

Logizard Co., Ltd.

4391

Tokyo Stock Exchange Growth Market

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Summary

Adoption among B2B companies steadily expanding. MRR posts record-high growth

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 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 subscription-based earnings model. The earnings foundation of these services is stable, and they are also highly profitable (in FY6/25, cloud services provided 79.2% of sales).

1. Overview of 1H FY6/26 results

In the 1H FY6/26 results, net sales increased 4.6% year on year (YoY) to ¥1,157mn, operating profit fell 33.4% to ¥174mn, ordinary profit was down 32.9% to ¥176mn, and net profit was down 35.7% to ¥125mn. Net sales, operating profit, and net profit are all generally progressing according to plan, indicating stable growth. On the profit front, while profits declined due to proactive investment in human resources, the Company’s mainstay cloud services drove results, and MRR* reached ¥159mn (up 10.3%), marking the highest growth on record. Progress against the full-year budget also reached 59.3%. This benefited from growth in usage-based billing accompanying an increase in the number of shipments and from broader adoption among B2B companies, mainly mid-sized firms. Amid continued proactive investment, the expansion in MRR in the immediate term represents a solid start toward accelerating growth.

| * Abbreviation for Monthly Recurring Revenue. Refers to revenue earned continuously on a monthly basis. |

2. FY6/26 forecasts

For its FY6/26 results, the Company is forecasting a 12.1% YoY increase in net sales to ¥2,439mn, a 12.9% decrease in operating profit to ¥355mn, a 13.0% decrease in ordinary profit to ¥356mn, and an 8.6% decrease in net profit to ¥258mn. In the business environment, conditions remain favorable, backed by the expansion of demand for cloud-based WMS* into the B2B domain. The Company’s core cloud services continue to perform well, and net sales are expected to increase through redesigning of business processes intended to increase customer-facing work hours and through improving operational efficiency. The growth rate is also expected to exceed that of FY6/25. On the profit front, the Company expects profits to decline due to upfront investments in introducing AI and other advanced technologies, reforming business processes, strengthening security, developing human resources, and enhancing investor relations. However, it expects to ensure profitability by increasing the number of new accounts in profitable cloud services and appropriately controlling the increase in cost of sales and SG&A expenses. Given that MRR posted record-high growth in 1H and budget progress has been broadly on target, FISCO sees an increasing likelihood that the full-year plan will be achieved.

| * Abbreviation for Warehouse Management System. |

Summary

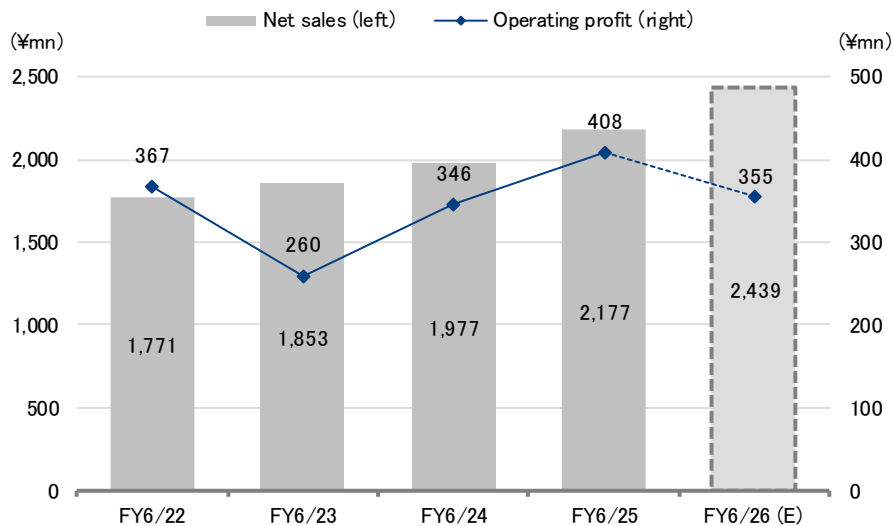
3. Overview of the medium-term management plan

The Company is aiming to expand earnings and enhance corporate value, with “following the trend and high-touch service” as its basic growth strategy. Specifically, against a backdrop of rising needs for logistics digital transformation (DX) and automation/labor-saving, the Company positions the following three areas as its pillars of growth: (1) strengthening efforts towards B2B companies, (2) providing an application platform through a co-creation model, and (3) investing in human resources to promote high-touch service. In particular, the Company will endeavor to further strengthen its earnings foundation by expanding its business focus into the B2B domain, where inquiries are brisk, while maintaining its share in the increasingly competitive B2C market. Furthermore, it intends to accelerate the pace of sales growth by launching new services with an eye on its next medium-term management plan. As a foundation to support the foregoing, the Company will also promote the expansion of its workforce and the further development of its internal human resources systems. Through various measures, in the plan’s final fiscal year of FY6/28, the Company will target net sales of ¥3,113mn (up 43.0% from FY6/25) and operating profit of ¥539mn (up 31.8%). It also aims to increase its workforce to 177 in FY6/28.

Key Points

- In 1H FY6/26, MRR reached a record high due to robust cloud services
- In FY6/26, the Company expects a decline in profits due to upfront investments, but aims to increase net sales by developing the B2B domain
- The Company targets net sales of ¥3,113mn and operating profit of ¥539mn by FY6/28

Results trends



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, the Company has provided WMS to customers via the cloud

1. Company profile

The Company was founded in 2001 in Saitama Prefecture in order to develop and sell WMS. The Company's name is a portmanteau of logistics and wizard and incorporates the idea of "striving to contribute to the 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. Since then, the Company has expanded its target domains by reflecting worksite needs into its systems, and currently provides services via the cloud to customers in a wide range of industries.

Going forward, the Company's policy is to accurately capture the new needs that have emerged since the COVID-19 pandemic to expand its earnings. Specifically, against a backdrop of rising needs for logistics DX and automation/labor-saving, the Company will incorporate the new trends into its business performance, such as (1) strengthening efforts towards B2B companies, (2) providing an application platform through a co-creation model, and (3) investing in human resources to promote high-touch service. To achieve this, the Company will invest upfront in product development and hiring and training personnel, endeavoring to further strengthen 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

Offers three services, cloud services, introduction support, and device sales, with its primary focus on its mainstay cloud services

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 at the end of 1H FY6/26, cloud services provided 79.6%, development and introduction services 16.6%, and device sales services 3.8%. 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. 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 management system (WMS)

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 the management of all of the movements of products from deliveries through to shipments, returns and movements on shelves in warehouses with the use of barcodes, it realizes "accurate inventory management," "prevention of erroneous shipments," and "the improved efficiency and standardization of work in warehouses."

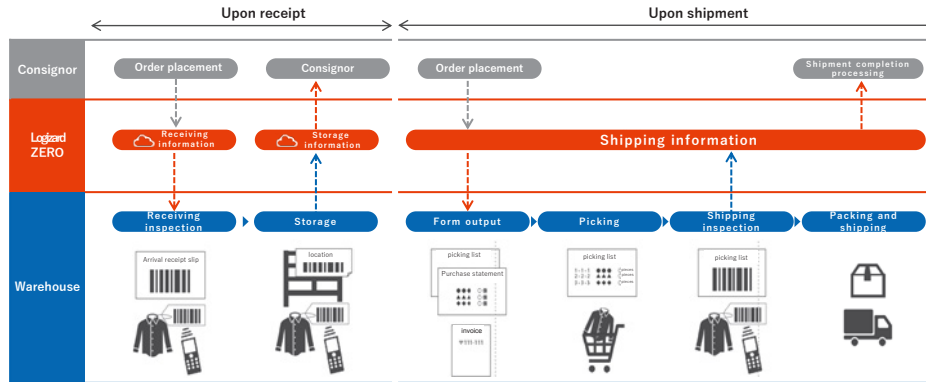
The main functions of this system are many and diverse, including a function to coordinate with materials handling and logistics robots in order to realize improved efficiency and labor saving at logistics worksites, a product management function that manages expiration dates and other items, a function to manage goods packaged together that improves the accuracy and efficiency of repeat online sales, an inventory and status-inquiry function that enables inventory inquiries from storage locations and products, a security-compatible function that can manage password logins and related matters, and a store inventory management function linked with the Logizard ZERO-STORE store inventory management system. 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 barcode readers as an option, and is working to strengthen its products by adding optional functions as appropriate to improve customer convenience.

The strengths of this service are enhanced support through a dedicated support team that enables speedy introduction in a minimum of one month and a high level of compatibility with 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 providers that need to meet the short lead-time requirements of shippers, a formidable appeal point is the Company's implementation capability that enables steady operation up to the specified shipment date. Most recently, in April 2025, the Company began strengthening collaboration with YE DIGITAL <2354>'s MMLogiStation warehouse automation system, as one of its ongoing efforts to enhance convenience through external collaboration.

One specific instance of usage that can be cited is picking operations based on e-commerce orders. The system instantly specifies the exact storage location (shelf number, etc.) and the delivery destination for the relevant product to make accurate and speedy shipping operations possible.

Company profile

Logizard ZERO coverage areas



Source: The Company's business plan and materials on growth potential

(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 tool. The analysis tool enables the automatic aggregation and analysis of net sales in stores, and assists with the planning of sales strategies.

Inventory management and POS cash register are provided as functions optimized for the administrators (head office) and the business offices (stores), respectively. The tool helps the head office conduct overall optimization through the integrated management of inventory, sales, and stocktaking data for the various stores. Meanwhile, on the store side, it provides access to a sales and inventory registration function using smartphones and a function for inquiring about the inventories of other stores in real time. This enables both prompt responses to customers during service interactions and improved efficiency in store operations. A specific instance of usage is enabling staff to check inventory on a smartphone when consumers inquire about product availability and, if items are in stock, pinpoint the shelf location in the stockroom.

POS cash register is provided via linkage to the payment work support service using tablet devices. In addition to basic cash register functions, it is equipped with functions 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 linked to peripheral devices like receipt printers and handy terminals, and is notable for being highly versatile. Because it does not require an expensive dedicated POS cash register and can be introduced inexpensively on tablet devices, the introduction barrier is also low for small- and medium-sized companies. In September 2023, the Company began linking with Smaregi, a highly functional cloud POS cash register app. Similar to the Company's other services, it can be introduced in a short time and has an enhanced support structure, which are some of the reasons why customers support it.

(3) The Logizard OCE OMO support system

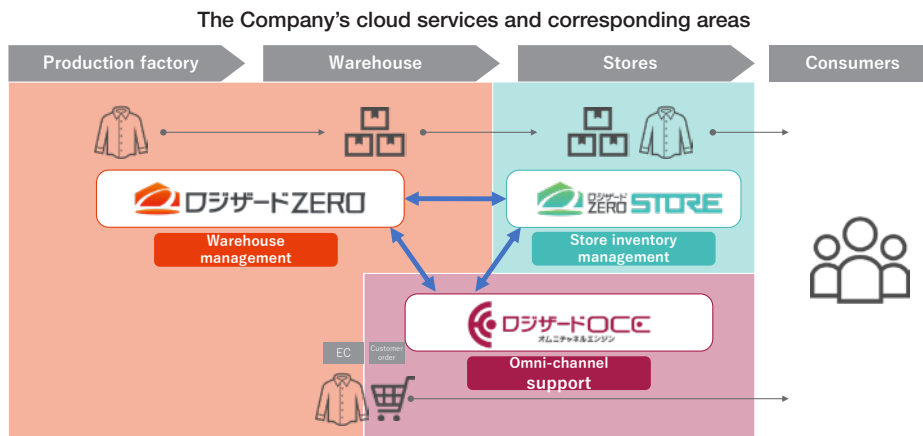
Logizard OCE is a product that supports customers' omni-channelization*. By linking it to the Company's Logizard ZERO and Logizard ZERO-STORE, inventory data at stores and warehouses can be integrally managed to realize optimized shipping and deliveries for each customer. Specific use cases that can be cited include operations that reconcile inventory status across all locations in real time when e-commerce orders are placed and automatically determine the shortest and most efficient delivery route (store shipment or warehouse shipment).

* 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 consumers can purchase products via any channel provided by the seller, regardless of whether online (e.g.: online shops) or offline (e.g.: actual stores), without worrying about the number of items in stock, point cards, etc., providing a seamless purchasing experience.

Company profile

By integrally managing inventory, the system contributes to the smooth management of an omni-channel strategy that comprehensively utilizes multiple channels. Also, another feature is that similar functions can be utilized even when connected to the WMS provided by other companies. It seems that needs for OMO* are rising, and amid these conditions, we at FISCO think that demand for this system will continue to be strong.

* Abbreviation for Online Merges with Offline. A seamless marketing approach that integrally manages customer data across online (e-commerce) and offline (physical store) channels.



Source: The Company's business plan and materials on growth potential

(4) Fees system and sales channels

Regarding the fees system, the mainstay Logizard ZERO service employs a fixed monthly fee or a usage-based fee system. The peripheral Logizard ZERO-STORE and Logizard OCE services employ a fixed monthly fee system. This lets customers select services based on the characteristics of their own or their shippers' business. For linkage with external systems, utilizing apps provided by application partners enables rapid system linkage without additional development by adding only an optional fee. This earnings model achieves a stable earnings base with cloud services while allowing upselling through the provision of options.

The sales channels include direct sales by the Company and sales activities through partners. Partners are divided into application partners that develop and sell systems linked to the Logizard series, and sales partners such as agencies. Application partners include companies developing e-commerce support systems and order management systems, such as GMO MAKESHOP Co., Ltd. In 1H FY6/26, the Company also partnered with OBIC Business Consultants <4733> and realized expanded sales channels through OBIC Business Consultants' nationwide network of approximately 3,000 secondary distributors.

The Company is introducing unique systems as a way to capture customers, including exhibitions, online advertising, and a referral system called Introduction Partner. In particular, seminars and exhibitions are also available to existing customers as opportunities to gather information, and are contributing to the creation of points of contact with other customers. In addition, backed by its track record of WMS introductions, the Company also receives many inquiries via its website.

In addition, as a response to warehouse demand, the Company provides Logizard Matching, a free service that provides referrals to logistics and warehousing companies. FISCO favorably recognizes this as an initiative to secure early touchpoints with potential customers and as a measure that will contribute to future customer acquisition.

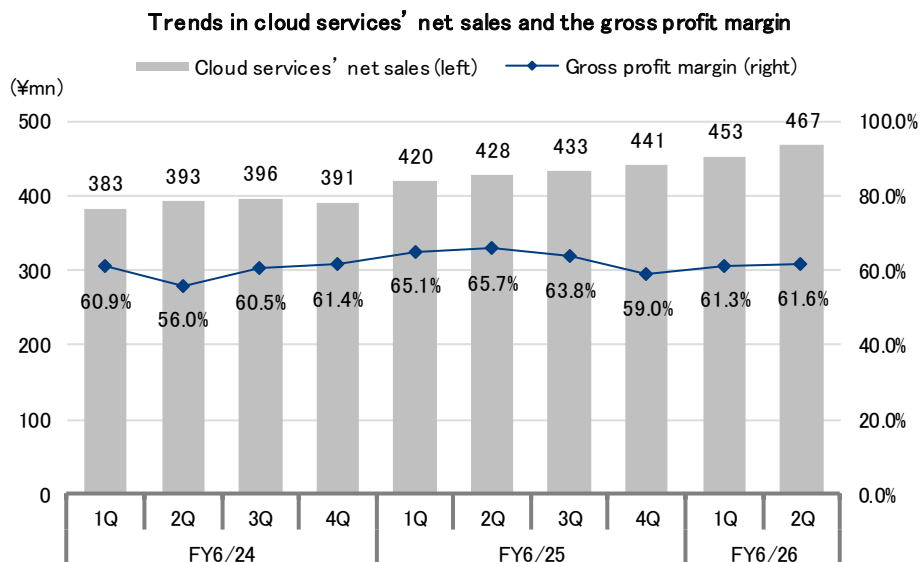
Realizing a low cancellation rate and steady accumulation of MRR by leveraging short delivery times, low prices, and high-quality services

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 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 through the 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.

Also, the ability of the Company to stably generate earnings through adopting a subscription model could also be called one of its features. Net sales from the Company's mainstay cloud services have continued to grow uninterrupted, reaching ¥467mn in 2Q FY6/26. Its gross profit margin also peaked at 65.7% in 2Q FY6/25 and remains at the high level of 61.6% in the current 2Q FY6/26 as well.

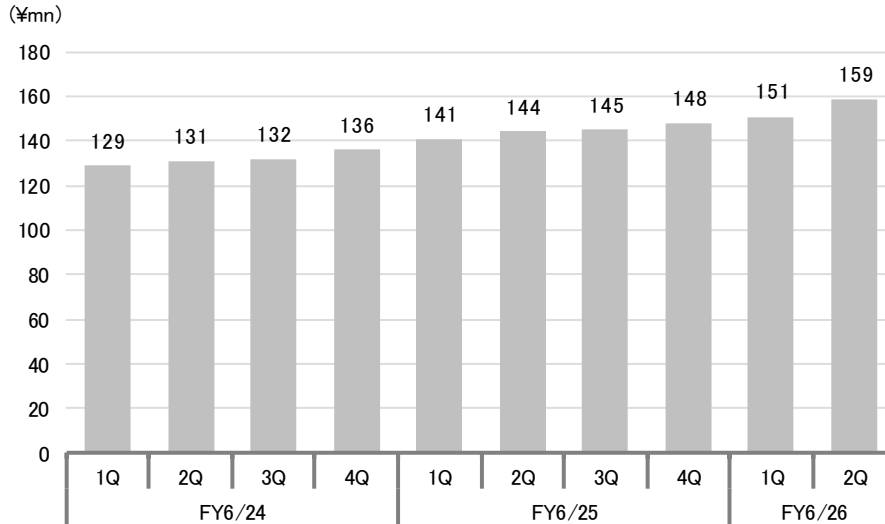
In particular, MRR, a key indicator, has been steadily accumulating through the acquisition of new accounts and expanded usage by existing customers. In 2Q FY6/26, it reached ¥159mn, posting record-high growth. The Company continuously upgrades the versions of its products so that they reflect customers' 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.



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

Company profile

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 taking root 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 promote 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 White Paper on Small and Medium Enterprises, in the 2023 edition of the publication, 69.4% of the companies responded that they had not employed IT or digital personnel within the most recent year, and 20.7% responded that there was a shortage of such personnel. Additionally, in the 2025 edition, even among companies that answered that they were "in a state of shifting from analog conditions to a business environment in which digital tools were used," 51.2% of respondents said that they lacked personnel to promote DX. 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 introduced via the cloud with ease and are accompanied with 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.

* Issues identified by the Ministry of Economy, Trade and Industry (METI) in the "DX Report" of 2018. Refers to a situation where, if Japanese companies' IT systems remain outdated and the shortage of IT personnel persists, annual economic losses of up to ¥12tn could occur from 2025 onward.

Results trends

In 1H FY6/26, MRR reached a record high due to robust cloud services

1. Overview of 1H FY6/26 results

In the 1H FY6/26 results, net sales increased 4.6% YoY to ¥1,157mn, operating profit fell 33.4% to ¥174mn, ordinary profit was down 32.9% to ¥176mn, and net profit was down 35.7% to ¥125mn. Net sales, operating profit, and net profit were generally according to plan and showed steady growth.

MRR was ¥159mn (up 10.3% YoY), recording the highest growth on record. The progress rate versus the full-year budget rose 42.5 percentage points (pp) from 1Q to 59.3%. This primarily owed to growth in usage-based billing accompanying an increase in the number of shipments and to the steady expansion of adoption among B2B companies, mainly mid-sized firms.

With regard to KPIs, from FY6/26, the Company changed its disclosure policy to stop disclosing the number of accounts and instead disclose trends in cloud services' net sales and MRR. This is because unlike conventional B2C projects, B2B projects differ in acquisition speed and pricing levels, and for that reason, growth in the number of accounts is increasingly not moving in tandem with increases in cloud services' net sales and MRR. FISCO believes this is a rational disclosure policy that takes into account qualitative changes in the business portfolio and more appropriately shows the actual state of growth.

The churn rate remains at a low level of around 1%. Also, the few reasons for cancellations are attributable mainly not to dissatisfaction with the product but to changes in shippers' logistics structures. The Company's WMS is frequently introduced at warehouses and 3PL providers. It is structured such that, if a shipper changes its logistics contractor, the system used at that warehouse is also terminated. In short, the majority of the primary causes of cancellations are attributable to external factors, an example being warehouse relocations, rather than to competitive factors, examples of which are price competition and lack of functionality. A sustained low churn rate can be positively recognized as evidence of the strong competitiveness of the product itself.

Additionally, the number of shipments and the number of units shipped from Company systems are also on an upward trend. In 1H FY6/26, the number of shipments was 53 million (up 12.9% YoY), and the number of units shipped was 859 million (up 11.1%). Both an increase in e-commerce orders associated with seasonal events and an expansion in the number of operating worksites resulting from new orders contributed. An increase in shipment-related indicators aligns well with the usage-based billing model and is important as evidence of genuine demand underpinning MRR expansion. The simultaneous expansion of the user base and increased usage suggest substantive business expansion that does not rely on price increases.

Results trends

By service, net sales of the mainstay cloud services were ¥921mn, up 8.5% YoY, with progress against budget at 48.3%. This mainly owed to strong progress in acquiring new accounts, and steady expansion of recurring revenue drove overall results. The gross profit margin temporarily declined at the end of the previous fiscal year due to the deployment of new human resources. However, it recovered as those human resources became fully productive. Regarding headcount planning, the Company reviewed its hiring processes and methods, organized information on recruitment channels and enhanced its dissemination, and conducted channel-specific analysis by visualizing data from application through passing the selection. This served to advance the efficiency of hiring activities and established a pathway to achieving targets. Going forward, the challenge will be to maintain this momentum while making continuous improvements and tying them into results that exceed the plan. Net sales of development and introduction services were ¥192mn, down 6.4%, and the budget progress rate was 41.6%. At B2B companies, prolonged decision-making cycles are creating delays in project start times, which is having an impact. Additionally, limited additional development due to the slowdown in growth in existing customers' industries was also a negative contributor to net sales. However, after entering 2Q, the definition of requirements for large-scale projects has begun to increase, and the project pipeline is getting on track. Going forward, the Company intends to promote development of functions for B2B projects and to entrench and accelerate this momentum. Net sales of device sales services were ¥43mn, down 16.6%, and the budget progress rate was 64.2%. Due to a reactionary decline from large-scale project device sales that occurred in the previous fiscal year, net sales and profits decreased on a year-on-year basis.

Cost of sales increased 6.6% YoY, reflecting the continued proactive securing of human resources and investments to strengthen security. Looking at the breakdown, labor costs increased 4.2% due to strengthened human resources, while outsourcing costs decreased 2.0%, essentially remaining flat. Server expenses increased 29.5% due to capacity additions in response to the growing number of accounts and investment in strengthening security, while other cost of sales increased 7.0% due to higher amortization expenses resulting from the accumulation of software assets, among other factors.

SG&A expenses increased 29.2% YoY. Looking at the breakdown, personnel expenses increased 45.4% due to strengthened human resources and the establishment of structures. Commission expenses increased 48.2% YoY against a backdrop of higher hiring expenses. Advertising expenses also increased 24.2% due to promotional activities and stronger IR. Research and development expenses increased 403.6% due to the development of new services, indicating that the Company is aggressively approaching R&D investment for future growth. As a result of these upfront investments, operating profit decreased 33.4%. However, as in 1Q, this reflected strategic investments eyeing the acceleration of growth. While there will be short-term pressure on profits, FISCO views this stage as being positioned as laying the groundwork toward achieving the medium-term management plan.

Overall, while continuing proactive investment in product development and human resources, the Company is engineering accelerated growth, and the growth in MRR in the immediate term is positioned as steady progress representing the initial stage in the path toward achieving the targets under the plan. Combining a buildup of recurring revenue with the expansion of usage-based billing is expected to simultaneously yield satisfactory earnings quality and growth rate.

Results trends

Results for 1H FY6/26

	1H FY6/25		1H FY6/26		YoY	
	Results	% of net sales	Results	% of net sales	Change	% of change
Net sales	1,106	-	1,157	-	50	4.6%
Operating profit	261	23.7%	174	15.1%	-87	-33.4%
Ordinary profit	262	23.7%	176	15.2%	-86	-32.9%
Net profit	194	17.6%	125	10.8%	-69	-35.7%

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

Promoting AI utilization platform-building and partnership strategy. Also initiated evolution of the Company's sales model

2. Topics

(1) Initiatives to improve operational efficiency utilizing generative AI

To use in-house data utilizing generative AI, the Company has prepared a local LLM* and built a platform for applying AI to real-world operations. It built an AI server internally, establishing an execution environment designed for the business use of generative AI. To verify applicability in business, it maintains an environment capable of handling data securely. Additionally, the Company is piloting specification-driven generative AI utilization based on specifications and requirements. Also, while still in the field verification phase, it has begun coding utilizing generative AI. In the future, improvements in development efficiency and operational efficiency are expected.

* Abbreviation for "Local Large Language Model." Refers to generative AI that runs on in-house servers or PCs, as opposed to cloud-based AI like ChatGPT. Can be used without sending data externally, making it suitable for operations that involve the handling of confidential information.

The Company's decision to opt for an on-premises environment rather than a cloud-based generative AI environment was based on data management considerations. While a shared cloud environment requires careful data handling, running AI on the Company's own servers enables its use without sending information outside. This enables the safe utilization of AI with guaranteed security. Given the Company's business characteristics of handling highly confidential internal data, this is a rational choice.

A specific example of an area of utilization is the efforts currently underway to ingest service and product manuals and use them in the form of an AI that handles internal inquiries. Furthermore, by training the AI on past customer support records, the Company will engineer improvement in the speed of responses to similar questions and issues. It is simultaneously promoting knowledge-sharing and the enhancement of operational efficiency by consolidating internal documents and business manuals and establishing an environment that enables quick reference to business-related questions and matters for confirmation. FISCO positively recognizes that utilizing local LLMs goes beyond a simple introduction of technology to constitute building a foundation that supports the enhancement of productivity and competitiveness, and that it is an initiative that will contribute to the improvement of earning power over the medium to long term.

Results trends

(2) Initiatives aimed at service awareness and the expansion of sales channels

The Company is promoting its partner strategy as a growth model and is focusing on strengthening its structure in order to acquire new projects. As a specific measure, it entered into a BSP (Bugyo Solution Partner Program) agreement with OBIC Business Consultants Co., Ltd. This has enabled the Company to expand sales channels for its mainstay product, Logizard ZERO, through OBIC Business Consultants' nationwide network of approximately 3,000 secondary distributors. In addition to the Company's independent sales activities, leveraging an already-established sales network is expected to expand reach and improve the efficiency of project acquisition.

Furthermore, by concluding a basic business partner agreement that enabled the Company to distribute OBIC Business Consultants' Bugyo Cloud Series, the two parties established a relationship in which both of them can mutually propose products. The newfound ability to offer solutions to clients from a holistic perspective across entire business systems goes beyond a simple expansion of sales channels and also contributes to enhancing the sophistication of proposal capabilities. Going forward, the Company will aim to accelerate the stable and sustained acquisition of projects by expanding similar initiatives and establishing a sales expansion structure centered on partner collaboration.

(3) Progress in sales activities aimed at expanding orders and policy going forward

In light of changes in the business environment, the Company has begun to evolve its sales model. With SaaS as its starting point, the Company will proceed to make inroads into higher value-added proposal areas. In the B2B domain, customer needs are becoming more sophisticated and individualized. For large-scale projects in particular, proposals are required to demonstrate deeper operational understanding and more individualized handling than before. In response to this change, the Company is reviewing the content of its sales activities and the scope of its proposals.

In the immediate term, the sophistication of sales approaches is gradually increasing opportunities for involvement in upstream processes. The definition of requirements is underway in multiple large-scale projects, and the fact that roles are expanding from simple product-implementation proposals to involvement in the business design phase is a crucial one. By expanding proposal areas, the Company will build a foundation for medium- to long-term growth as well as engineer the creation of opportunities to receive orders. The ongoing acquisition of earning opportunities through deeper customer relationships, not just short-term results, is forming the core of its sales strategy.

(4) Status of progress in product development

Anchored by a solid technology foundation, the Company is endeavoring to further enhance reliability and operational stability while simultaneously advancing functionality development to enhance the user experience (UX) and serve the B2B domain. In 1Q, the Company focused on enhancing reliability and stable operation. In 2Q, it further strengthened that foundation as well as worked to improve ease of use from the user's perspective. Additionally, with an eye to future business expansion, it has begun building necessary functions, including B2B-specific management functions, and is endeavoring to balance strengthening existing value with creating new value.

For Logizard ZERO-LINK, the Company is working on strengthening the structure and mechanisms that enable stable operation to be maintained even during sudden surges in the number of shipments. It implements additional modifications as needed to avoid disrupting customers' shipping operations, and focuses on improving the reliability of its service platform. For the B2B domain, the Company is advancing development efforts that factor in domain-specific management functions, and plans functionality enhancements with a view to full-scale rollout.

Results trends

For Logizard ZERO, it implemented search criteria saving and screen display selection functions, making it possible to preregister and call up detailed search criteria. Moreover, with handy terminal screen function display order settings, display position and order can now be customized per user according to the functions they use. The fixed location display function allows location displays to be registered as arbitrary strings corresponding to designated storage locations for each product, which helps to accelerate operations and enhance management efficiency. The incoming delivery sign issuance function enables report output at the line-item level based on incoming delivery inspection information, and promotes its utilization at the worksite. Furthermore, the picking inspection function has realized picking inspection with a single handy terminal, promoting a shift away from dependency on paper media. In addition, the Company has implemented a handy terminal partial incoming delivery registration function, enabling the registration of planned partial incoming deliveries using handy terminals. These can be positively recognized as improvements that directly link to the enhanced efficiency of worksite operations and reduced workload, and as tangible outcomes of UX enhancement.

(5) Newly obtained SOC 2 Type 2 report

For its Logizard ZERO cloud WMS, the Company announced that, following SOC 2 Type 1, it obtained a SOC 2 Type 2 report in February 2026. SOC 2 is an assurance report that evaluates an organization's internal controls based on the American Institute of Certified Public Accountants' Trust Services Criteria. It comprises five categories, including Security as mandatory, together with Availability, Processing Integrity, Confidentiality, and Privacy.

While Type 1 evaluates the design and implementation status of internal controls at a specific point in time, Type 2 evaluates whether they were suitably designed and implemented and operated effectively over a specified period. Obtaining a Type 2 report as the Company did demonstrates that ongoing operation and improvements are being implemented as opposed to one-off measures. The Company manages information security not through temporary measures, but under an organizational, reproducible structure. Going forward, it will continue to review internal controls and improve their operation as it strives to provide highly reliable services.

The equity ratio is at a high level of 88.4%. The current ratio and non-current ratio are also both sound

3. Financial position and business indicators

Looking at the Company's financial position at the end of 1H FY6/26, total assets decreased by ¥3mn from the end of the previous fiscal year to ¥2,573mn. Current assets decreased by ¥81mn to ¥1,966mn. This was mainly due to a decrease in cash and deposits resulting from payments of bonuses and dividends, which offset an increase in accounts receivable - trade accompanying higher sales. Non-current assets were ¥606mn, up ¥78mn. This was due to an increase in intangible assets, particularly software, accompanying strengthened product development. The upgrade of Logizard ZERO's basic functions provides the backdrop here, suggesting that development investment is being actively pursued in order to strengthen future competitiveness.

Total liabilities were ¥297mn, down ¥102mn from the end of the previous fiscal year. Current liabilities were ¥291mn, down ¥108mn, mainly due to a decrease in accrued expenses resulting from the payment of accrued bonuses. Meanwhile, non-current liabilities were ¥5mn, up ¥5mn. This was due to the recognition of long-term lease liabilities under lease agreements. Net assets were ¥2,275mn, up ¥98mn. This was mainly due to an increase in retained earnings resulting from the recognition of net profit. It can be positively recognized that the decrease in liabilities and increase in net assets are further elevating the stability of the financial base.

Results trends

Looking at management indicators, the current ratio rose 162.0pp from the end of the previous fiscal year to 674.4%, and the non-current ratio rose 2.3pp to 26.6%. Both ratios remain at sound levels, and there are no issues with short- or long-term fund liquidity. The equity ratio also remains high at 88.4%, having risen 3.9pp. 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)		
	End of FY6/25	End of 1H FY6/26	Change
Current assets	2,048	1,966	-81
Cash and deposits	1,707	1,590	-116
Non-current assets	528	606	78
Total assets	2,576	2,573	-3
Total liabilities	399	297	-102
Current liabilities	399	291	-108
Net assets	2,176	2,275	98
Retained earnings	1,680	1,737	57
Total liabilities and net assets	2,576	2,573	-3
<Main management indicators>			
Equity ratio	84.5%	88.4%	3.9pp
Current ratio	512.4%	674.4%	162.0pp
Non-current ratio	24.3%	26.6%	2.3pp

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

■ Outlook

In FY6/26, the Company expects a decline in profits due to upfront investments, but aims to increase net sales by developing the B2B domain

For its FY6/26 results, the Company is forecasting a 12.1% YoY increase in net sales to ¥2,439mn, a 12.9% decrease in operating profit to ¥355mn, a 13.0% decrease in ordinary profit to ¥356mn, and an 8.6% decrease in net profit to ¥258mn. The business environment continues to be favorable, backed by factors such as the expansion of demand for cloud-based WMS into the B2B domain. Amid this, the Company's core cloud services continue to perform well, and net sales are expected to increase through redesigning business processes aimed at increasing customer-facing work hours and improving operational efficiency. The growth rate is also expected to exceed that of FY6/25. In terms of profit, the outlook is for a decrease due to the introduction of AI and other advanced technologies, the strengthening of security, fundamental reforms of business processes, active investment in human capital including human resource development, and investment in IR activities. The Company expects to ensure profitability by increasing the number of new accounts in profitable cloud services and appropriately controlling the increase in cost of sales and SG&A expenses. It plans to respond appropriately to changes in the market and tie that response into earnings expansion by steadily implementing the initiatives set out in the medium-term management plan.

Outlook

By service, net sales from cloud services are expected to increase 10.7% YoY to ¥1,908mn, net sales from development and introduction services are expected to increase 26.6% to ¥462mn, and net sales from device sales services are expected to decrease 20.7% to ¥69mn. The Company will continue to steadily maintain and expand its share in the B2C market, while actively acquiring new customers in the B2B market, which has significant growth potential. The strategy is to further enhance service competitiveness by strengthening optional features, promoting integration with external apps, and advancing OMO support, thereby steadily increasing the number of accounts while keeping the churn rate low and stable. In addition, the Company will focus even more on new business development utilizing data obtained from existing service lines and strengthening API integration with third-party products. Given that strengthening API integration with third-party products is an effective strategy to simultaneously increase optional revenue and improve customer convenience, the Company is considering not only business alliances but also M&A and capital alliances. For M&A, the Company is hiring dedicated personnel as it pursues a stronger organizational framework. Regarding service pricing, the Company does not plan simple price increases, but aims to grow sales by expanding its target to the B2B domain. B2B customers are large in scale. Depending on the usage environment, high unit-price orders can also be secured. In the immediate term, although personnel expenses are rising due to the strengthening of human resources and establishment of structures, given that by nature, cloud services see marginal cost declines as the customer base expands, FISCO's view is that these expense increases can be fully absorbed through economies of scale.

In addition, securing personnel responsible for implementation is essential for expanding MRR, and the Company is strengthening its organizational foundation through ongoing recruitment and training. For FY6/26, the Company plans to hire 10 engineers and 10 corporate/sales staff, for a total of 20 new hires, and will continue to strengthen its workforce thereafter. It takes a certain amount of time and cost for new hires to become independent and fully operational, but the expansion of the training system is improving efficiency and contributing to the enhancement of future growth potential. Until now, hiring has focused mainly on younger employees, but for FY6/26, the Company will also strengthen the hiring of mid-career personnel. This is expected to further strengthen the medium- to long-term organizational structure. Although initiatives such as the introduction of advanced technologies, fundamental reform of business processes, and investment in human resources may temporarily weigh on profits, FISCO sees these not as mere losses but as strategic and essential investments for future profit expansion and sustainable growth.

From 2H FY6/26 onward, citable areas of focus are the sophistication of resource planning and project management, as development and introduction projects are entering the order intake phase. As projects become more complex with a focus on the B2B domain, the Company will endeavor to improve productivity through appropriate staffing. For cloud services, it will continue to acquire customers while steadily continuing existing initiatives, with no particular initiatives skewed to 2H. In 1H FY6/26, MRR achieved record-high growth. With the budget progress rate tracking roughly according to plan, FISCO believes the likelihood of achieving the full-year forecasts is increasing.

FY6/26 forecasts

	(¥mn)					
	FY6/25		FY6/26		YoY	
	Results	% of net sales	Forecast	% of net sales	Change	% of change
Net sales	2,177	-	2,439	-	261	12.1%
Operating profit	408	18.7%	355	14.6%	-53	-12.9%
Ordinary profit	409	18.8%	356	14.6%	-53	-13.0%
Net profit	283	13.0%	258	10.6%	-25	-8.6%

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

■ Medium- to long-term growth strategy

The Company targets net sales of ¥3,113mn and operating profit of ¥539mn by FY6/28

1. Overview of the medium-term management plan

The Company is advancing its medium-term management plan aimed at expanding business scale and accelerating performance through active investment in product development and human resources. It maintains its basic policy of endeavoring to expand earnings and enhance corporate value with its adopted basic growth strategy of “following the trend and high-touch service.” In this context, “high-touch” refers to a service that, through close one-to-one communication with customers, carefully identifies and understands their challenges and requests and provides support optimized to their individual needs. In the final fiscal year, FY6/28, the Company has set targets of net sales of ¥3,113mn (up 43.0% from FY6/25), operating profit of ¥539mn (up 31.8%), and MRR of ¥209mn (up 40.5%).

For net sales, the Company will tackle the steady expansion of MRR by strengthening initiatives for B2B companies, with cloud services playing a leading role. Moreover, the Company will launch new services during the current medium-term management plan period with an eye toward the period of the next plan, and will facilitate an increase in contract development sales and the acceleration of its growth pace by meeting diverse customer needs. Regarding operating profit, for FY6/26, the Company expects a temporary decrease in profits due to accelerated investment in talent acquisition. However, from FY6/27 onward, it plans to increase revenue and improve profit margins as hired personnel become fully productive. For MRR, in addition to projects from conventional B2C companies, the Company anticipates a steady buildup of MRR by acquiring B2B company projects.

The direction of the new medium-term management plan appropriately reflects changes in the external environment. Given the establishment of a highly profitable and stable earnings foundation through cloud services, the prospect of higher unit prices per customer accompanying the increase in B2B projects, and other factors, medium- to long-term growth is anticipated.

Medium- to long-term growth strategy

2. Growth strategy

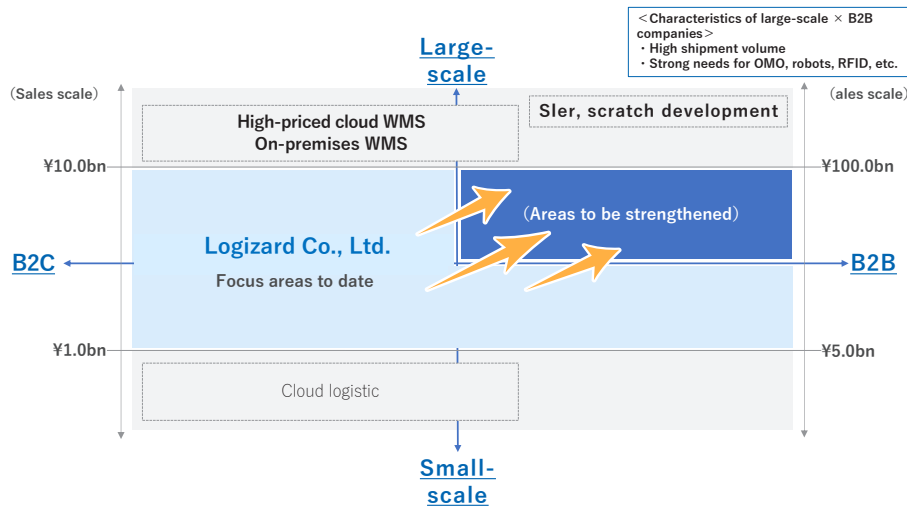
(1) Strengthening efforts towards B2B companies

Due to labor shortages caused by population decline and wage increases resulting from supply-demand tightening, companies are being required to pursue labor-saving and automation. At the same time, DX for productivity improvement is essential, but aging legacy systems are a hindrance to progress. Against this backdrop, focusing on the Ministry of Economy, Trade and Industry’s published data on “Trends in sales of wholesale, retail, and non-store retail (e-commerce) for April to June 2025,” retail sales in April–June 2025 totaled ¥3,867.9bn, slightly lower than ¥4,064.1bn in the same period of the previous year. Meanwhile, wholesale sales, which are B2B transactions, reached ¥11,617.3bn, expanding significantly from ¥10,901.8bn (in the same period of the previous year). Non-store retail has also steadily grown, a reflection of the diversification of purchasing channels and technological advancement, totaling ¥390.4bn versus ¥300.1bn (in the same period of the previous year). Viewing this shift in the environment as a favorable opportunity, the Company is leveraging its accumulated expertise to accelerate service deployment for B2B and B2C companies facing logistics 2024 issue*1 and legacy system challenges. In particular, the Company has set forth large-scale B2B companies with high shipment volumes and strong needs for advanced solutions that include OMO, robotics, and RFID*2 as a focus area, and aims to achieve further growth by addressing expanding market challenges.

*1 Because the Act on the Arrangement of Related Acts to Promote Work Style Reform will limit truck drivers’ overtime to 960 hours per year from April 2024, logistics delays and labor shortages are expected to occur.

*2 Abbreviation for Radio Frequency Identification. Technology for reading information recorded on small IC tags (RF tags) via radio waves, magnetic fields, or another form of wireless communication. As long as they are within radio range, distant tags can be read, and multiple tags can be scanned at once.

Image of strengthening initiatives for B2B companies



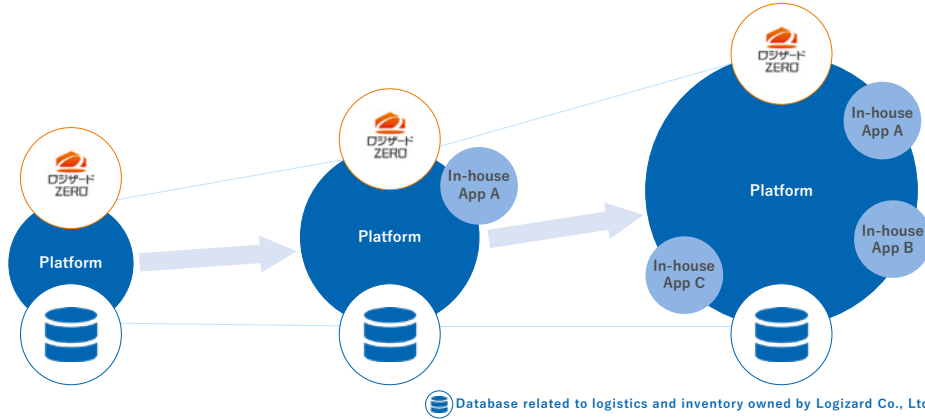
Source: The Company’s business plan and materials on growth potential

(2) Provision of application platform through co-creation model

The application platform through a co-creation model is a concept that responds to an era where anyone can easily build apps due to the popularization of generative AI. With Logizard ZERO as the core, the Company aims to enhance convenience by enabling internal and external vendors to provide applications that leverage the Company’s databases via the platform. The Company aims to develop new services in three areas—scope, social significance, and social impact—to become an indispensable presence in the supply chain.

Medium- to long-term growth strategy

Growth image of the application platform through co-creation model



Source: The Company's business plan and materials on growth potential

(3) Investment in human resources to promote high-touch service

As an investment in human resources to promote high-touch service, the Company plans to expand to 177 employees in FY6/28 (an increase of 45 compared to FY6/25). The organization and structure will be enhanced to improve operational efficiency, and AI will be utilized in operations to increase individual work efficiency. As an organizational reform aimed at improving business management capabilities, a Business Process Reform Office will be newly established to frequently analyze company-wide man-hours and promote data-driven operational improvements, advancing efficiency through business DX. Additionally, a Contract Administration Section has been newly established to centralize contract processing, reduce the burden on front-line operations, improve processing accuracy, and establish business workflows. Through these measures, both individual and organizational work efficiency will be increased, creating an environment where the sales team can focus more on acquiring new projects.

3. FISCO's view

The Company's growth strategy is characterized by building a stable earnings foundation through a subscription model centered on cloud-based WMS. In its medium-term management plan, the Company has set targets for FY6/28 of net sales of ¥3,113mn (up 43.0% compared to FY6/25), operating profit of ¥539mn (up 31.8%), and MRR of ¥209mn (up 40.5%), confirming a steady growth trajectory for net sales, operating profit, and MRR. MRR, in particular, is an important indicator of the future potential of the subscription business, and the predictable revenue that accumulates over the long term contributes to the establishment of a stable management structure that is not dependent on economic trends.

The Company's strength lies not only in providing systems, but also in achieving a high retention rate through support via high-touch service. While increasing profitability through upselling and offering additional features to existing customers, the Company continues to expand MRR through new B2B implementations. The demand for DX in the logistics industry, with its accelerated labor shortages, is a structural tailwind, and FISCO thinks that the structure in which the Company's cloud-based WMS serves as the foundation will continue to support growth going forward.

On the other hand, in FY6/26, operating profit is expected to decrease in the short term due to strengthened investment in human resources such as recruitment and training. However, FISCO thinks this will lead to improved service quality and customer satisfaction, ultimately resulting in a lower churn rate. In the medium to long term, the Company will develop new services incorporating AI and data utilization and expand co-creation platforms, fueling expectations of a buildup of new revenue sources on top of the subscription base.

Medium- to long-term growth strategy

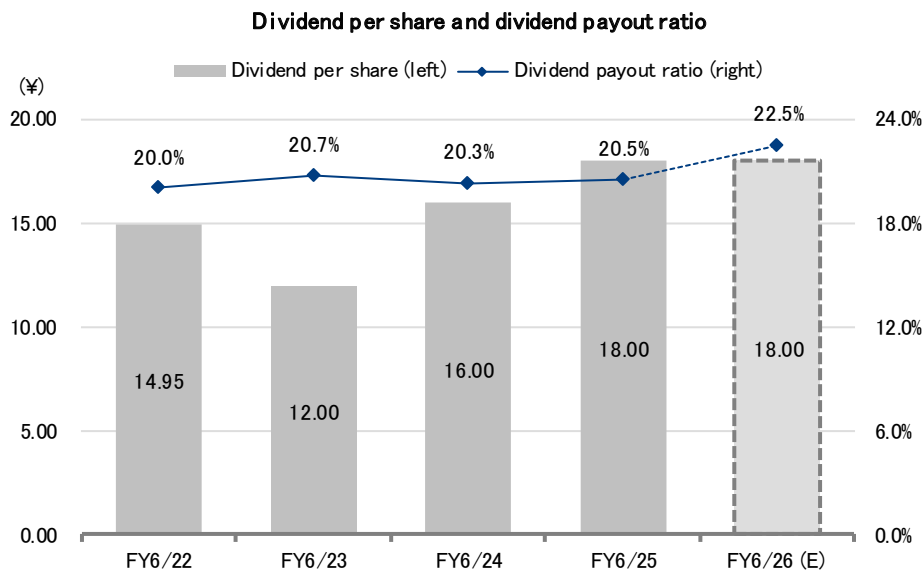
Overall, FISCO believes that, while accepting short-term earnings fluctuations, the Company has a high probability of sustainable growth, backed by stable earnings from the subscription model and growth opportunities in the expanding B2B market.

Shareholder return policy

For FY6/26, the Company forecasts dividends of ¥18.00 per share

The Company has been paying dividends since FY6/22, as the expansion of its business base has allowed it to secure stable earnings while pursuing business growth through investments in human resources and products. The Company paid a dividend of ¥14.95 per share in FY6/22, ¥12.00 in FY6/23, ¥16.00 in FY6/24, and ¥18.00 in FY6/25. For FY6/26, it is expecting to pay a dividend of ¥18.00.

The Company plans to continuously return profits to shareholders in order to further enhance its corporate value. Its basic policy is to aim for a dividend payout ratio of 20%, while considering its financial condition and internal reserves. For FY6/26, a decrease in profits is planned due to upfront investment, and based on the target payout ratio of 20%, the dividend per share would be ¥16.07. However, the Company has decided not to reduce the dividend due to the decrease in profits from upfront investment, and has set it at ¥18.00, unchanged from FY6/25. FISCO thinks this reflects the Company's strong commitment to maximizing shareholder returns. We at FISCO think that the dividend could be raised if the Company can steadily accumulate profits while growing sales.



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



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