

## Logizard Co., Ltd.

4391

Tokyo Stock Exchange Growth Market

31-Oct.-2022

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## ■ Summary

### **Sales and profits increased in FY6/22. Will conduct upfront investment from FY6/23 onwards based on the new management plan. Is focusing on establishing the first-mover advantage through WMS that responds to OMO marketing**

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, and it has a subscriptions-based earnings model and therefore has a stable earnings foundation (in FY6/22, cloud services provided 76.8% of sales).

#### **1. Outline of results for FY6/22**

In the FY6/22 consolidated results, sales and profits increased, with net sales increasing 6.1% year-on-year (YoY) to ¥1,787mn, operating profit rising 6.8% to ¥352mn, ordinary profit growing 6.9% to ¥352mn, and profit attributable to owners of parent increasing 5.9% to ¥237mn. Labor costs increased due to the strengthening of personnel, mainly in sales, while server costs and outsourcing costs also rose because of the growth of new customers. But in the logistics industry, demand was strong for the Company’s systems and the growth of net sales absorbed the increases in costs, while profits were also higher than in the previous period. The Company started to adopt the Accounting Standard for Revenue Recognition, etc., from FY6/22, so the comparisons with results in the previous period are reference values.

#### **2. Outlook for FY6/23**

The outlook for the FY6/23 non-consolidated results is for net sales to increase 3.0% YoY to ¥1,824mn, ordinary profit to decrease 45.6% to ¥199mn, and profit attributable to owners of parent to decline 41.1% to ¥139mn. The labor shortage in the logistics industry and the rising needs for labor saving and automation as a result of this are proving advantageous for the Company’s business, but it seems that it will conduct upfront investment in order to realize the further growth of enterprise value in the medium to long term. Specifically, based on the new management plan, its policy is to invest in R&D and the recruitment and education of human resources, to develop products to respond to OMO marketing\* needs created during the COVID-19 pandemic, and to steadily capture new market opportunities. The Company’s subsidiary in China, Logizard SCM Technology (Shanghai) Co., Ltd. is currently undergoing the dissolution and liquidation procedure, and when the liquidation is completed, the Company’s results will become non-consolidated, so the FY6/23 results forecasts are non-consolidated forecasts.

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

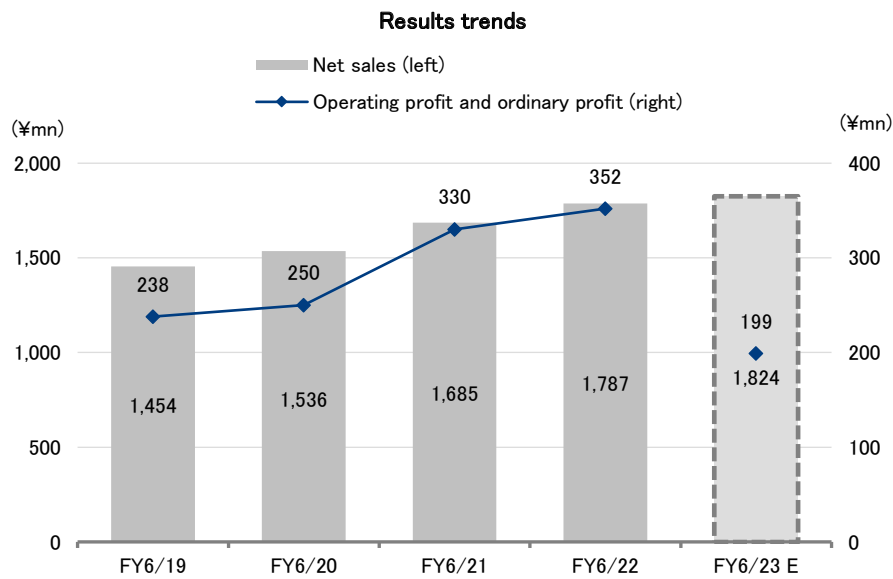
Summary

**3. Overview of the new management plan**

In August 2022, the Company announced its new management plan (FY6/23 to FY6/27). It describes that it will quickly catch-up with the logistics needs being newly created in the situation in which with-COVID-19 is becoming the new normal, and that it will build the foundation for business expansion in the future. Specifically, within the shift of the trend towards OMO marketing, it plans to conduct upfront investment to develop products tailored to the times and to recruit and educate human resources. This investment for the future will have a temporary impact on profits, but the forecast is for this upfront investment to be recouped from FY6/24 onwards and for sales and profits to increase. The numerical targets for FY6/27, the plan's final fiscal year, are for net sales of the mainstay cloud services to increase by 46.6% compared to FY6/22 to ¥2,012mn, and for total operating profit to grow by 76.7% to ¥622mn. Also, to secure human resources, it plans to increase personnel from 105 people in FY6/22 to 157 people in FY6/27. So far, the Company has been actively conducting upfront investment in order to build a foundation for growth. Going forward also, at FISCO we estimate that it will steadily progress R&D tailored to the times based on its findings on industry trends acquired from its online and offline sales events and daily sales activities. In the long term, we expect that its R&D that reflects the market's needs will contribute to results growth.

**Key Points**

- In FY6/22, demand for the Company's services was strong and sales and profits increased
- From FY6/23 onwards, it will conduct upfront investment and focus on establishing the first-mover advantage
- In FY6/27, cloud services' net sales are forecast to increase by around 50% compared to in FY6/22



Note 1: the FY6/23 results forecasts are non-consolidated results forecasts  
 Note 2: the FY6/23 profit forecast is for ordinary profit, as operating profit has not been disclosed  
 Note 3: Adopted the Accounting Standard for Revenue Recognition, etc., from FY6/22  
 Source: Prepared by FISCO from the Company's financial results

## Company profile

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

### 1. Company profile

The Company was founded in 2001 in Saitama Prefecture in order to develop and sell warehouse inventory management systems (hereafter, WMS). The Company's name is a portmanteau of logistics and wizard and incorporates the idea of "contributing to industry and to society by innovatively improving the efficiency of logistics as if by magic." Since its foundation, based on its spirit of absolute shipments, that "customer shipments will absolutely be made" 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.

President and CEO Shigenori Kanazawa previously worked in the apparel industry, so initially the Company started a business whose mainstay service was Logizard PLUS, a WMS for the apparel industry. It expanded its target customers by reflecting the needs of customers into its systems, and currently it 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 intends to accurately ascertain needs generated in the with-COVID-19 era and to focus on building a business foundation for results growth in the future. Specifically, based on the new management plan announced in August 2022, in order to firmly incorporate into results the new trends, such as warehouse automation and OMO marketing, its policy is to conduct upfront investment for R&D and to recruit and develop human resources.

### 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
May 2003	Relocated main store to Minato Ward, Tokyo
August 2005	Conducted an absorption merger of Logizard Co., Ltd. (formerly Soft communications Co., Ltd.) and changed the corporate name to Logizard Co., Ltd.
July 2006	Opened the Akita Development Center in Akita City, Akita Prefecture
January 2008	Opened the Osaka Sales Office in Kita Ward, Osaka City, Osaka Prefecture (currently relocated to Chuo Ward, Osaka City, Osaka Prefecture)
August 2009	Opened the Yokote Development Center in Yokote City, Akita Prefecture
September 2009	Started sales of the POS Pita RBM store inventory management system
September 2012	Started sales of Logizard ZERO, a new version of Logizard PLUS
April 2018	Acquired the Privacy Mark
July 2018	The Company's shares were listed on the Tokyo Stock Exchange's Mothers market
May 2019	Started sales of Logizard ZERO-STORE, a new version of POS Pita RBM
December 2019	Acquired the Information Security Management System (ISMS) certification
January 2021	Acquired the Information Security Management System (ISMS) Cloud security certification

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

Company profile

**2. Business description**

The Company’s business is broadly divided into three segments: cloud services, of providing WMS via the Cloud; development and introduction services, of supporting the introduction of systems for customers that are using its cloud services; and device-sales services, of selling the devices necessary for warehouse work, such as dedicated printers to create barcode labels. In the percentage of total net sales by segment in FY6/22, cloud services provided 76.8%, development and introduction services 18.8%, and device-sales services 4.4%. 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. From this, the Company’s operating profit margin has reached 19.7% and ROE (Return on Equity) 16.7%. Other than this segment, the development and introduction services and device-sales services segments have a business model in which earnings are generated when a customer makes a request.

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

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

Also, one of the appeals of this service is an enhanced support structure through a dedicated support team that enables speedy introductions in a minimum of one month and linkages with a variety of other third-party systems. As customization is unnecessary and it can be linked with external systems, customers can introduce the service at a low cost and in a short period of time. Also for 3PL companies that must respond on the tight schedule of the shipper, its appealing points include that the period until the introduction is short and that the system can be steadily operated up to the shipment date specified by the shipper.

A specific usage scene is the picking work when an order is received from a consumer. From Logizard ZERO, there is the instruction that “the targeted product is third from the right, second from the bottom shelf. Please package it and ship it to Mr. OO,” making possible accurate picking work.

**Examples of Logizard ZERO linking with external systems**

<b>Cart system</b>					

Source: The Company’s website

We encourage readers to review our complete legal statement on “Disclaimer” page.

Company profile

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

Logizard ZERO-STORE is a system that realizes the improved efficiency of inventory management in stores. Its three main functions are inventory management, POS cash register (optionally provided as linked to the products of other companies), and analysis tools. The analysis tools have functions to automatically aggregate and analyze 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 are provided for the administrators, including inventory management, sales management and stock management. For example, it enables the head office to conduct the integrated management of various business offices' data, which is effective for the efficient management of the various business offices and for overall optimization. It provides functions including a sales and inventory registration function using smartphones for business offices, and a function for inquiring about the inventories of other stores in which a store's inventory can be checked in real time. This service makes it possible to improve the efficiency of store work 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 including to change unit prices such as for discounts, to print receipts, and to send a store's sales data to the head office. It can also be easily linked to peripheral devices like receipt printers and barcode scanners, and a feature is that it is highly versatile. Another appeal of this system is that it can be introduced at low cost. Instead of an expensive POS cash register, the service can be obtained via the Cloud on a tablet device, so it can be easily introduced even by small- and medium-sized customers. It can be introduced in a short time and has an enhanced support structure, which are some of the reasons why customers support it, the same as the Company's other services.

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

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

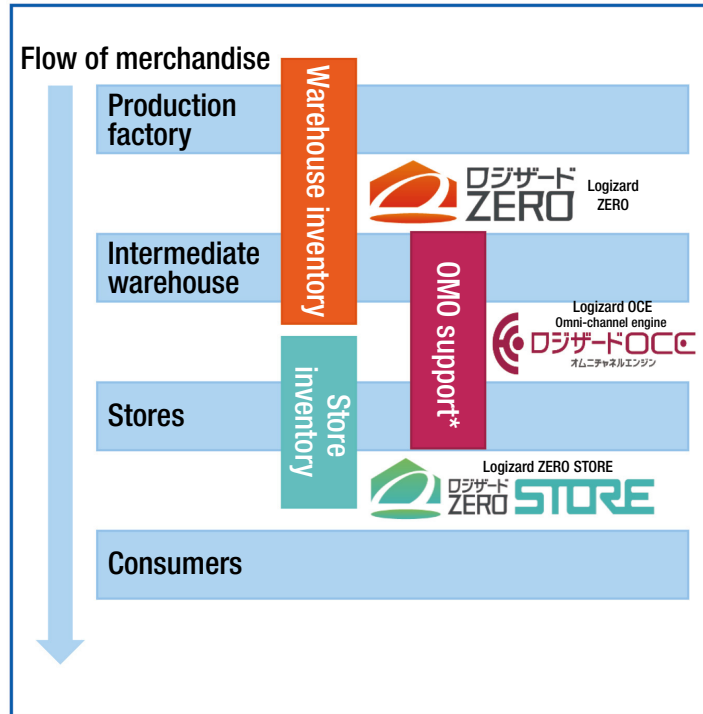
Logizard OCE is a product that supports customers' omni-channels\*. By linking it to the Company's Logizard ZERO and Logizard ZERO-STORE, it can utilize the integrated data on stores and warehouses and realize optimized shipping and deliveries for each customer. By the integrated management of inventory,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

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

Specific usage scenes include that 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 which is the most efficient place to send it from.

Company profile

The Company's cloud services and corresponding areas



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

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

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

The three cloud services of Logizard ZERO, Logizard ZERO-STORE, and Logizard OCE can be used on a monthly fixed fees basis or a monthly usage-based fees basis depending on the business characteristics of the customers or their shippers. For linkages to the systems of other companies, there is a mechanism to link to the apps provided by the application partners so that they can be used without the need for additional development by adding an optional fee.

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

**3. Features and strengths**

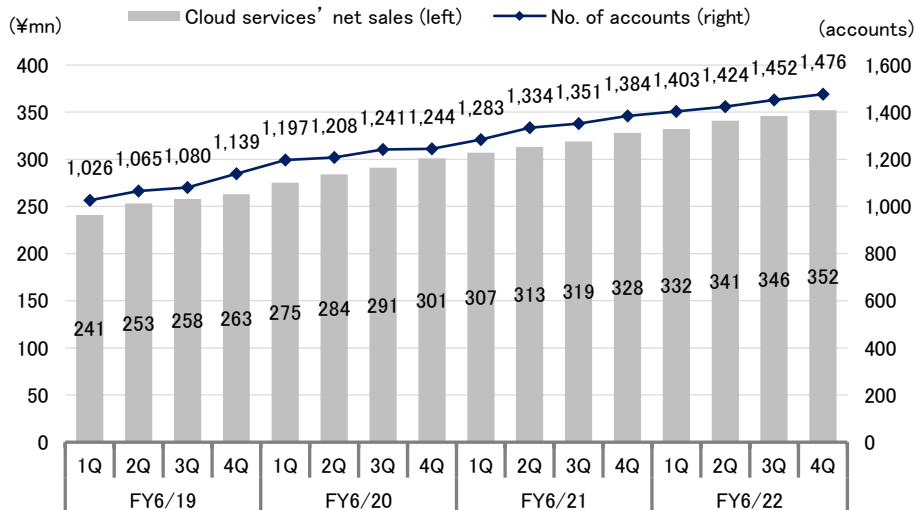
The strengths of the Company's products include their short delivery times, low prices, and high-quality services. They can be introduced with short delivery times and at low cost through the ability to accurately ascertain through interviews with customers the products' characteristics and management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



Company profile

Also, as was mentioned above, the Company is able to stably generate earnings through adopting a subscription model. It continuously upgrades the versions of its products so that they reflect customers' current needs, which contributes to lowering the cancellation rate. In the future as well, at FISCO we expect it to stably generate earnings from both existing customers and new customers.

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



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. This is based on the current situation, of the spread of e-commerce in people's daily lives, the labor shortage in the transportation industry, and the shortage of human resources able to respond to digitalization. In particular, in a survey of small- and medium-sized companies, which are the Company's main customers, while there were some companies "in a state of shifting from analog conditions to a business environment in which digital tools are used," 37.9% of companies answered that they "do not have human resources able to progress digitalization" (The Ministry of Economy, Trade and Industry's 2022 White Paper on Small and Medium Enterprises). Within this sort of environment, at FISCO we think that demand for the Company's services, which can be easily introduced via the Cloud and for which it has established a comprehensive support structure able to respond to requests 365 days a year, will be strong.

## Results trends

### In FY6/22, sales and profits increased. The Company's mainstay cloud services performed strongly

#### 1. Outline of results for FY6/22

In the FY6/22 consolidated results, sales and profits increased, with net sales increasing 6.1% YoY to ¥1,787mn, operating profit rising 6.8% to ¥352mn, ordinary profit growing 6.9% to ¥352mn, and profit attributable to owners of parent increasing 5.9% to ¥237mn. Labor costs increased due to the strengthening of personnel, mainly in sales, while server costs and outsourcing costs also increased because of the growth of new customers. But the growth of net sales was higher than the increases in costs, so an increase in profits was also secured.

In net sales by segment, sales of the mainstay cloud services increased 8.2% YoY to ¥1,372mn, sales of development and introduction services grew 15.6% to ¥336mn, and sales of device-sales services decreased 37.4% to ¥78mn. In cloud services, inquiries were excellent for Logizard ZERO, and the achievement rate for the initial forecast was 100.3%. In development and introduction services, sales increased YoY due to new projects and projects to transition to Logizard ZERO following the end of the provision of the Logizard PLUS service, but the achievement rate was 71.6%. This was mainly due to the customers pushing back a decision in relation to the above-described transition, which at FISCO we consider to be a temporary factor.

#### FY6/22 results

	FY6/21		FY6/22		Change		(% of change)
	Results	% of net sales	Results	% of net sales			
Net sales	1,685	-	1,787	-	102	6.1%	
Cost of sales	824	49.0%	847	47.4%	22	2.8%	
SG&A expenses	530	31.5%	587	32.8%	57	10.8%	
Operating profit	330	19.6%	352	19.7%	22	6.8%	
Ordinary profit	329	19.6%	352	19.7%	22	6.9%	
Profit attributable to owners of parent	223	13.3%	237	13.3%	13	5.9%	

Note: Adopted the Accounting Standard for Revenue Recognition, etc., from FY6/22  
 Source: Prepared by FISCO from the Company's financial results

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

#### 2. Financial condition and business indicators

Looking at the financial condition in FY6/22, total assets increased ¥268mn on the end of the previous period to ¥1,830mn. The main change factors were that in current assets, cash and deposits increased ¥174mn due to the collections of funds because of the increase in net sales, while in non-current assets, deferred tax assets increased ¥21mn due to the rise in unpaid bonuses.

Results trends

Total liabilities increased ¥27mn from the end of the previous period to ¥292mn. Income taxes payable rose ¥38mn mainly due to the denial of the Corporation Tax Act on unpaid bonuses. Total net assets increased ¥240mn to ¥1,537mn. Retained earnings increased ¥237mn following the recording of profit attributable to owners of parent.

Looking at the management indicators, the current ratio is 537.8% and the non-current ratio is 16.6% and these values improved YoY and are sound, so at FISCO we think that there are no concerns about liquidity on hand in the short or long term. Also, a point to focus on is that the equity ratio is extremely high at 84.5%. So it can be read from its financial statements that the Company is conducting management while taking into consideration financial soundness and liquidity of funds.

**Consolidated balance sheet and management indicators**

	(¥mn)		
	FY6/21	FY6/22	Change
<b>Current assets</b>	1,325	1,575	249
Cash and deposits	1,086	1,260	174
<b>Non-current assets</b>	236	255	18
<b>Net assets</b>	1,562	1,830	268
<b>Total liabilities</b>	264	292	27
Current liabilities	264	292	27
<b>Net assets</b>	1,297	1,537	240
Retained earnings	865	1,102	237
<b>Total liabilities and net assets</b>	1,562	1,830	268
<b>&lt;The main management indicators&gt;</b>			
Equity ratio	83.3%	84.5%	1.2pt
Current ratio	500.2%	537.8%	37.6pt
Non-current ratio	18.3%	16.6%	-1.7pt

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

## ■ Outlook

### **In FY6/23, sales are forecast to increase from the strong Cloud-related demand. Is conducting upfront investment to build the foundation for growth in the future**

For the FY6/23 non-consolidated results, the Company is forecasting that net sales will increase 3.0% YoY to ¥1,824mn, ordinary profit will decrease 45.6% to ¥199mn, and net profit will decline 41.1% to ¥139mn. The labor shortage in the logistics industry and the rising needs for labor saving and automation as a result of this will continue to have a positive effect on the Company's business, so net sales are forecast to increase. Profits are forecast to temporarily decrease, but this is because it will conduct upfront investment in R&D and human resources based on the medium-term management plan.

### Outlook

At FISCO, we think it is highly likely that the Company will achieve its net sales target. One reason for this is that inquiries are increasing for Logizard ZERO-STORE and Logizard OCE in the context of the trend for an omni-channel strategy. Also, when considering the spread of smartphones and the high penetration rate of online shopping (according to a survey in June 2022 by the Japan Statistics Bureau, the Ministry of Internal Affairs and Communications, 53.0% of households use online shopping), in the future also the e-commerce market is expected to trend strongly. In addition, as previously stated, the shortage of IT human resources in small- and medium-sized companies is proving advantageous for the Company. In this situation, it can be said to be highly likely that demand will be strong for the Company services in the future as well. For profits, at FISCO we consider it possible that profit growth will accelerate. This is because if the Company can establish the first-mover advantage for the response to OMO marketing in the WMS market, this will also prove advantageous for its business.

#### Outlook for FY6/23 (non-consolidated)

	FY6/22		FY6/23		YoY	
	Results	% of net sales	Forecast	% of net sales	Change	% of change
Net sales	1,771	-	1,824	-	37	2.1%
Operating profit	367	20.7%	-	-	-	-
Ordinary profit	367	20.7%	199	10.9%	-153	-43.5%
Net profit	236	13.4%	139	7.6%	-98	-41.4%

Note: has not disclosed operating profit for FY6/23  
 Source: Prepared by FISCO from the Company's financial results

## ■ Medium- to long-term growth strategy

Aiming to establish the business foundation for the future through upfront investment. Is focusing on developing products in response to OMO marketing and on developing human resources who will be responsible for growth in the future

### 1. Summary of the new management plan

In August 2022, the Company formulated its new management plan with FY6/27 as its final fiscal year. In a situation in which with-COVID-19 has become the new normal, it is considered that it will conduct upfront investment to steadily connect the new trends that have appeared to results growth. The contents of the upfront investment are investment in R&D in order to develop products in response to needs for OMO marketing and investment in the human resources who will be responsible for its growth in the future. It is expected to steadily recoup its investments by capturing new market opportunities through the upfront investment in R&D and by strengthening its sales capabilities through the investment in human resources. This investment with an eye to the future will temporarily have an impact on profits, but it is forecast that the upfront investment will be recouped from FY6/24 onwards and that sales and profits will increase.

Through these policies, the targets are for cloud services' net sales in FY6/27 to increase by 46.6% compared to in FY6/22 to ¥2,012mn and for total operating profit to increase by 76.7% to ¥622mn. Also, to secure human resources, the Company plans to increase personnel by 52 people from 105 people in FY6/22 to 157 people in FY6/27.

Medium- to long-term growth strategy

## 2. Specific measures and policies

### (1) Developing products in order to meet OMO marketing needs

The Japanese economy temporarily stagnated due to the novel coronavirus pandemic (hereafter, COVID-19), but economic activities have resumed, premised on being in the with-COVID-19 era. Alongside this, OMO marketing, which further expands the O2O marketing\* concept, has appeared as a new trend. The Company plans to accelerate its development of systems that respond to the rising need for OMO marketing. Specifically, it is considering initiatives including further strengthening store inventory management through an updated version of Logizard ZERO-STORE and strengthening the linkage of Logizard ZERO and Logizard ZERO-STORE that utilize Logizard OCE. In addition to these initiatives, it is considering reflecting in systems customer needs that it ascertains in offline sales events and when conducting sales activities, and adding new functions in response to OMO marketing.

\* O2O (Online to Offline) refers to a sales method in which from online, measures are conducted to promote offline consumption behaviors, and opposite to this, from offline, measures are conducted to influence online consumption behaviors based on information-collection behaviors.

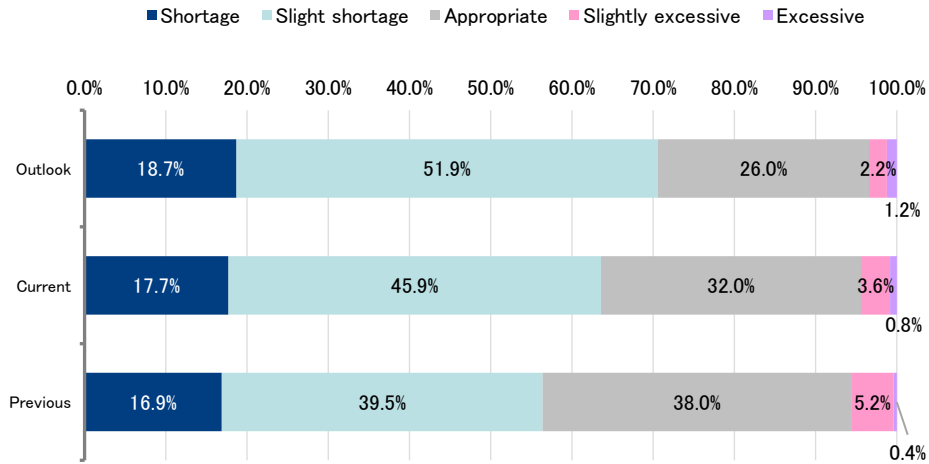
### (2) Labor saving and automation to solve the labor shortage

The Company will accelerate its provision of products in response to needs for labor saving and automation in order to deal with the labor shortages in the logistics and warehouse industries. Specifically, it plans to improve the efficiency of work in warehouses by expanding linkages to logistics robots, such as AI logistics robots, and by strengthening optional functions like RFID\*. The shortage of labor in the truck transportation industry is a major problem, and at FISCO, we think that demand will trend strongly for services that realize labor saving and automation. According to the Truck Transport Industry Business Sentiment Survey (flash report) by the Japan Trucking Association published on August 10, 2022, the percentage of respondents replying that they had a shortage or a slight shortage of labor (from April to June 2022) worsened by 7.2 percentage points compared to the previous survey (January to March 2022) to 63.6%. With regards to the future outlook as well, 70.6% answered that they anticipated having a shortage or a slight shortage, so for the time being the labor shortage is expected to continue.

\* A system that uses radio waves to contactlessly read the tag data of installed memory. Compared to barcodes in which each and every tag is scanned by a laser, RFID is able to scan multiple tags at the same time by using radio waves. If the tag is within the range of the radio waves, it can be read even if it is far away.

Medium- to long-term growth strategy

**Sentiment on the labor shortage in the transportation industry**



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

**(3) Responding to new logistics trends**

It is considered that the Company will accelerate its development of products in response to new logistics trends. Specifically, it plans to expand the API\* connections with the products of other companies and to further enhance the functions of its own systems. It is thought that it will also progress developments of systems in response to the evolving needs in the B-to-C area and the functions required in the B-to-B-to-C area.

\* 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.

**(4) Sales promotion activities that utilize online and offline**

The Company's policy is also to actively continue sales promotion activities. In order to respond to customers with warehouses in regional areas and to customers scattered nationwide, since before COVID-19 it has been actively conducting online sales promotion activities. It has been accumulating expertise based on its experiences in relation to customer-attraction activities and sales activities conducted online, and utilizing this strength, it intends to actively hold online events in the future as well.

The Company also holds offline events. Offline events are sales opportunities in which it expects to acquire new customers, such as prospective customers attending together with existing customers. If the Company gets back on track with holding offline events in addition to online, at FISCO we think this will contribute to its results growth. Offline communication is important from the perspective of ascertaining the needs of customers, because customer needs ascertained offline can be reflected in product development. We can expect it to apply its online and offline sales promotion activities to increasing customer numbers and to product development.

## ■ Shareholder return policy

### **Paid a dividend for the first time in FY6/22. In the future also, will continue shareholder returns while securing the necessary internal reserves**

The Company had not previously paid a dividend as it had been prioritizing enhancing internal reserves in order to strengthen its financial constitution for the long-term stability of its business foundation and for its continuous expansion and development. However, due to the expansion of its business foundation, the outlook is now that in the future it will be able to stably securing earnings even while aiming for business growth, including by investing in human resources and products. Therefore, in FY6/22 it paid a dividend for the first time, of a period-end dividend of ¥14.95 per share.

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

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



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