

## Logizard Co., Ltd.

4391

Tokyo Stock Exchange Growth Market

11-Oct.-2024

FISCO Ltd. Analyst

**Yoichiro Shimizu**



FISCO Ltd.

<https://www.fisco.co.jp>

## ■ Contents

■ <b>Summary</b> .....	<b>01</b>
1. Outline of results for FY6/24 .....	01
2. Outlook for FY6/25 .....	01
3. Overview of the medium-term management plan .....	02
■ <b>Company profile</b> .....	<b>03</b>
1. Company profile .....	03
2. Business description .....	04
3. Features and strengths .....	06
4. Business environment .....	08
■ <b>Results trends</b> .....	<b>08</b>
1. Outline of results for FY6/24 .....	08
2. Financial condition and business indicators .....	10
■ <b>Outlook</b> .....	<b>11</b>
■ <b>Medium- to long-term growth strategy</b> .....	<b>12</b>
1. Overview of the medium-term management plan .....	12
2. Specific trends and response policies .....	13
■ <b>Shareholder return policy</b> .....	<b>15</b>

## Summary

### In FY6/24, posted record-high sales and profit on sharp growth of net sales and profit. Profitability also improved, driven by mainstay cloud services

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. The mainstay cloud services have a subscriptions-based earnings model and therefore a stable earnings foundation (in FY6/24, cloud services, which are highly profitable, provided 79.1% of sales).

#### 1. Outline of results for FY6/24

In the FY6/24 results\*, net sales increased 6.7% year on year (YoY) to ¥1,977mn, operating profit rose 32.8% to ¥346mn, ordinary profit was up 32.9% to ¥346mn, and net profit was up 36.7% to ¥252mn. All services performed strongly, recording sales and profit growth driven by mainstay cloud services. As a result, net sales increased 24 fiscal years in a row and the Company posted record-high net profit. Profit growth was especially robust, with profit lines from operating profit posting double-digit growth mainly due to the contribution of an increase in new accounts for profitable clouds services. Gross profit margin improvement in development and introduction services and device sales services also contributed to profit growth. Profitability also improved as profit growth outpaced net sales growth, with the operating profit margin rising 3.4pp YoY to 17.5%.

\* The Company has changed to non-consolidated accounting as of 3Q FY6/23.

#### 2. Outlook for FY6/25

For FY6/25 results, the Company is forecasting a 12.0% YoY increase in net sales to ¥2,214mn, 15.6% increase in operating profit to ¥400mn, 15.6% increase in ordinary profit to ¥400mn, and 11.3% increase in net profit to ¥281mn. The outlook remains bright for the Company’s business environment. There is a growing need for automation in the warehouse inventory management systems (WMS) market amid labor shortages including the “2024 problem” in the logistics industry. As well, OMO\* marketing is drawing greater attention as a response to diversifying consumer needs and to maximize sales opportunities. In this context, the Company expects its mainstay cloud services business to continue performing strongly and forecasts a steep 41.1% YoY increase in sales of development and introduction services. A record order backlog at the end of FY6/24 is also a positive factor for attaining the Company’s FY6/25 forecast. As a result, the Company expects net sales to grow at a higher rate than in FY6/24 on a consolidated basis. In terms of profit, the Company expects to improve profitability while investing more aggressively in human resources and promotions by increasing the number of new accounts in profitable cloud services and appropriately controlling the increase in SG&A expenses.

\* 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.

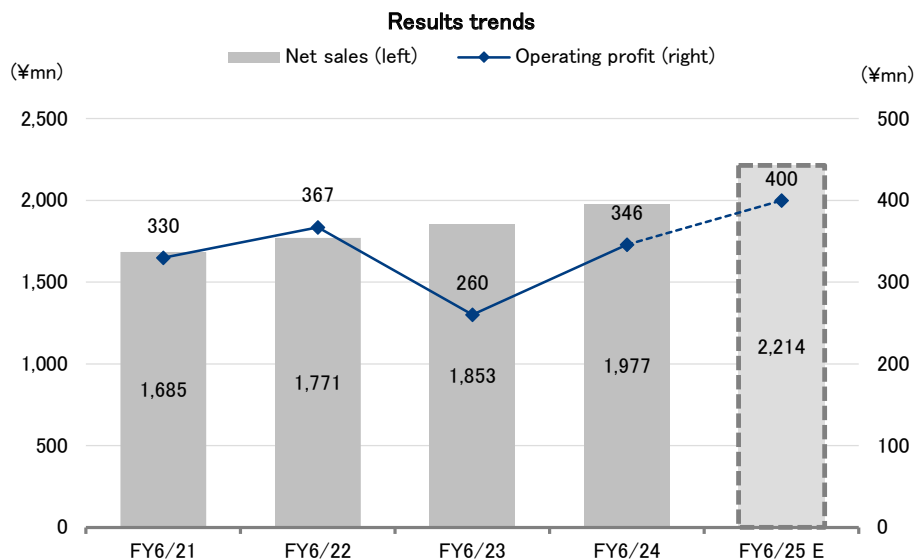
Summary

**3. Overview of the medium-term management plan**

Under its medium-term management plan, the Company aims to expand earnings and raise corporate value with a basic strategy of combining trendy products with high-contact service amid changes in the business environment and customer needs following the COVID-19 pandemic. In the WMS market, the Company anticipates growing needs for labor saving and automation as well as OMO marketing. In this context, it regards as business opportunities current trends such as WMS needs expanding to B2B, trend of using automation to make up for labor shortages, and integrating smart and online stores. Its strategy is to progress product development that fulfills current needs and establish and enhance structures for continuously delivering high quality services to capture changing customer needs and expand its earnings. Recently, inquiries have been brisk from companies in the B2B industry. At the same time, competition has intensified in the existing B2C market because of new players entering the business. The Company plans aggressive business expansion in the B2B industry while securing its share of the B2C market. It is also hiring more personnel and building its internal human resource system to refine its ability to provide value to customers. By solidly implementing these measures, the Company targets sales of ¥1,896mn (up 21.2% from FY6/24) and ordinary profit of ¥493mn (up 42.5%) in mainstay cloud services in FY6/26, the final year of the medium-term management plan. It also aims to increase its work force to 157 in FY6/27.

**Key Points**

- For FY6/24, net sales and profits increased, reaching a record high along with net profit
- Further increase in profitability mainly due to brisk performance of mainstay cloud services
- Outlook for continued sales and profit growth in FY6/25. Expecting net sales to increase in all businesses amid favorable prospects for operating environment
- Under its medium-term management plan, the Company will focus on entering the B2B domain while accommodating increasing needs for OMO marketing and for labor saving and automation because of labor shortages



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

## Company profile

**Since its foundation, 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's policy is to capture accurately the new needs that have emerged since the COVID-19 pandemic to expand its earnings. Specifically, it seeks to incorporate new trends into its earnings results, including WMS needs expanding to B2B, trend of using automation to make up for labor shortages, and integrating smart and online stores. To this end, the Company will invest upfront in product development and hiring and training personnel, further strengthening its business base for earnings expansion and enhancement of corporate value in the medium to long term.

#### History

Date	Event
July 2001	Logizard Ltd. was established in Warabi City, Saitama Prefecture, in order to develop and sell warehouse inventory management systems Started sales of the Logizard PLUS warehouse inventory management system
September 2002	Started sales of the RB-Manager store inventory management system
August 2005	Conducted an absorption merger of Logizard Co., Ltd. (formerly Soft communications Co., Ltd.) and changed the corporate name to Logizard Co., Ltd.
July 2006	Opened the Akita Development Center in Akita City, Akita Prefecture
January 2008	Opened the Osaka Sales Office in Kita Ward, Osaka City, Osaka Prefecture (currently relocated to Chuo Ward, Osaka City, Osaka Prefecture)
August 2009	Opened the Yokote Development Center in Yokote City, Akita Prefecture
September 2009	Started sales of the POS Pita RBM store inventory management system
September 2012	Started sales of Logizard ZERO, a new version of Logizard PLUS
April 2018	Acquired the Privacy Mark
July 2018	The Company's shares were listed on the Tokyo Stock Exchange Mothers Market
May 2019	Started sales of Logizard ZERO-STORE, a new version of POS Pita RBM
December 2019	Acquired the Information Security Management System (ISMS) certification
January 2021	Acquired the Information Security Management System (ISMS) Cloud security certification
April 2022	Transferred to the Tokyo Stock Exchange Growth Market following the TSE's market restructuring
February 2023	Completed liquidation of Logizard SCM Technology (Shanghai) Co., Ltd.

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

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

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 involve supporting the introduction of systems for customers that are using its cloud services; and device sales services, which sell devices necessary for warehouse work, such as dedicated printers to create barcode labels. In the percentage of total net sales by service in FY6/24, cloud services provided 79.1%, development and introduction services 16.0%, and device sales services 4.9%. 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 17.5% and ROE (Return on Equity) was 14.0% in FY6/24.) Other than this segment, the development and introduction services and device sales services segments have a business model in which earnings are generated when an order is received from a customer and a delivery is made.

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

For its customers, which include retailers, distribution companies, and 3PL companies, the Company provides this system which accurately ascertains the number of products (inventory) stored in warehouses and improves the efficiency of work in warehouses. Through barcode reading and the integrated management of all of the movements of products from deliveries through to shipments, returns and movements on shelves in warehouses, it realizes “accurate inventory management,” “prevention of erroneous shipments,” and “the improved efficiency and standardization of work in warehouses.” The 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. The Company also provides fixed-mount barcode readers as an option, and is working to strengthen its products by adding optional functions as appropriate to improve customer convenience.

Also, one of the appeals of this service is an enhanced support structure through a dedicated support team that enables speedy introductions in a minimum of one month and linkages with a variety of external systems. Since customization is minimal and the service can be linked with external systems, customers can introduce it at a low cost and in a short period of time. In particular, for 3PL companies that must respond on the tight schedule of the shipper, its appealing points include a secure and reliable service with a short introduction period and that the system can be steadily operated up to the shipment date specified by the shipper. Steady progress is being made to linkages to external systems. In FY6/24, system linkage began with “W2 Unified,” an integrated e-commerce platform compatible with OMO/omni-channel\* environments, “W2 Repeat,” an e-commerce platform for D2C repeat mail order purchases, cloud-based video management platform “Safie,” Shipping label issuing system “Ship&co,” SaaS e-commerce system “futureshop,” and inventory forecasting and gross profit maximization tool “LTV-Zaiko.” The Company has also started trial testing system links with “SmaCo,” a cloud service that visualizes warehouse operations, and logistics warehouse report tool “Quick Loda,” continuously seeking to make its services more convenient for users.

\* 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.”

#### Company profile

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

### **(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 net sales in stores and can be utilized to plan sales strategies. Inventory management and POS cash register are provided as effective functions for both the administrators (head office) and the business offices (stores). In inventory management, functions including inventory management, sales management and stock management are provided for the administrators. For example, it enables the head office to conduct the integrated management of various business offices' data, which is beneficial 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 operations and to respond quickly to consumers.

POS cash register is provided linked to the payment work support service that uses tablet devices. In addition to the basic cash register functions such as credit card processing, it has functions to change unit prices such as for discounts, to print receipts, and to send a store's sales data to the head office, among other things. It can also be easily linked to peripheral devices like receipt printers and handy terminals, and is notable for being highly versatile. Another appealing point of this system is that it can be introduced at low cost. Instead of an expensive POS cash register, the service can be obtained via the cloud on a tablet device, so it can be easily introduced even by small- and medium-sized customers. In September 2023, the Company began linking with Smareji, a highly functional cloud POS cash register app, improving customer convenience and the system's appeal. 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.

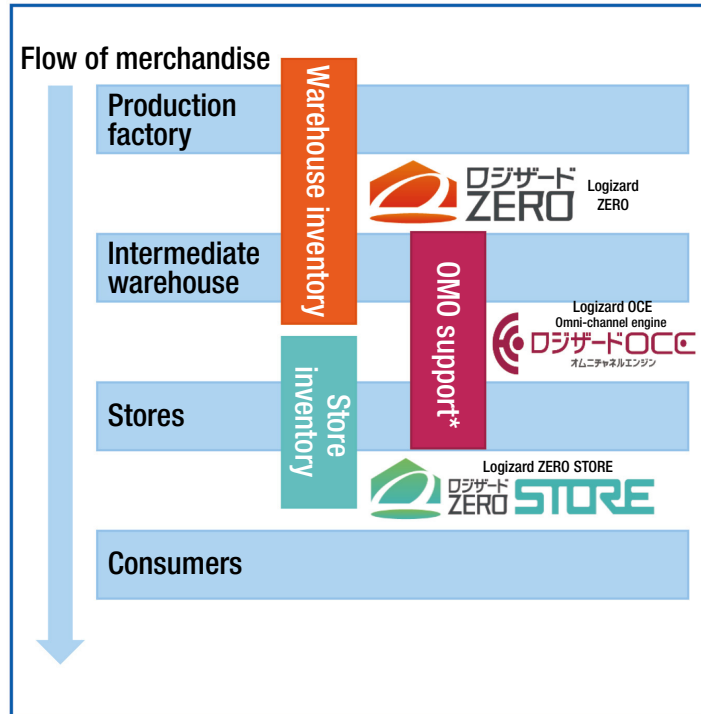
### **(3) The Logizard OCE OMO support system**

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

Specific usage scenarios include when there is an order from a consumer via an e-commerce site, the inventory of the relevant product is confirmed in the stores and warehouses and a decision is made on the most efficient place to send it from.

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 cloud services of Logizard ZERO, Logizard ZERO-STORE, and Logizard OCE can be used by customers based on the characteristics of their own or their shippers' business. Logizard ZERO is offered for a fixed monthly fee or a monthly usage fee and Logizard ZERO-STORE and Logizard OCE are provided for a fixed monthly fee. For linkages to external systems, 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 companies do not have dedicated system engineers, so the Company supports customers' introductions of IT through its operations support service provided 365 days a year.

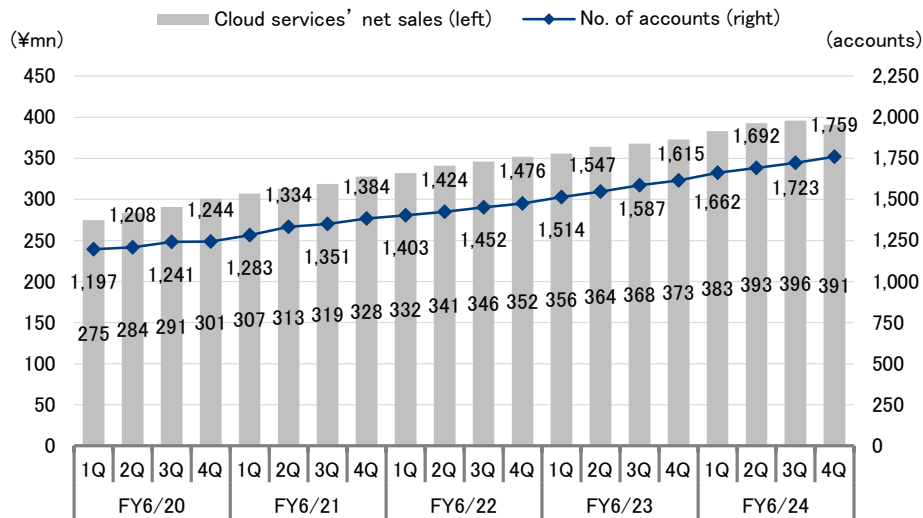
We encourage readers to review our complete legal statement on "Disclaimer" page.



Company profile

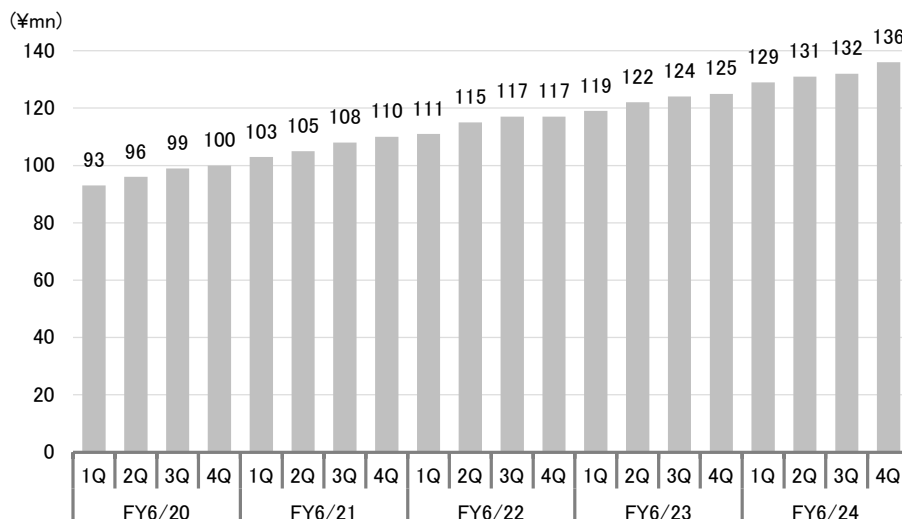
Also, as was mentioned above, the Company is able to stably generate earnings through adopting a subscription model. It continuously upgrades the versions of its products so that they reflect customers' current needs, which contributes to lowering the cancellation rate. At FISCO, we expect solid earnings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

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



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

**Trends in MRR**



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

#### 4. Business environment

With regards to the Company's business environment, at FISCO we think its markets will steadily grow in the future, based on the current situation of e-commerce in people's daily lives, the labor shortage in the logistics industry, and the shortage of human resources able to respond to digitalization. There is a shortage of human resources to progress digitalization particularly among small- and medium-sized companies, which are the Company's main customers. According to the Ministry of Economy, Trade and Industry's 2023 White Paper on Small and Medium Enterprises, 69.4% of companies responded that they had not hired IT or digital personnel within the most recent year, and 20.7% responded that there was a shortage of such personnel. In addition, according to the 2024 White Paper on Small and Medium Enterprises, 38.2% of companies responded that there was a shortage of personnel to advance digitalization, including those that answered that they were "in a state of shifting from analog conditions to a business environment in which digital tools were used." This suggests that personnel for promoting digitalization remains in short supply. Within this environment, we at FISCO think that demand for the Company's services will remain strong, because they can be easily introduced via the cloud and have a comprehensive support structure able to respond to requests 365 days a year. Furthermore, the Company has noted that there is a shortage of IT personnel among relatively large B2B companies as well. As the 2025 digital cliff (the 2025 digital cliff is referred to in a report released by the Ministry of Economy, Trade and Industry in 2018, which states that if Japanese companies fail to promote their management reforms through digital transformation, economic losses of up to ¥12tn per year will be incurred after 2025) approaches, a shortage of personnel for updating on-premises legacy systems remains in Japan, raising expectations of a growing need for the Company's cloud-based services.

## Results trends

### Record-high net sales and final profit again in FY6/24; profitability also improves as a result of double-digit growth of all profit lines

#### 1. Outline of results for FY6/24

In the FY6/24 results, net sales increased 6.7% YoY to ¥1,977mn, operating profit rose 32.8% to ¥346mn, ordinary profit was up 32.9% to ¥346mn, and net profit was up 36.7% to ¥252mn. All services performed strongly, recording sales and profit growth driven by mainstay cloud services. As a result, net sales increased 24 fiscal years in a row and the Company posted record-high net profit. All profit lines from operating profit recorded double-digit growth, surpassing the rate of sales growth, and the operating profit margin increased 3.4pp to 17.5%. Contributing factors were an increase in new accounts for profitable clouds service and the improvement of gross profit margins of development and introduction services and device sales services. As well as rising gross profit margins, appropriately controlling the increase in costs while investing more aggressively in human resources and product development under the medium-term management plan also contributed to the sharp profit increase.

#### Results trends

Amid the profitability improvement, FY6/24 results were 0.7% higher than the initial forecast for gross profit, 4.5% higher for operating profit, 4.5% higher for ordinary profit, and 11.5% higher for net income. Thus, all profit lines exceeded the Company's forecast. Net sales came to 97.7% of the initial forecast, because progress was weak for development and introduction services, although cloud services were on target and device sales services performed strongly ahead of forecast. This was mainly due to longer-than-expected lead times from order to delivery, attributable to the larger number of complex requirements and customized nature of B2B companies' systems. However, toward the end of FY6/24, the Company succeeded in improving the efficiency of order acceptance and shorten lead times by progressing function standardization and proposal streamlining. It plans to accelerate earnings expansion in FY6/25 onward by responding quickly to robust customer needs.

By service, the mainstay cloud services posted net sales of ¥1,564mn (up 7.0% YoY) and gross profit of ¥933mn (up 7.8%). The Company made steady progress in acquiring new B2B customers under its medium-term policy of focusing on attracting customers in the B2B market while inquiries from B2C companies (its main customers) remained brisk. As a result, the number of accounts at the end of FY6/24 increased by 144 YoY to 1,759 and MRR grew 8.8% to ¥136mn. Keeping cancellation rates low while increasing the number of new customers by ongoing efforts to strengthen linkage with external systems and enhance product features as well as conducting aggressive online-offline promotion activities contributed to earnings expansion.

Development and introduction services posted net sales of ¥317mn (up 0.1% YoY) and gross profit of ¥103mn (up 85.8%). Progress was slow versus the initial forecast due to lead times from order to delivery of B2B projects being longer than expected. However, net sales increased YoY, because B2B projects tend to be large and ongoing projects for existing customers were also steady. With regard to profit, the gross profit margin increased a sharp 15.0pp YoY to 32.5%. Shortening lead times of B2B projects toward the end of FY6/24 led to improved profitability of each project, and the completion of EOS, which continued through FY6/23, also contributed to improved profitability.

In device sales services, net sales were ¥96mn (up 28.7% YoY) and gross profit was ¥40mn (up 23.3%). Positive factors for earnings were robust sales of traditional core products such as dedicated printers to create barcode labels and supplies, as well as sales of large equipment such as material handling equipment. Inquiries regarding high priced, profitable large equipment were brisk amid a heightened need for automation among customers. As a result, device sale services posted a sharp net sales increase, far exceeding the initial forecast of a sales decline.

As well, the Company made solid progress with initiatives set out in its medium-term management plan. As well as making progress with linkages to external applications designed to save labor and core systems for B2B companies, it established a new personnel system and enhanced its internal organization.

#### Results for FY6/24

	FY6/23		FY6/24			
	Results	% of net sales	Results	% of net sales	Change	% of change
Net sales	1,853	-	1,977	-	123	6.7%
Cost of sales	899	48.5%	899	45.5%	0	0.1%
SG&A expenses	693	37.4%	731	37.0%	37	5.4%
Operating profit	260	14.1%	346	17.5%	85	32.8%
Ordinary profit	260	14.1%	346	17.5%	85	32.9%
Net profit	184	10.0%	252	12.8%	67	36.7%

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

## Results trends

## The equity ratio is at the high level of 85.3%. The current ratio and non-current ratio are both sound and at a level where there are no concerns about long- or short-term fund liquidity

### 2. Financial condition and business indicators

Looking at the Company's financial condition at the end of FY6/24, total assets increased by ¥291mn from the end of the previous period to ¥2,256mn. Current assets increased by ¥139mn from the end of the previous period to ¥1,860mn. The main factors were increases of ¥50mn in accounts receivable – trade due to higher net sales and ¥83mn in cash and deposits due to a recovery of funds. Non-current assets increased by ¥151mn from the end of the previous period to ¥396mn. This was mainly due to an ¥87mn increase in software to upgrade the basic functions of Logizard ZERO and adding new functions.

Total liabilities increased by ¥60mn from the end of the previous period to ¥331mn. The main factor was an increase in income taxes payable of ¥66mn, because the interim tax payment based on the previous year's final income tax was small in FY6/23. Net assets increased by ¥230mn from the end of the previous period to ¥1,924mn, because the Company posted net profit partially offset against the payment of dividends, resulting in a ¥211mn increase in retained earnings.

Looking at management indicators, the current ratio is 560.6% and the non-current ratio is 20.6%. Although the current ratio has declined by 73.5pp and the non-current ratio has risen by 6.2pp from the end of the previous period, FISCO considers both the current and non-current ratios to be at sound levels that would not cause issues with short- or long-term fund liquidity. The equity ratio remains high at 85.3%, although it declined 0.9pp from the end of the previous period. It can be understood from its financial statements that the Company is conducting management while taking into consideration financial soundness and liquidity of funds.

#### Balance sheet and management indicators

	(¥mn)		
	FY6/23	FY6/24	Change
<b>Current assets</b>	1,720	1,860	139
<b>Cash and deposits</b>	1,453	1,537	83
<b>Non-current assets</b>	244	396	151
<b>Total assets</b>	1,965	2,256	291
<b>Total liabilities</b>	271	331	60
<b>Current liabilities</b>	271	331	60
<b>Net assets</b>	1,693	1,924	230
<b>Retained earnings</b>	1,241	1,453	211
<b>Total liabilities and net assets</b>	1,965	2,256	291
<b>&lt;Main management indicators&gt;</b>			
<b>Equity ratio</b>	86.2%	85.3%	-0.9pp
<b>Current ratio</b>	634.1%	560.6%	-73.5pp
<b>Non-current ratio</b>	14.4%	20.6%	6.2pp

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

## ■ Outlook

### **The Company is expecting continued sales and profit increase in FY6/25, expecting improved profitability on growth of cloud services despite being in an upfront investment phase**

For its FY6/25 results, the Company is forecasting increases of 12.0% YoY increase in net sales to ¥2,214mn, 15.6% in operating profit to ¥400mn, 15.6% in ordinary profit to ¥400mn, and 11.3% in net profit to ¥281mn. The outlook for the business environment remains favorable amid the heightened need for automation and growing interest in OMO marketing. In this context, the Company expects its mainstay cloud services business to continue performing strongly and forecasts a steep 41.1% YoY increase in sales of development and introduction services. The order backlog at the end of FY6/24 was a record high, which will also likely contribute to the increase in topline earnings. As a result, the Company expects net sales to grow at a higher rate than in FY6/24 on a consolidated basis. In terms of profit, the Company expects to improve profitability while investing more aggressively in hiring and training human resources and promotions by increasing the number of new accounts in profitable cloud services and appropriately controlling the increase in costs and SG&A expenses. It plans to respond appropriately to changes in the market, which will lead to earnings expansion by steadily implementing the initiatives set out in the medium-term management plan.

For cloud services, the Company is forecasting an 8.8% YoY increase in net sales to ¥1,702mn. The Company will continue to focus on acquiring new customers, mainly in the B2B business, while maintaining and steadily increasing its market share in the B2C business. It plans to make its services more competitive by strengthening optional functions, progress linkages to external apps, and promote response to OMO marketing, thereby increasing the number of new accounts while keeping cancellation rates stable at a low level.

The Company forecasts a sharp 41.1% YoY increase to ¥447mn in net sales of development and introduction services. As noted previously, toward the end of FY6/24, the problem of longer lead times was resolved by progressing function standardization and proposal streamlining. It plans to accelerate earnings expansion by responding quickly to each project at a time when customer inquiries are brisk. The Company won a large project with a long lead time in FY6/24, which will also likely contribute to earnings growth.

The Company is forecasting a 32.6% YoY decline in net sales of device sales services to ¥64mn. The outlook for lower sales is not a reflection of problems in business activities per se, but is mainly due to the dropout of sales of large equipment in FY6/24 and a reactionary downturn after steep growth in the previous period.

Establishment of new business departments to strengthen order acceptance and delivery and strengthening the product development structure will also likely contribute toward attaining the Company's forecast. It began investing upfront to expand its work force in FY6/23. As a result of having more human resources, the Company was able to establish independent departments responsible for the delivery and product development structures. Having formed an internal structure capable of continuing product development while expanding orders, the Company aims to accelerate its growth.

Outlook

Outlook for FY6/25

	FY6/24		FY6/25		YoY	
	Results	% of net sales	Forecast	% of net sales	Change	% of change
Net sales	1,977	-	2,214	-	237	12.0%
Operating profit	346	17.5%	400	18.1%	54	15.6%
Ordinary profit	346	17.5%	400	18.1%	54	15.6%
Net profit	252	12.8%	281	12.7%	29	11.3%

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

## Medium- to long-term growth strategy

**With a basic growth strategy of combining trendy products with high-contact service, the Company will make upfront investment in R&D and human resources to further expand results in the future**

### 1. Overview of the medium-term management plan

In August 2024, the Company unveiled a new medium-term management plan (FY6/25–FY6/26) in response to changes in the business environment and customer needs that have emerged since the COVID-19 pandemic and recent earnings trends. It is adjusted from the previous medium-term management plan on a rolling basis, but the basic policy is unchanged. It focuses on expanding business performance and increasing corporate value based on the basic strategy of combining trendy products with high-contact service. In the WMS market, there is a growing need for labor saving and automation as well as OMO marketing. The Company prioritizes as trendy products those that address WMS needs expanding to B2B, trend of using automation to make up for labor shortages, and integrating smart and online stores. It plans to invest upfront in R&D and product development, and in hiring and training personnel with a view to building services and structures that fulfill needs expected to grow in the future. “High-contact” here means that in business activities the Company’s employees are actively involved with customers and provide value to them. Sales and development employees will communicate closely with customers to provide support for their businesses. In order to further promote high-contact service, the Company will 1) build systems that make it possible to simultaneously deliver orders and develop products, 2) expand support systems, 3) systematize and schedule initial training for employees, whose numbers are increasing, and 4) create systems that enable employees to work with peace of mind.

The Company revised up its performance targets to reflect continued brisk performance of cloud services in FY6/24. In FY6/26, the final year of the medium-term management plan, the Company targets net sales of ¥1,896mn (up 21.2% from FY6/24; up ¥21mn from the previous announcement) and ordinary profit of ¥493mn (up 42.5%, up ¥59mn) for cloud services. As well, it aims to increase its work force to 157 in FY6/27 to strengthen its structure. We at FISCO see a potential upside to the profit forecast, because the direction of the medium-term management plan reasonably reflects changes in the external environment, cloud services are a profitable and stable earnings foundation, and unit prices are likely to rise amid the uptick in B2B projects.

Medium- to long-term growth strategy

**2. Specific trends and response policies**

**(1) WMS needs expanding to B2B**

In order to accommodate increasing needs for OMO marketing among B2B companies, the Company will search for and make available distinct B2B functions required by different workflows, from allocation methods to packing slips, shipping tags, SCM labels, serial shipping, and traceability, and will actively acquire customers among B2B companies. Background factors for this are brisk inquiries by B2B companies and the increasingly intense competition in the existing B2C market. To secure profits, the Company intends to enter B2B markets, where it can demonstrate its strengths and which have relatively less competition, while maintaining its share of the B2C market. In addition, it intends to grow into the standard WMS in the B2B market while determining how it will handle the industry standard EDI.

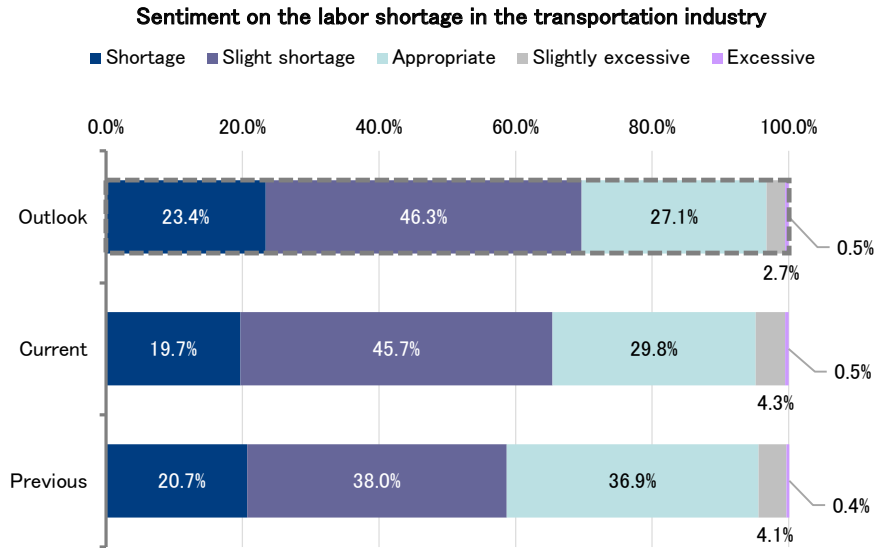
With regard to making available functions required by B2B, the Company is creating functions in line with B2B workflows while collaborating with customer companies. Most recently, the Company added pick-up in store and store shipment functions for online orders to Logizard ZERO-STORE as standard functions. It also began API linkage with Akinaikurabugyo Cloud by linking with core systems for B2B companies. The Company initially started a B2B business whose mainstay service was a WMS for the apparel industry. With this experience, we assume that the Company is fully capable to creating systems suited to B2B services. The number of services introduced by B2B customers is on the increase, including the introduction of Logizard ZERO by Bed & Mattress, whose logistics warehouse shipping capacity grew by more than 500%.

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

The Company intends to continue to 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 AI logistics robots and 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 in November 2023, the percentage of respondents replying that they had a shortage or a slight shortage of labor from July to September 2023 worsened by 6.7pp compared to the previous survey (April to June 2023) to 65.4%. With regards to the future outlook as well, 69.7% answered that they anticipated having a shortage or a slight shortage, so the labor shortage is expected to continue for the present. Given this outlook, the Company intends to increase its appeal to customers by enhancing functions and options that contribute to their labor savings and automation. It recently began linkage with gross profit maximization tool “LTV-Zaiko,” which sharply reduced the time it takes to obtain and collate inventory data. In this way, the Company is aggressively pursuing linkage with external systems that help customers improve efficiency of business operations or introduce automation.

\* 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.

Medium- to long-term growth strategy



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

**(3) Integrating increasingly smart stores with online stores**

With increasing interest in OMO marketing and increasing focus on inventory management methods to make it possible, the Company will accelerate its OMO response. Specifically, by expanding API\* linkage with other companies' products, and by organizing and making available functions required by OMO marketing, the Company intends to promote development of Logizard ZERO-STORE and Logizard OCE and win orders for them. In FY6/24, the Company continued to grasp and gather customer needs for OMO marketing and incorporate them on the function side. The Company will continue to help customers further optimize inventory management and improve the quality of consumers' shopping experience by focusing on strengthening and expanding functions while understanding customers' needs.

\* API (Application Programming Interface) refers to the connecting interface that connects software and applications. By connecting API with the products of other companies, the user can use functions that are not installed on its own company's systems, such as software and applications.

In addition to these various product measures, the Company intends to focus investment to enhance its internal organization and personnel system so it can continue to deliver high-contact service. Based on this policy, it established a new personnel system in FY6/24 that allows employees to feel safe in their work. The Company seeks to improve employee turnover and add depth to its human resources by enhancing its personnel system while hiring new employees. As its work force expands, the Company established the Solution Department responsible for order acceptance and delivery, and Product Service Department responsible for product development.

Along with these measures, the Company will actively continue sales promotion activities. In order to accommodate customers with warehouses in outlying regions and customers spread out across the country, the Company has actively carried out online sales promotion activities since before the pandemic. It has accumulated expertise in online customer acquisition and sales activities based on this experience. It will also hold offline events. These events are sales opportunities where new customers can be expected to be acquired, with existing customers attending the events together with prospective customers, for example. Offline communication can also be considered important from the perspective of grasping customer needs and reflecting them in R&D.



## ■ Shareholder return policy

### **Dividend payments conducted since FY6/22. For FY6/25, the Company forecasts dividends of ¥18.00 per share**

Having expanded its business base, the Company has acquired the potential to secure stable earnings while working for business growth going forward through investment in human resources and products, so in FY6/22 it paid a dividend. The Company paid a dividend of ¥14.95 per share in FY6/22 and ¥12.00 per share in FY6/23. For FY6/24, it is expecting to pay a dividend of ¥16.00 per share, and for FY6/25, a dividend of ¥18.00 per share.

The Company plans to continuously return profits to shareholders in order to further increase its corporate value. It has a basic policy to pay a dividend with a dividend payout ratio of 20% or higher, while considering its financial condition and the state of internal reserves.

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

## Disclaimer

FISCO Ltd. ("FISCO") offers stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)