizontally expanding it to industries other than the restaurant industry.

3. Shareholder return policy

The Company's basic policy for shareholder returns is to pay dividends stably and continuously, while also retaining profits necessary for business development in the future and to strengthen the management structure. For FY1/24, it plans to increase the dividend per share for the first time in six years by ¥0.6 YoY to ¥8.0 (dividend payout ratio, 29.5%). It appears that Company is targeting a dividend payout ratio of around 30%, but as the capital ratio at the end of FY1/23 was 90.6%, and as it conducts no-debt operations, it has ample cash and deposits of ¥2,871mn, raising expectations of further dividend payout increases as profit grows.

Key Points

- In FY1/23, sales and profits increased by double digits for the second consecutive year due to growth in the ASP Business
- Expects ongoing double-digit growth in sales and profit in FY1/24 from next-generation Makasete Net development
- Targets 8,000 contracting stores in FY1/25 from provision of next-generation Makasete Net



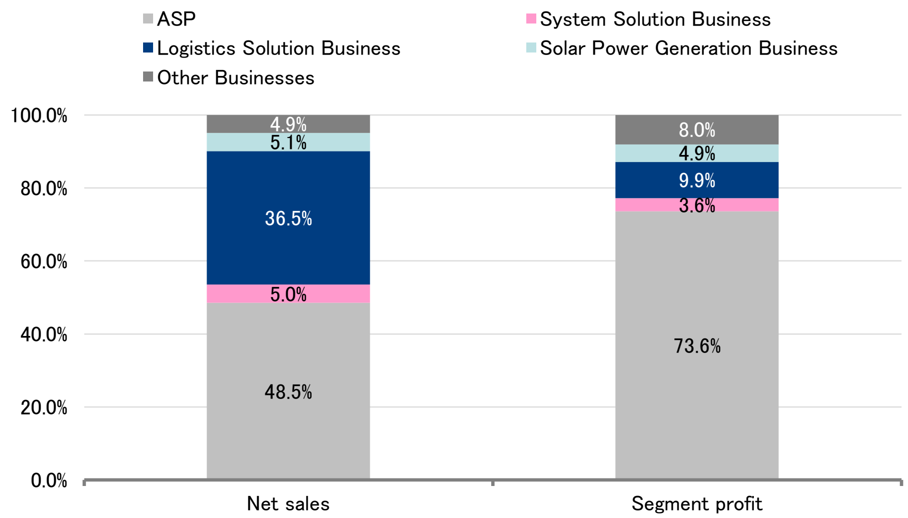
Source: Prepared by FISCO from the Company's financial results

Business overview

Major supplier of store management systems to the restaurant industry; exceeding 5,900 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 FY1/23 business segment composition, the ASP Business and Logistics Solution Business accounted for 85.0% of net sales at 48.5% and 36.5%, respectively. However, the ASP Business dominates overall earnings at 73.6% of segment profit. We review segment content below.

Business segment composition (FY1/23)



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

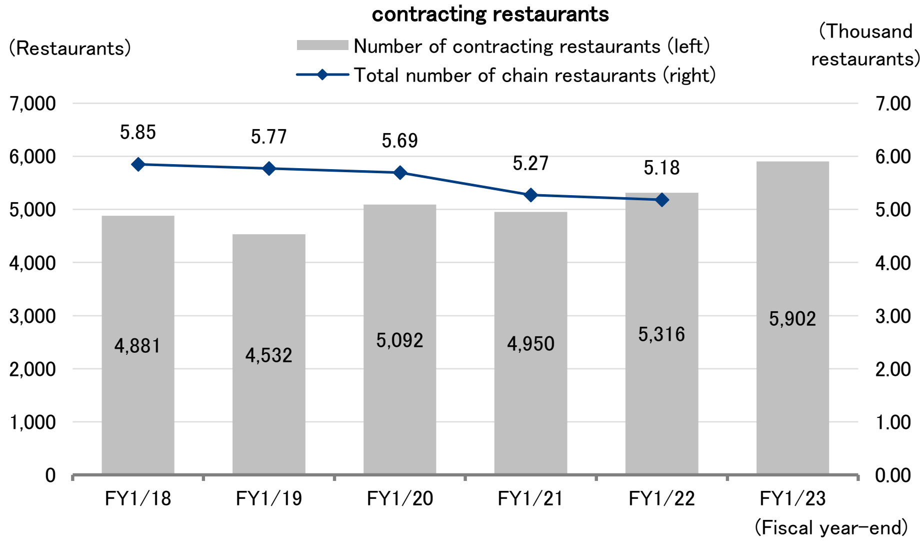
1. ASP Business

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

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

Contracting store volume totaled 5,902 stores at the end of FY1/23 (including 250 contracting stores for the Logi logistics management system). Japan has about 51,800 restaurant chain stores as of March 31, 2022 (according to data from the Japan Franchise Association). While the Company's industry share is around 11%, it is estimated that it holds a slightly higher share of the market for small and medium-sized restaurant chains with less than 50 stores, its main target.

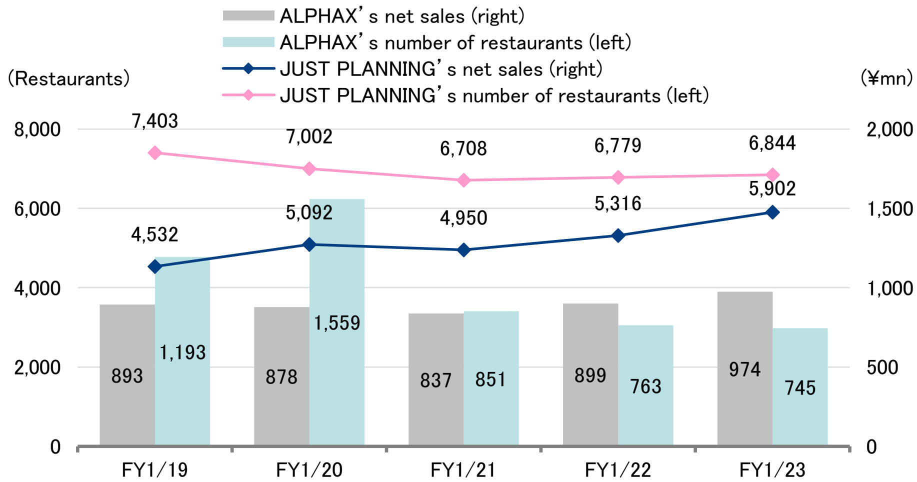
Number of chain restaurants in Japan and JUST PLANNING's contracting restaurants



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

Looking at the Company's competitors, there are five to six rival companies of a similar size, including ALPHAX FOOD SYSTEM CO., LTD. <3814>, Gulfnet Co., Ltd., and ASPIT CO., LTD. Among them, a comparison between JUST PLANNING and ALPHAX FOOD SYSTEM shows that in FY2022 the number of contracting restaurants increased at both companies, but JUST PLANNING's sales increased, whereas ALPHAX FOOD SYSTEM's sales continued to decline. This was likely caused by an increase in existing store closures due to COVID-19, as well as lower sales per customer due to monthly fee discounts. In ASP services for restaurant companies, Infomart Corporation <2492> also provides order receipt and placement services, so some of its services overlap with those of the Company. However, Infomart Corporation mainly focuses on providing services to the selling side (food wholesalers), so these two companies have built a good relationship, such as by mutually linking their systems when their customers overlap.

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



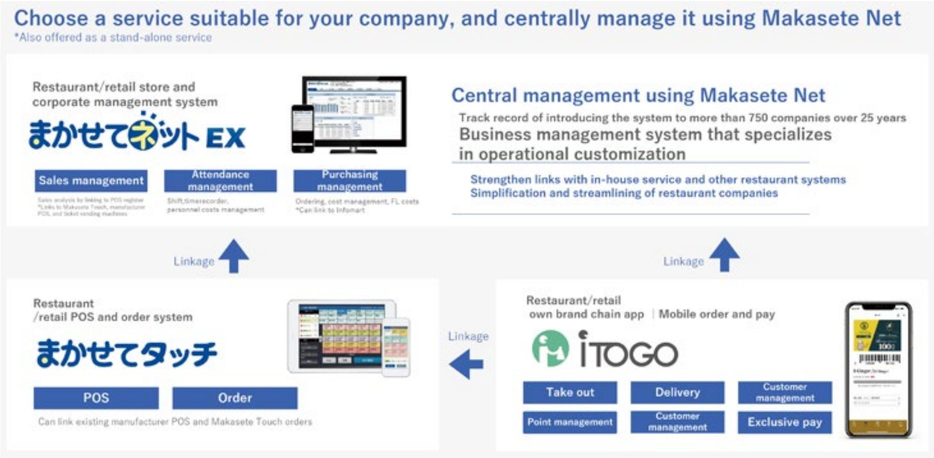
Note: Net sales for JUST PLANNING are based on the ASP Business, and ALPHAX FOOD SYSTEM is based on its fiscal periods ending in September
Source: Prepared by FISCO from Company materials

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

Other businesses include iToGo acquired from its business partner SUN CORPORATION <6736> in August 2020. Using the smartphone app, LINE MINI app or web browser to place and pay for orders in advance (paying at the restaurant is also possible), the service enables customers to pick up orders without waiting. In addition to sales promotion capabilities such as a feature for delivering coupons offered exclusively via the app, etc., a push notification function to inform customers about deals, the service also offers CRM functions such as membership management. In addition to initial deployment costs, the service incurs a monthly fee and a usage-based fee*. Although the number of contracting stores and number of contracting companies at the end of FY1/23 were low at 613 stores and 57 companies respectively, the Company aims to increase these numbers while expanding to retail stores.

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

Service overview



Source: The Company's results briefing materials

2. System Solution Business

The System Solution Business is mainly comprised of the sales of various devices and equipment, such as POS systems and order entry systems that are deployed by the restaurants of companies contracting to Makasete Net and other services, as well as related system configuration and maintenance services. However, net sales in the System Solution Business are only weakly correlated to those of the ASP Business. This is because there is no need for customers to repurchase devices and other equipment that are already installed in their restaurants, which is true even when customers are contracting to Makasete Net or another service for the first time. 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, but the Company's policy is to focus on increasing sales of the logilogi system which was developed in-house and updated in 2022.

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 FY1/23, there were two Japanese-style izakaya pubs and one golf bar in addition to a shop for set meals (change of category from box lunches and side dishes shop), bringing the total number of stores to four.

Results trends

In FY1/23, sales and profits increased by double digits for the second consecutive year due to growth in the ASP Business

1. Review of FY1/23 results

In the FY1/23 consolidated results, net sales decreased 4.8% YoY to ¥2,007mn, operating profit improved by 38.8% YoY to ¥392mn, ordinary profit increased 13.7% YoY to ¥402mn, and profit attributable to owners of parent shareholders decreased by 17.1% YoY to ¥206mn, broadly in line with Company forecasts. Net sales fell by ¥204mn and cost of sales declined by ¥197mn, while operating profit and ordinary profit each decreased by ¥6mn. This was due to the application of the Revenue Recognition Accounting Standard, and under the Former Accounting Standard, sales improved 4.9% to ¥2,211mn, operating profit by 41.1% to ¥399mn, and ordinary profit by 15.5% YoY to ¥409mn.

Consolidated financial results for FY1/23

(¥mn)

	FY1/22		FY1/23				
	Results	% of sales	Revised forecast	Results	% of sales	YoY	% of revised forecast
Net sales	2,107	-	2,000	2,007	-	-4.8%	0.4%
Gross profit	825	39.1%	-	970	48.3%	17.6%	-
SG&A expenses	542	25.7%	-	577	28.8%	6.5%	-
Operating profit	282	13.4%	405	392	19.6%	38.8%	-3.1%
Ordinary profit	354	16.8%	405	402	20.1%	13.7%	-0.6%
Extraordinary loss	-4	-	-	-100	-	-	
Profit attributable to owners of parent shareholders	248	11.8%	204	206	10.3%	-17.1%	1.0%

Note: FY1/23 revised plan figures announced on September 13, 2022
Source: Prepared by FISCO from the Company's financial results

The application of the Revenue Recognition Accounting Standard resulted in a decrease of net sales, but gross profit improved 17.6% YoY to ¥970mn due to growth in the mainstay ASP business. Gross profit margin also increased from 39.1% the previous fiscal year to 48.3% (44.2% YoY under the Former Accounting Standard) due to a change in the ASP Business's share of overalls sales. SG&A expenses increased ¥35mn YoY, due mainly to higher R&D expenses for the development of next-generation Makasete Net, but this was absorbed by the increase in gross profit, propelling operating profit to double-digit growth for the second consecutive year. Non-operating revenue deteriorated by ¥61mn YoY due to a decrease in compensation received in connection with COVID-19 (¥7mn versus ¥58mn in the previous fiscal year).

The decrease in profit attributable to owners of parent shareholders was due to the recording of an extraordinary loss of ¥100mn. The Company recorded an impairment loss of ¥79mn for software assets and allowance of doubtful accounts of ¥20mn due to the transfer of all shares of subsidiary Putmenu at the end of June 2022. The Company established Putmenu in February 2018 as a joint investment with Boxyz Inc. and Tagcast Inc. (investment ratio: 70%). However, after discussions with Boxyz concerning its future direction, development and operating structure, the Company determined that having Boxyz develop and operate Putmenu by itself would best achieve long-term business growth for Putmenu and improve the corporate value of the Company and Boxyz, and decided to transfer all shares in Putmenu. The removal of Putmenu from the scope of consolidation had only a minor impact on earnings, but will result in related development expenses and marketing expenses.

ASP Business sales and profit increased for the second consecutive year due to a rise in contracting stores

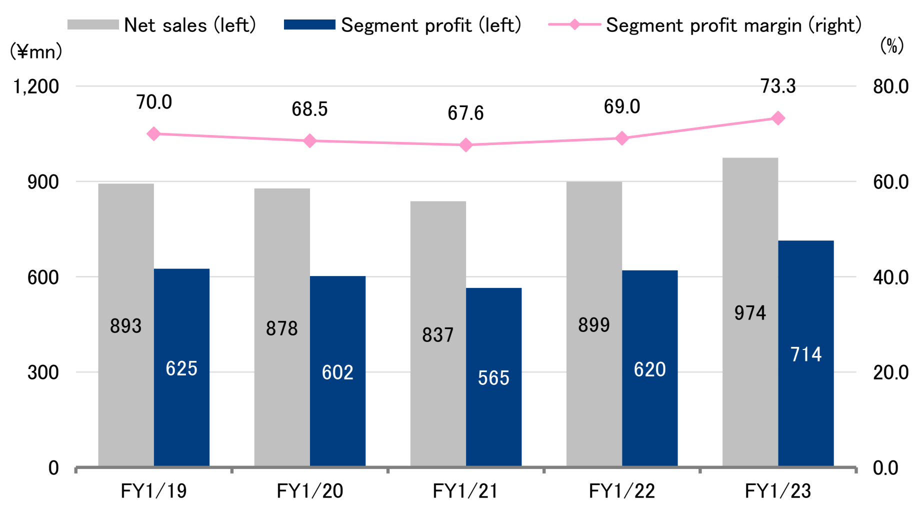
2. Performance trends by business segment

(1) ASP Business

In the ASP Business, net sales and profit increased for the second consecutive year, with net sales growing by 8.3% YoY to ¥974mn, and segment profit rising by 15.0% YoY to ¥714mn*. Stores contracting with its mainstay Makasete Net increased by 11.0% YoY to a record high of 5,902 stores amid observed recovery in the restaurant industry business environment as COVID-19 eased and customers started to return to restaurants. Gross profit margin also increased from 69.0% to 73.3%, due partially to the reduction in expenses from the transfer of shares in Putmenu.

* The application of the Revenue Recognition Accounting Standard resulted in part of the initial expenses paid by customers at the time of a new contract execution being recognized as earnings over the period the service is provided. As a result, net sales decreased by ¥17mn and segment profit by ¥6mn, respectively.

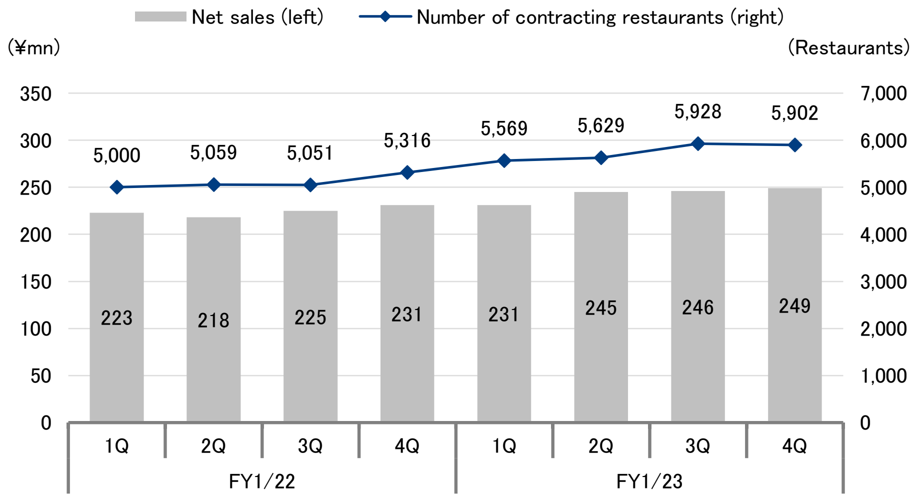
Results of the ASP Business



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 maintained an uptrend through the period as contracting stores increased.

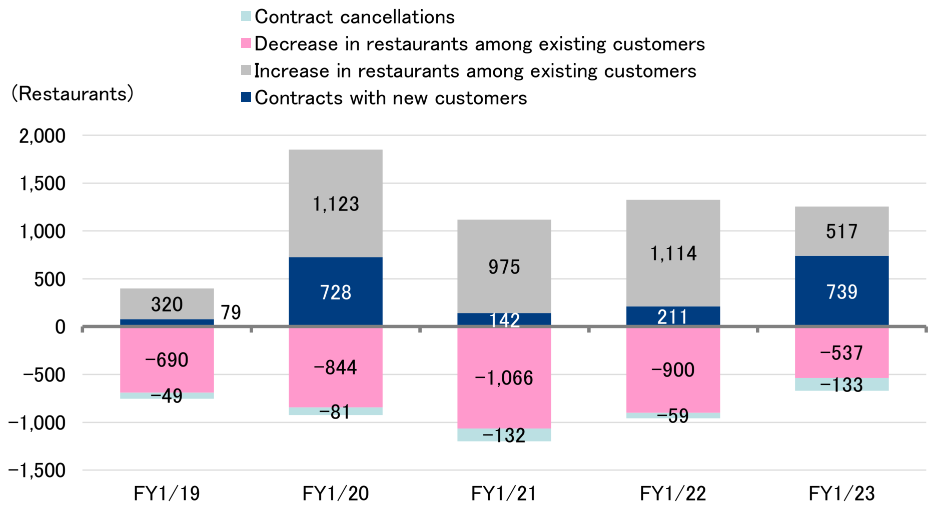
Quarterly net sales and number of contracting restaurants for the ASP Business



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 FY1/23, acquisitions of new customers totaled 739 restaurants (up 528 restaurants YoY), openings of new restaurants by existing customers (including restaurants reopened for business) was 517 (down 597 restaurants), contract cancellations 133 restaurants (up 74 restaurants), and decrease in existing customers 537 restaurants (down 363 restaurants). The decrease in openings of new restaurants by existing customers and cancellations was absorbed by acquisitions of new customers. Changes to the sales structure proved successful, pushing the number of new customer restaurants above 700 for the first time in three years. The segment was previously divided into the new customer acquisition department and the customer success department, which was responsible for existing customer cross selling and upselling proposals. However, from FY1/23 onward, the changes have resulted in the customer success department dealing with introduction support for customers gained by the new customer acquisition department, and the new customer acquisition department focusing on customer acquisitions.

Breakdown of changes in the number of contracting restaurants



Note: Existing store changes include closed stores and reopenings
Source: Prepared by FISCO from the Company's results briefing materials

For iToGo, the Company is expanding smartphone app features, and strengthening linkage with Makasete Net and other company systems. The number of restaurants contracting with iToGo increased steadily to 613 restaurants as of the end of FY1/23 (566 restaurants at the end of July 2022). Users apparently appreciate that iToGo can be deployed under customer companies' own brands and linked to their own websites, enabling a system to be developed more inexpensively that developing one in-house, and that it offers a UI (user interface) which is easy to understand and operate.

The ASP Business is focusing on linking with other systems, acquiring new customers, and cross-selling proposals for existing customers. One example is the linking of Makasete Net to the Sokubarai Service (salary prepayment service) offered by apseeds inc. in September 2022. This came about due to many restaurants considering introducing a salary prepayment service as a measure to bolster hiring given the chronic shortage of staff in the restaurants. iToGo was also adopted by Keio Corporation in August 2022 and by Tokyu <9005> in January 2023. The short timeframe since the business was acquired in August 2020 means there are still very few results, but attention will be given to future developments as a new distribution service that will lead to regional revitalization.

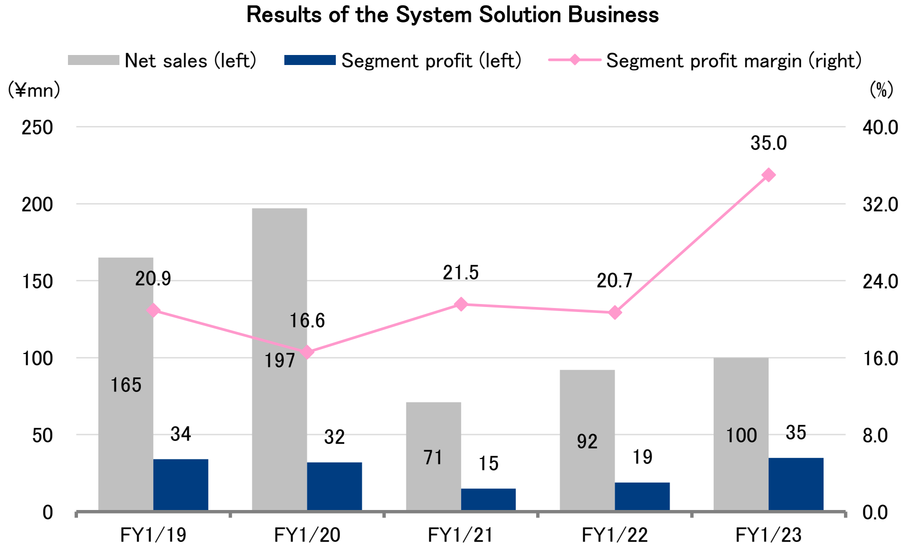
ASP business partnerships (FY1/23)

Date	Service	Partners	Contents
August 2022	Makasete Net	Infomart Corporation <2492>	Linked Makasete Net EX and Info Mart's BtoB Platform Contract. Enables the digitalization of document issuance services such as employment contracts and employment conditions notices, etc., supporting operational efficiency at restaurants with many part-time staff.
	Makasete Touch	TableCheck Inc.	Linked Makasete Touch POS Register and TableCheck's reservation and customer management service TableCheck. Enables the automatic linkage of customer statuses such as "has arrived" and "paid bill," as well as providing optimal service and marketing for customers by linking to customer information on booking system in POS slip data (past order history data, etc.). Any usable points of various guide websites, etc. will be displayed as a pop up on the POS register to prevent points discounts being missed at the time of payment.
	iToGo	Money Partners Solutions Co., Ltd.	iToGo was adopted for the mobile ordering and payment service Torekuru by KEIO (Line Mini app) developed by Keio Corporation. Users receive ordered products (food products and other products selected from stores close to the train line) at exclusive lockers installed at six stations on the Keio Line.
	iToGo	Blue Chip Co., Ltd.	Partnered with Blue Chip, a provider of business electronic money and points smartphone apps, to provide a 24-hour online purchase contact point for regional retailers. Enables the use of electronic money and points accrual for online orders and payments that had previously been restricted to store usage
September 2022	iToGo	Willport Co., Ltd.	Partnership with Willport, a provider of joint delivery management systems and logistics services. Provides a delivery and shopping service by which users order deliveries from a store and an exclusive driver delivers them.
	Makasete Net	apseeds inc.	Linked Makasete Net to the Sokubarai Service (salary prepayment service) offered by apseeds inc.
January 2023	iToGo	Tokyu <9005>, Prologis (Japan head office), Willport Co., Ltd.	iToGo was adopted for the mobile ordering and payment service Tokyu Bell Atsukai Service – Hi Bell (Line Mini app). The Line Mini app can be used to order and pay for food products and daily products sold by the Tokyu Group, as well as products by stores near Tokyu lines. The delivery area is limited to the Tokyu lines, but the aim is to create a nationwide delivery network by partnering with delivery providers in other regions.

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

(2) System Solution Business

In the System Solution Business, sales and profit improved for the second consecutive year, with net sales rising 8.7% YoY to ¥100mn, and segment profit increasing 83.9% YoY to ¥35mn. Although demand appears to be recovering in the restaurant industry business environment, rising prices and wages mean conditions remain challenging, and customers' appetites for investing in hardware systems such as POS registers has yet to recover to pre-COVID-19 levels. However, a change in the System Solution Business's share of overall sales pushed the segment profit margin up from 20.7% to 35.0% YoY, and segment profit recovered to levels before COVID-19 (¥34mn in FY1/19).

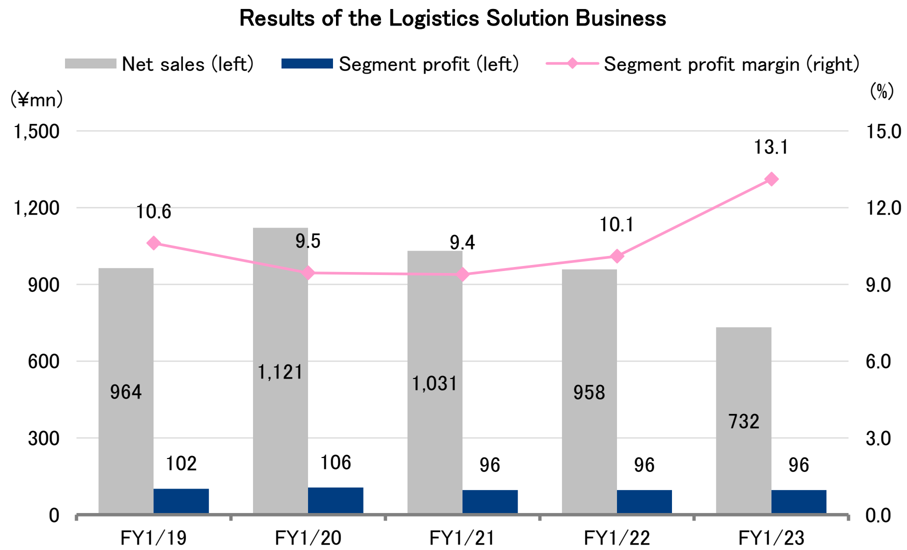


Source: Prepared by FISCO from the Company's financial results

(3) Logistics Solution Business

In the Logistics Solution Business, net sales declined by 23.6% YoY to ¥732mn, and segment profit fell 0.7% YoY to ¥96mn. The application of the Revenue Recognition Accounting Standard reduced net sales by ¥186mn*, but the decline was 4.1% YoY under the Former Accounting Standard. This was due to a fall in logistics service existing customer sales, even though Logi Logi sales were firm. This however had only a minor impact on profit, and the segment profit margin increased from 10.1% the previous year to 13.1% thanks to a change in the Logistics Solution Business' share of overall sales.

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

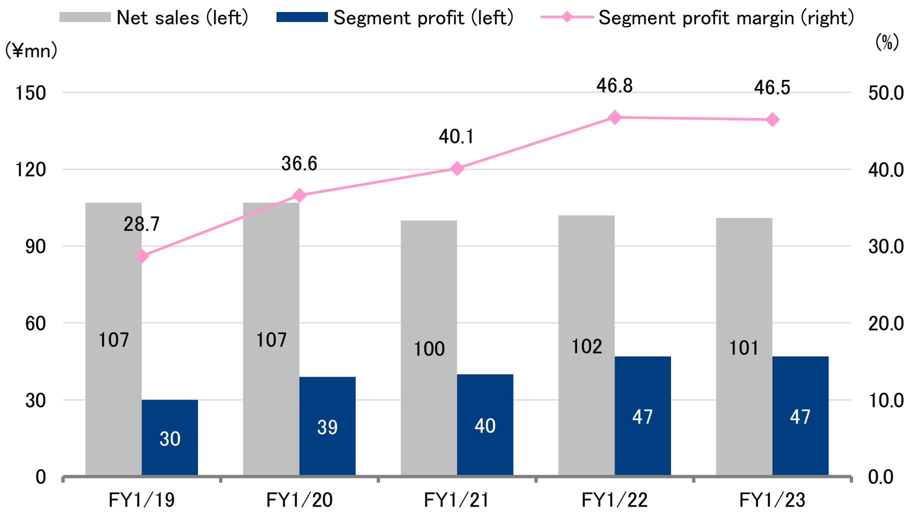


Source: Prepared by FISCO from the Company's financial results

(4) Solar Power Generation Business

In the Solar Power Generation Business, net sales decreased 0.8% YoY to ¥101mn, and segment profit decreased 1.4% to ¥47mn. Although there was no change to solar power generation capacity, lower power generation volume resulted in a slight decrease in sales and profit.

Results of the Solar Power Generation Business

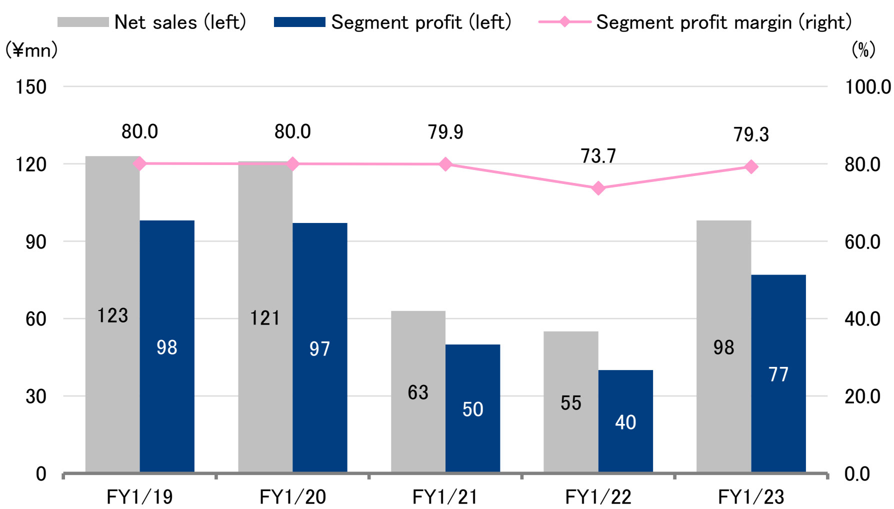


Source: Prepared by FISCO from the Company's financial results

(5) Other Businesses

In the Other Businesses, sales and profit improved for the first time in four fiscal years, with net sales increasing 78.0% YoY to ¥98mn, and segment profit rising 91.5% YoY to ¥77mn. Customers are gradually returning since opening hours restrictions for restaurants due to COVID-19 were lifted in October 2021, boosting 4Q store sales. The change of category from a box lunches and side dishes shop to a set meal shop also contributed to higher sales.

Other Businesses



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 FY1/23, total assets were up ¥171mn compared to the end of the previous fiscal year to ¥3,736mn. Looking at the main factors for change, in current assets, cash and deposits increased ¥286mn, and accounts receivable increased ¥21mn. In non-current assets, property, plant and equipment decreased ¥37mn, and software decreased ¥108mn due to the recording of an impairment loss from the sale of Putmenu, among other factors.

Total liabilities increased ¥76mn YoY to ¥350mn. Looking at the main factors for the increase, in current liabilities, contractual liabilities increased by ¥40mn, while other current liabilities increased by ¥30mn. In fixed liabilities, asset retirement obligations increased by ¥10mn. Total net assets increased by ¥94mn to ¥3,386mn. Retained earnings increased by ¥95mn, owing mainly to the recording of profit attributable to owners of parent shareholders of ¥206mn.

Looking at the management indicators, the equity ratio, which indicates management stability, continues to be maintained at the high level of 90.6%. As the Company also operates debt-free, and has amassed record-high cash and deposits of ¥2,871mn, its financial condition can be judged to be sound. In addition to generating stable earnings with a recurring-income business model in the mainstay ASP Business, this is because it does not have significant demand for investment funds. For profitability, ROA was 11.0% and the operating margin 19.6%, both increasing for the second consecutive year, but ROE fell 1.5ppt YoY to 6.2% due to factors such as the recording of an extraordinary loss. 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)

	End of FY1/20	End of FY1/21	End of FY1/22	End of FY1/23	Change
Current assets	2,460	2,548	2,833	3,146	312
(Cash and deposits)	2,179	2,230	2,585	2,871	286
Non-current assets	976	828	731	590	-140
Total assets	3,437	3,377	3,565	3,736	171
Total liabilities	284	240	273	350	76
(Interest-bearing debt)	-	-	-	-	-
Total net assets	3,152	3,137	3,291	3,386	94
Key financial indictors					
(Stability)					
Equity ratio	91.6%	92.8%	92.2%	90.6%	-1.6pt
Interest-bearing debt ratio	-	-	-	-	-
(Profitability)					
ROA (return on assets)	7.2%	5.8%	10.2%	11.0%	0.8pt
ROE (return on equity)	3.4%	2.4%	7.7%	6.2%	-1.5pt
Operating margin	10.2%	8.8%	13.4%	19.6%	6.2pt

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

Looking at cash flow, cash flow from business activities declined YoY due to higher payments of corporation tax and other payments, but was positive at ¥399mn. Investment cash flow increased YoY due to expenditures of ¥719mn, but was mainly the result of term deposits, and there were no other expenditures. Cash flow from financial activities was ¥94mn due to the payment of dividends. As a result, cash and cash equivalents at the end of the period declined ¥413mn YoY to ¥1,171mn.

Consolidated cash flow statement

(¥mn)

	FY1/20	FY1/21	FY1/22	FY1/23
Cash flow from operating activities	320	185	464	399
Cash flow from investing activities	-96	-40	-416	-719
Cash flow from financing activities	-88	-94	-93	-94
Cash and cash equivalents at end of period	1,579	1,630	1,585	1,171

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

Outlook

Forecasts ongoing double-digit growth in sales and profit in FY1/24 from next-generation Makasete Net development

1. FY1/24 outlook

The forecasts for the FY1/24 consolidated results are for sales and profit growth, with net sales set to increase 8.2% YoY to ¥2,172mn, operating profit to rise 27.3% to ¥500mn, ordinary profit to grow 24.2% to ¥500mn, and profit attributable to owners of parent shareholders to increase 67.4% to ¥345mn. The Company expects the ASP Business to continue driving earnings, and targets higher new customer acquisitions and sales per customer through its next-generation Makasete Net due to be completed in May 2023.

FY1/24 outlook

(¥mn)

	FY1/23		FY1/24				
	Full-year results	% of sales	1H forecast	YoY	Full-year forecast	% of sales	YoY
Net sales	2,007	-	977	-2.3%	2,172	-	8.2%
Operating profit	392	19.6%	225	12.0%	500	23.0%	27.3%
Ordinary profit	402	20.1%	225	7.4%	500	23.0%	24.2%
Profit attributable to owners of parent shareholders	206	10.3%	155	153.9%	345	15.9%	67.4%
Earnings per share (EPS) (¥)	16.18		12.17		27.09		

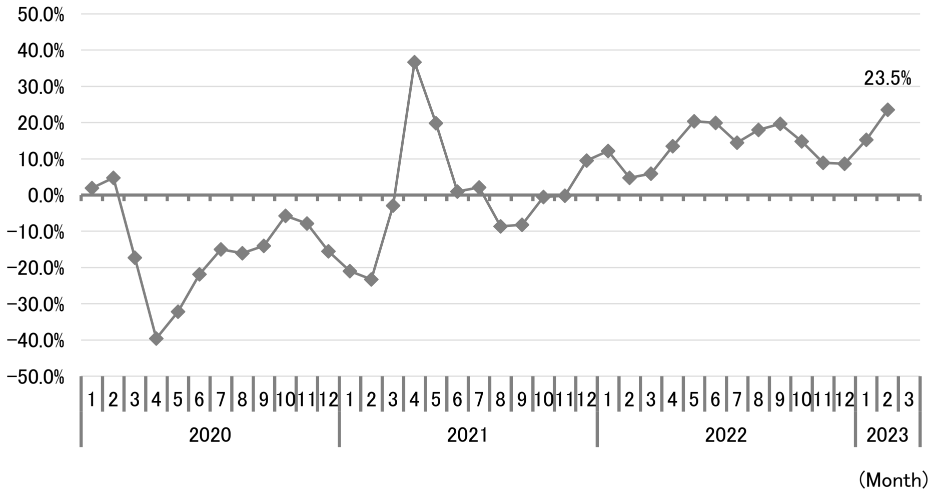
Source: Prepared by FISCO from the Company's financial results

The Company expects the year-end number of stores contracting with Makasete Net to increase 15.2% YoY to 6,800 stores, and monthly fees to rise 13.2% YoY to ¥82mn. It forecasts that the average unit price per store will decline slightly due to an increase in the ratio of new customers. As the next-generation Makasete Net will not fully contribute to earnings until 2H FY1/24, the forecast is for net sales to fall 2.3% YoY in 1H to ¥977mn, but rise by 18.6% YoY in 2H to ¥1,195mn. In terms of results by segment, it expects all segments to perform steadily.

The Company expects expenses to increase slightly overall, with personnel and R&D expenses rising but Putmenu-related expenses falling. Operating profit margin is expected to improve from 19.6% YoY to 23.0% thanks to the growth of the ASP Business. The absence of extraordinary loss recorded in the previous fiscal year will result in a sharp rise in profit attributable to owners of parent shareholders. Although it remains uncertain when the COVID-19 pandemic will end, the plan assumes it will subside to some extent from April 2023. FISCO believes the acquisition of new customers from the next-generation Makasete Net is the key to business performance.

In the market environment for the restaurant industry, sales have recovered to pre-COVID-19 levels thanks to customers starting to return to restaurants as the effect of COVID-19 eases, and price hikes due to the sharp increase in ingredients, etc. Looking at the growth rates of monthly sales of restaurant chains announced by the Japan Foodservice Association, sales for March 2023 rose 23.5% YoY, marking the 15th consecutive month of growth. Inbound tourist demand is also recovering after entry requirements for foreigners were eased in October 2022, putting all restaurant categories onto a recovery path. FISCO believes this growth trend will continue for the entire restaurant industry for some time. Despite concerns over surging ingredient and energy costs, new store openings and systems investment are expected to increase as demand recovers.

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



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

Targets 8,000 contracting stores in FY1/25 from provision of next-generation Makasete Net

2. Growth strategy

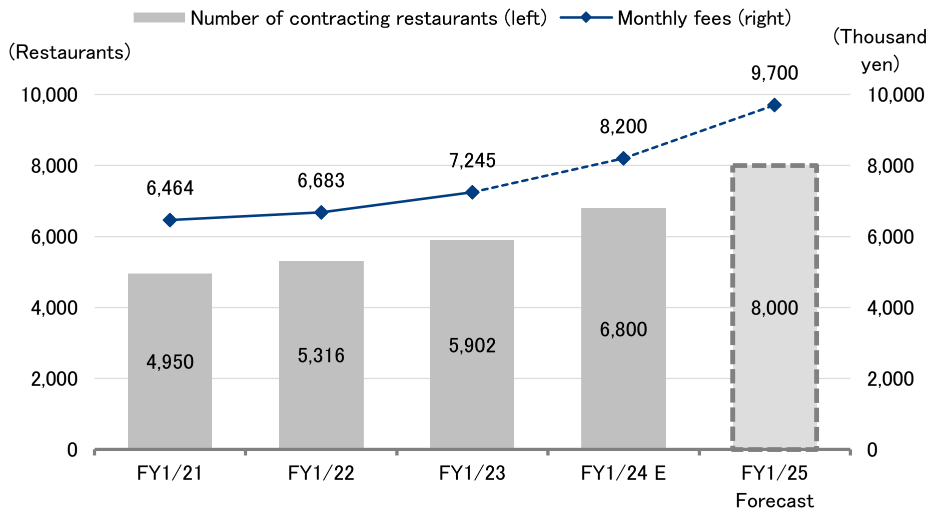
As a strategy for future growth, the Company aims to acquire new customers from the next-generation Makasete Net, improve sales per customer, and develop iToGo for new industries.

(1) Digital transformation of stores and corporate departments through next-generation Makasete Net

Roughly 10 years have elapsed since the current Makasete Net EX was released in 2012, and the Company is now developing the next-generation version. The current Makasete Net reduces the work burden of store management (sales, orders, purchasing, attendance management, etc.), but the next-generation Makasete Net advances the digital transformation of various legacy work of corporate departments. Next-generation Makasete Net will provide a system by which managers, corporate departments, and stores aiming to improve sales per customer can efficiently understand information and mutually communicate with each other to create an environment in which they can demonstrate their creative abilities. Planned new features include an HR system that links to Makasete Net's attendance management, the packaging of communication tools (such as chat, mail distribution, workflow), and improved user interface. It should be completed around summer 2023, after which the Company will gradually start service sales.

Numerical targets include the expansion of stores contracting with Makasete Net to 5,902 stores at the end of FY1/23, 6,800 stores by the end of FY1/24 (up 15.2% YoY) and 8,000 stores by the end of FY1/25 (up 17.6% YoY). The Company aims to increase the ASP monthly fee of ¥72.45mn in FY1/23 to ¥82mn in FY1/24 (up 13.2% YoY) and ¥97mn in FY1/25 (up 18.3% YoY). FISCO expects further profit growth in FY1/25 if the number of contracting stores increases according to plan.

Makasete Net contracting stores and monthly fees



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

(2) Development of iToGo to new industries

The Company is focusing on linking iToGo with other systems, acquiring new customers, and cross-selling proposals for existing customers. It will expand the online ordering connection for daily life scenarios from restaurants to different business areas, and develop it for new industries (such as retail stores, supermarkets, commercial facilities). As mentioned above, iToGo was adopted in multiple industries in FY1/23, raising expectations for future development. It appears the inclusion of a points management feature in 2022 has also prompted business inquiries from restaurants. Although sales are still modest and make only a minor contribution to earnings, the Company aims to make it a mainstay business in the next two to three years.

(3) Joint development with OGIS-RI

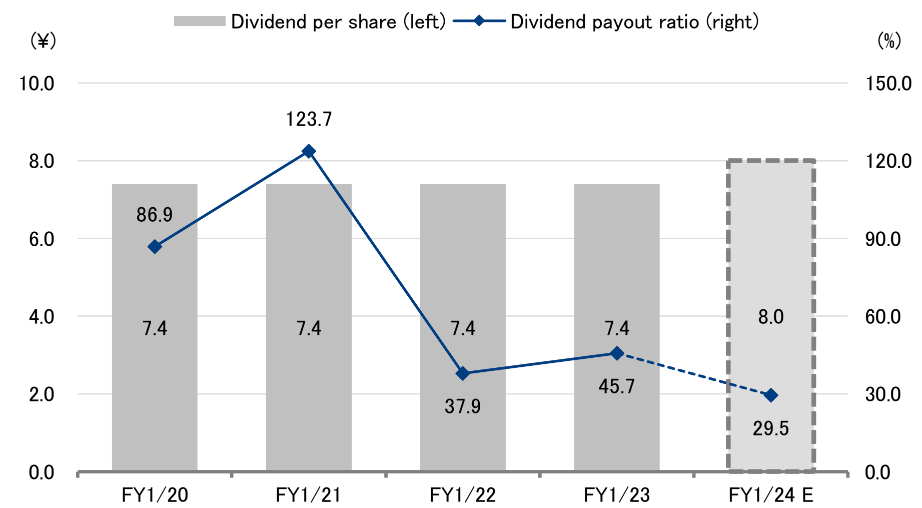
In June 2020, the Company concluded a capital and business partnership agreement with OGIS-RI Co., Ltd., and that OGIS-RI would become the Company's second largest shareholder, holding 10% of its shares. OGIS-RI is a subsidiary of Osaka Gas Co., Ltd. <9532> and its strengths include its information solutions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

Shareholder return policy

Expects to increase dividends for the first time in six years in FY1/24

The Company's basic shareholder return policy is to pay dividends stably and continuously, while securing the retained profits necessary to develop its business in the future and to strengthen its management structure. In accordance with this policy, it paid a dividend per share of ¥7.4 (dividend payout ratio: 45.7%) in FY1/23, the same as in the previous fiscal year. Based on earnings and the dividend payout ratio level, the Company plans to increase the dividend for the first time in six years in FY1/24, increasing it by ¥0.6 per share YoY to ¥8.0 (dividend payout ratio of 29.5%). The Company appears to be targeting a dividend payout ratio of around 30%, and expectations are for further increases in the dividend rate as profits grow.

Dividend and dividend payout ratio



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

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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