

Logizard Co., Ltd.

4391

Tokyo Stock Exchange Growth Market

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■ Summary

Supports work efficiency at logistics worksites through cloud services focusing on logistics and warehousing

Logizard Co., Ltd. <4391> (hereinafter, “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 has a subscriptions-based earnings model and therefore a stable earnings foundation (in 1H FY6/23, cloud services provided 77.7% of sales).

1. Outline of results for 1H FY6/23

In 1H FY6/23 consolidated results, net sales increased 7.6% year-on-year (YoY) to ¥927mn, operating profit fell 4.2% YoY to ¥168mn, ordinary profit fell 4.1% YoY to ¥168mn and profit attributable to owners of parent increased 5.4% YoY to ¥123mn. Net sales were helped by increased inquiries for Logizard ZERO, Logizard ZERO-STORE and Logizard OCE as a result of labor shortages in the logistics industry and the rising needs for labor saving and automation. The Company upgrading versions of its services according to the requirements of customers was one factor in the higher number of inquiries. Operating profit fell as a result of active investment in human resources. The end of support (EOS) for the Logizard PLUS service planned for 1H was completed, ending service support. Human resources were directed to support the transition from Logizard PLUS to Logizard ZERO, but the number of cloud service accounts still rose steadily.

2. Outlook for FY6/23

For FY6/23 non-consolidated results, the Company has maintained its initial forecast, which calls for net sales to increase 3.0% YoY to ¥1,824mn, ordinary profit to decrease 45.6% YoY to ¥199mn, and net profit to decline 41.1% YoY to ¥139mn. The Company expects labor shortages in the logistics industry and the rising needs for labor saving and automation resulting from this to be advantageous for its business. The end of provision of the Logizard PLUS service means human resources are now being turned to the acquisition of new customers and product development, and the Company aims to boost the speed of account increases. On the profit front, the Company will conduct upfront investment in order to realize the further growth of enterprise value in the medium to long term. The Company’s policy is to invest in R&D and the recruitment and education of human resources to develop products in response to OMO marketing* needs, and steadily capture new market opportunities. The Company’s subsidiary in China, Logizard SCM Technology (Shanghai) Co., Ltd. is undergoing liquidation. For this reason, the FY6/23 Company’s forecasts are non-consolidated, and the comparisons with FY6/22 are reference values based on a simple comparison between consolidated results and non-consolidated results.

* 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

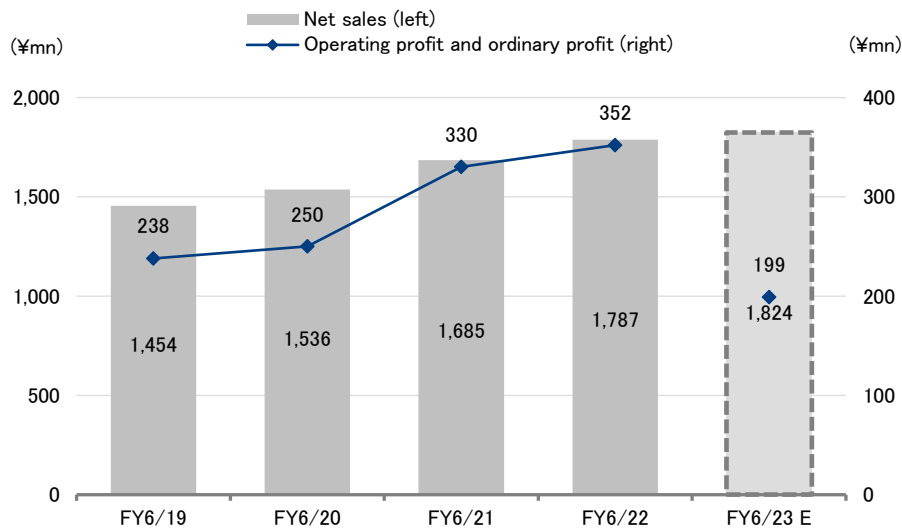
3. Overview of the new management plan

In August 2022, the Company announced its new management plan (FY6/23 to FY6/27). The plan states that it will quickly catch up with the logistics needs being newly created amid the normalization of living alongside COVID-19, and that it will build a 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, we at FISCO estimate that it will steadily advance 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 which reflects the market's needs will contribute to results growth.

Key Points

- 1H FY6/23 saw a net increase in account numbers while completing EOS
- Conducted upfront investment for human resources recruitment
- 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

Results trends



Note 1: FY6/23 results forecasts are non-consolidated results forecasts
 Note 2: 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 (hereinafter, 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 mentality that "customers' shipments should be absolute" and that "customers and shipment receivers should absolutely not be inconvenienced," it has contributed to improving the accuracy and efficiency of the logistics work of customers, which are mainly small- and medium-sized companies for which aggressive IT investment is difficult due to cost reasons.

President and CEO Shigenori Kanazawa previously worked in the apparel industry, so initially the Company started a business whose mainstay service was Logizard PLUS (service provision ended in January 2023), a WMS for the apparel industry. It expanded its target customers by reflecting the needs of customers into its systems, and currently provides services via the cloud to customers in a wide range of industries, from food and beverages through to cosmetics and 3PL.

Going forward, the Company intends to accurately ascertain needs generated in the era where living with COVID-19 has been normalized, 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 the new trends into results, such as through 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, in which it provides WMS via the cloud; development and introduction services, which involves supporting the introduction of systems for customers that are using its cloud services; and device-sales services, which means selling devices necessary for warehouse work, such as dedicated printers to create barcode labels. In the percentage of total net sales by segment in 1H FY6/23, cloud services provided 77.7%, development and introduction services 18.7%, and device-sales services 3.7%. 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 (operating profit margin was 19.7% and ROE (Return on Equity) was 16.7% in FY6/22.) 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, which include manufacturers, distribution companies, and 3PL companies, the Company provides this system which accurately ascertains the number of inventory items stored in warehouses and improves the efficiency of work in warehouses. Through barcode reading and the integrated management of all of the movements of products from deliveries through to shipments, returns and movements on shelves in warehouses, it realizes "accurate inventory management," "prevention of erroneous shipments," and "the improved efficiency and standardization of work in warehouses." The 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. Since customization is unnecessary and can be linked with external systems, customers can introduce the service at a low cost and in a short period of time. Steady progress is being made to link external systems, with the link to multi-channel commerce platform Shopify commencing in November 2022. Also, for 3PL companies that must respond on the tight schedule of the shipper, its appealing points include a secure and reliable service for which the period until the introduction is short and that the system can be steadily operated up to the shipment date specified by the shipper.

One specific instance of usage is the picking operation that occurs 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," enabling accurate picking work.

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 including inventory management, sales management and stock management are provided for the administrators. 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 to change unit prices such as for discounts, to print receipts, and to send a store's sales data to the head office, among other things. It can also be easily linked to peripheral devices like receipt printers and barcode scanners, and is notable for being highly versatile. Another appealing point of this system is that it can be introduced at low cost. Instead of an expensive POS cash register, the service can be obtained via the cloud on a tablet device, so it can be easily introduced even by small- and medium-sized customers. 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 scenarios include confirming inventory on a smartphone when there is an inquiry from a customer on whether a product is in stock, and if it is in stock, confirming which shelf it is on, such as in the backroom. This system makes it possible to respond quickly to consumers.

(3) The Logizard OCE omni-channel support system

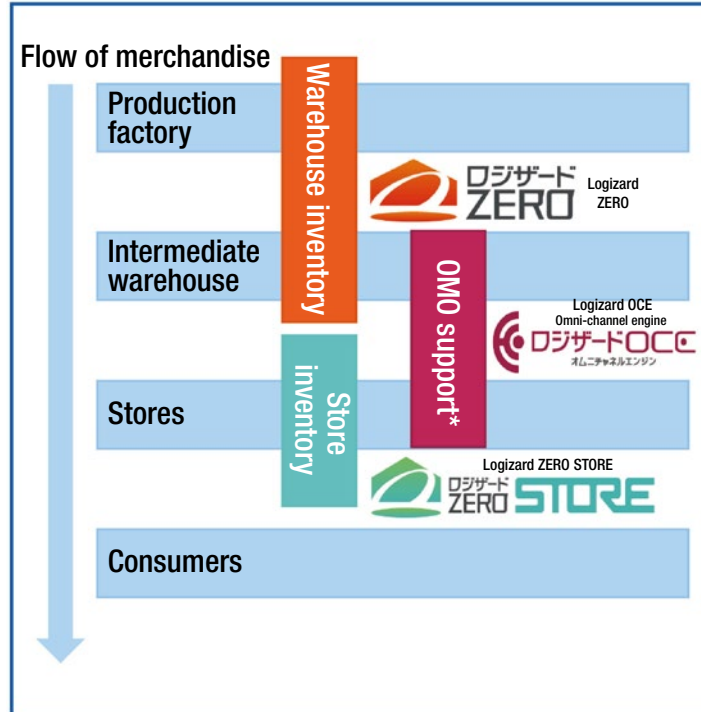
Logizard OCE is a product that supports customers' omni-channels*. By linking it to the Company's Logizard ZERO and Logizard ZERO-STORE, it can utilize the integrated data on stores and warehouses and realize optimized shipping and deliveries for each customer. Through the integrated management of inventory, 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 amid these conditions, we at FISCO think that demand for this system will continue to be strong.

* Omni-channel is an environment in which consumers, when making purchases, can purchase with all (= omni) the contacts points (= channels) seamlessly connected. It is a state in which 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 scenarios 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 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. This earnings model achieves stable earnings from the cloud service, while allowing upselling from options, etc.

The sales channels are direct sales by the Company and sales activities through 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.

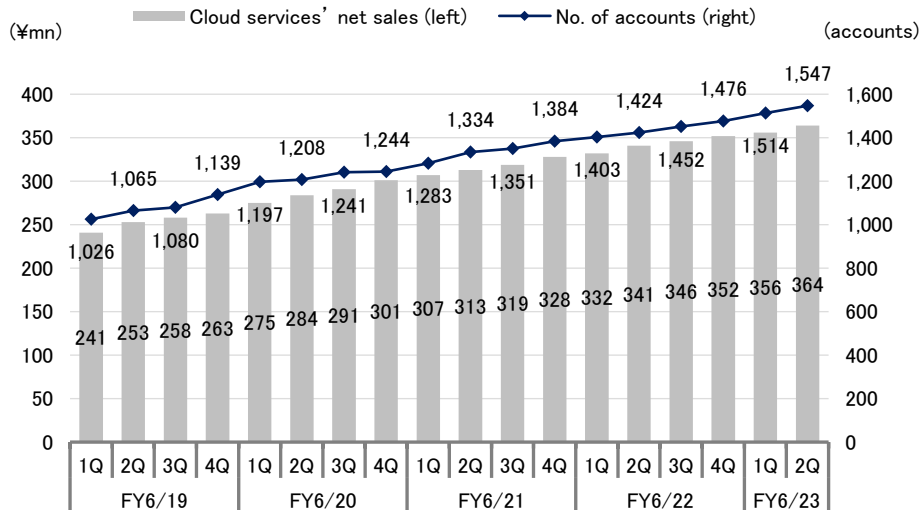
3. Features and strengths

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 system 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, based on the current situation 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 advance digitalization" (The Ministry of Economy, Trade and Industry's 2022 White Paper on Small and Medium Enterprises). Within this sort of environment, we at FISCO 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

Achieved higher earnings while dealing with EOS in FY6/23. Upfront investment to affect profit

1. Outline of results for 1H FY6/23

In the 1H FY6/23 consolidated results, net sales increased 7.6% YoY to ¥927mn, operating profit fell 4.2% YoY to ¥168mn, ordinary profit fell 4.1% YoY to ¥168mn and profit attributable to owners of parent increased 5.4% YoY to ¥123mn. Inquiries increased for Logizard ZERO, Logizard ZERO-STORE and Logizard OCE as a result of labor shortages in the logistics industry and the rising needs for labor saving and automation. Human resources were directed to support the transition from Logizard PLUS to Logizard ZERO, but the number of cloud service accounts still rose steadily (end-1H FY6/23 accounts increased 8.6% YoY to 1,547 accounts).

With the gradual recovery of socioeconomic activities that had temporarily stagnated due to the novel coronavirus pandemic (hereinafter, COVID-19), inquiries for Logizard ZERO were strong from second-tier large enterprises and above with requirements for inventory centralized management including physical stores. The Company upgraded Logizard ZERO-STORE and Logizard OCE systems in line with customer requests as retail and logistics sectors grappled with varying logistics needs amid the normalization of living with COVID-19, leading to an increase in inquiries. Sales in its mainstay cloud service rose 6.9% YoY to ¥720mn.

Profit fell due to factors such as the focus on recruitment of human resources based on its new management plan. Looking at the operating profit achievement rate versus the full-year forecast, the progress rate was 84.4%, which was higher than the target. This was due to lower-than-expected cancellations following the end of provision of the Logizard PLUS service. Another factor was the increase in SG&A expenses which were lower than forecast. It seems the Company will continue to invest in human resources recruitment and R&D as appropriate.

Sales increased 15.8% YoY to ¥173mn in the development and introduction services segment, but decreased 11.3% YoY to ¥33mn in the device sales service segment.

1H FY6/23 results

	1H FY6/22		1H FY6/23		Change		(¥mn)
	Results	% of net sales	Results	% of net sales		% of change	
Net sales	862	-	927	-	65	7.5%	
Cost of sales	402	46.6%	448	48.3%	46	11.4%	
SG&A expenses	284	32.9%	310	33.4%	26	9.2%	
Operating profit	176	20.4%	168	18.1%	-8	-4.5%	
Ordinary profit	175	20.3%	168	18.1%	-7	-4.0%	
Profit attributable to owners of parent	117	13.6%	123	13.3%	6	5.1%	

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

Results trends

The equity ratio is at the high level of 87.4%. 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 1H FY6/23, total assets increased ¥17mn from the end of the previous period to ¥1,848mn. The main factors behind this change were an increase in current assets, cash and deposits by ¥31mn due to increased collections of accounts receivables, while in non-current assets, software fell by ¥25mn due to the recording of depreciation.

Total liabilities decreased ¥60mn from the end of the previous period to ¥232mn. The main reason for the decrease was payment of income taxes payable and accrued bonuses in the previous period. Total net assets increased ¥78mn to ¥1,616mn. Although retained earnings decreased as a result of dividends, there was an increase of ¥74mn due to the recording of profit attributable to owners of parent.

Looking at management indicators, the current ratio is 690.1% and the non-current ratio is 15.2%. These improved from the end of the previous period, meaning short- or long-term fund liquidity has further increased. The equity ratio is at the high level of 87.4%. It can be understood 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)		
	End of FY6/22	End of 1H FY6/23	Change
Current assets	1,575	1,601	26
Cash and deposits	1,260	1,291	31
Non-current assets	255	246	-9
Net assets	1,830	1,848	17
Total liabilities	292	232	-60
Current liabilities	292	232	-60
Net assets	1,537	1,616	78
Retained earnings	1,102	1,176	74
Total liabilities and net assets	1,830	1,848	18
<Main management indicators>			
Equity ratio	84.0%	87.4%	3.4pt
Current ratio	539.4%	690.1%	150.7pt
Non-current ratio	16.6%	15.2%	-1.4pt

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

■ Outlook

Aims resources at new customer acquisition and R&D. Appropriately implement growth investment through careful examination of impact

For FY6/23 non-consolidated results, the Company has maintained its initial forecast, which calls for net sales to increase 3.0% YoY to ¥1,824mn, ordinary profit to decrease 45.6% YoY to ¥199mn, and net profit to decline 41.1% YoY to ¥139mn. The Company's subsidiary in China, Logizard SCM Technology (Shanghai) Co., Ltd. is undergoing dissolution and liquidation, and when the liquidation is completed, the Company's results will become non-consolidated, so the FY6/23 results forecasts are non-consolidated forecasts. For this reason, YoY comparisons are reference values based on a simple comparison between consolidated results and non-consolidated results. The Company forecasts net sales to rise as the labor shortages in the logistics industry and the rising needs for labor saving and automation as a result of this continue to prove advantageous to the Company's business. The Company forecasts a temporary fall in profit as it conducts upfront investment in R&D and human resources.

In 2H, the Company will allocate personnel that had previously been directed to the EOS of Logizard PLUS to product development and new customer acquisition. It aims to boost orders for Logizard OCE and Logizard ZERO-STORE by linking them with other systems according to the needs of customers. The Company expects the pace of new accounts to increase in 2H.

The Company will conduct upfront investment into necessary areas such as human resources recruitment and R&D while carefully examining timing and impact.

Outlook for FY6/23

	(¥mn)					
	FY6/22 (consolidated)		FY6/23 (non-consolidated)		YoY	
	Results	% of net sales	Forecast	% of net sales	Change	% of change
Net sales	1,787	-	1,824	-	37	2.1%
Operating profit	352	19.7%	-	-	-	-
Ordinary profit	352	19.7%	199	10.9%	-153	-43.5%
Net profit	237	13.3%	139	7.6%	-98	-41.4%

Note1: Operating profit for FY6/23 not disclosed

Note 2: YoY comparisons are reference values based on a simple comparison between consolidated results and non-consolidated results

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. Focusing on developing products in response to OMO marketing and on developing human resources

1. Overview of the new management plan

In August 2022, the Company formulated its new management plan with FY6/27 as its final fiscal year. It will conduct upfront investment to steadily connect the new trends that have appeared due to the normalization of living with COVID-19 to results growth. The contents of the upfront investment are O2O marketing* and 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.

* 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.

The targets are for cloud services' net sales in FY6/27 to increase by 46.6% compared to 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 in FY6/27.

2. Specific measures and policies

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

The Japanese economy had temporarily stagnated due to COVID-19, but economic activities have resumed, premised on an era in which living with COVID-19 is normalized. 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 which utilize Logizard OCE. In addition to these initiatives, it will reflect customer needs that it ascertains in offline sales events and when conducting sales activities in systems, and add new functions in response to OMO marketing. Steady progress was made for these policies in 1H FY6/23 as well. For R&D, a newly established team of specialists is examining the development of new services in response to the OMO marketing concept. The Company also increased inquiries from customers by upgrading systems in line with customer needs.

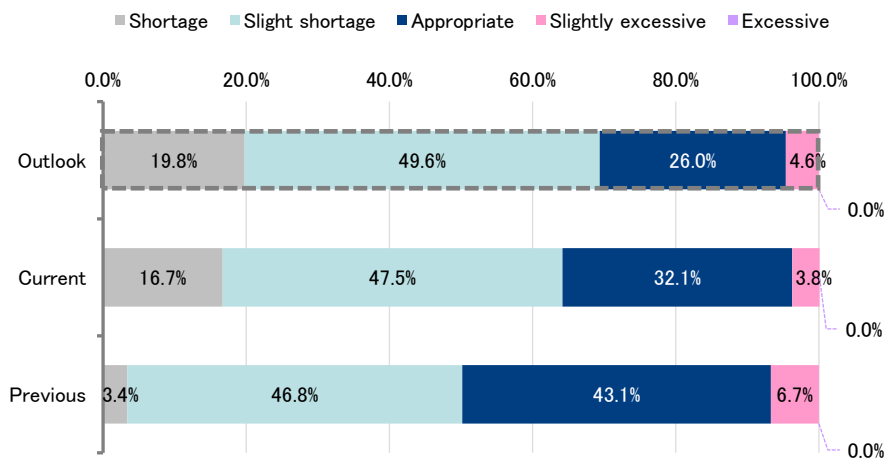
Medium- to long-term growth strategy

(2) Labor saving and automation to solve labor shortages

The Company will accelerate its provision of products in response to needs for labor saving and automation in order to deal with 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 we at FISCO 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 February 10, 2023, the percentage of respondents replying that they had a shortage or a slight shortage of labor (from October to December 2022) worsened by 14.0 percentage points compared to the previous survey (July to September 2022) to 64.2%. With regards to the future outlook as well, 69.4% answered that they anticipated having a shortage or a slight shortage, so the labor shortage is expected to continue for some time.

* A system that uses radio waves to read the tag data of installed memory without direct contact. 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 from even far away.

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

The Company intends to 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 will also advance the development 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. Steady progress was made towards API linkage with products from other companies, such as the commencement of linkage to multi-channel commerce platform Shopify beginning in November 2022.

* 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.

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

Medium- to long-term growth strategy

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

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.

The Company will also hold offline events. Offline events are sales opportunities in which it expects to acquire new customers, such as prospective customers attending together with existing customers. Offline communication is important from the perspective of ascertaining the needs of customers, because customer needs ascertained offline can be reflected in product development.

In 1H FY6/23, the Company held offline events such as operating booths at trade shows and seminars. It expects strong pent-up demand for offline events after the shift to online events caused by COVID-19, and therefore intends to hold events in a format suitable for the respective features of online and offline events.

Shareholder return policy

Paid a dividend for the first time in FY6/22. Will continue shareholder returns while securing the necessary internal reserves

Due to the expansion of the Company's business foundation, the current outlook is 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 which consisted 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 new management plan, and if it can grow sales of cloud services in the future, we at FISCO 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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