

## VINX CORP.

3784

Tokyo Stock Exchange Standard Market

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

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## Summary

### IT services company leading DX in the distribution and retail industry

VINX CORP. <3784> is an IT services company leading DX in the distribution and retail industry. Based on its advanced development capabilities, technological know-how, and service capabilities that are founded on its expertise in the distribution and retail industry, the Company conducts system development. It provides solution services, including POS (Point of Sale), CRM (Customer Relationship Management), and MD (Merchandising), that utilizes AI (Artificial Intelligence), mainly for major distribution and retail groups. A feature of the Company's solutions is their use of flexible systems that are not dependent on any specific manufacturer or hardware. The Company has been addressing changes in the business environment surrounding the retail industry in recent years concerning so-called "new retail" by promoting its new retail strategy, the strategy of specifying customers, and global market strategy, particularly in terms of expanding sales of its ANY-CUBE series of POS systems and its MDware MD mission-critical system.

#### 1. In FY12/22, sales and profits grew significantly and were higher than forecast

In the FY12/22 consolidated results, net sales increased 6.3% year on year (YoY) to ¥31,734mn, operating profit rose 22.7% to ¥3,098mn, ordinary profit grew 20.5% to ¥3,058mn, and profit attributable to owners of the parent increased 26.9% to ¥2,051mn. Profit growth significantly outperformed forecasts. The strong performance was due to a high level of demand amid mounting digital transformation (DX) needs in Japan's retail industry, as well as success achieved with the Company's efforts geared to deepening relationships with existing customers, maintaining appropriate order pricing, generating more recurring revenue in line with rising license sales, continuously improving productivity, enhancing quality, and engaging in initiatives to address unprofitable operations. In terms of business areas, the products business achieved particularly significant growth. On a Company-wide basis, gross profit increased 9.1% YoY, and the gross profit margin gained 0.6 percentage points (pp) to 23.7%. SG&A expenses increased 1.3%, and the SG&A expenses ratio decreased by 0.6pp to 14.0%. As a result, the operating profit margin rose 1.3pp to 9.8%, with other margins also trending upward.

#### 2. Outlook for FY12/23 results is modest sales and profit increases, with the possibility of an upside

The FY12/23 consolidated results forecasts are for net sales to increase 3.0% YoY to ¥32,700mn, operating profit to rise 3.1% to ¥3,195mn, ordinary profit to grow 3.0% to ¥3,150mn, and profit attributable to owners of the parent to increase 3.1% to ¥2,115mn. As the industry's largest IT company specializing in distribution IT systems, the Company aims to achieve sustainable business growth by upgrading existing businesses and making its new retail business a reality. Meanwhile, whereas the Company projects modest sales and profit increases given factors that include economic uncertainties as well as rising personnel and development costs due to upfront investment, it seems highly likely that the company will outperform its forecast given factors that include the prospect of persistently high levels of DX demand in the retail industry, recurring revenue growth, and further progress attained concerning improving productivity.

Summary

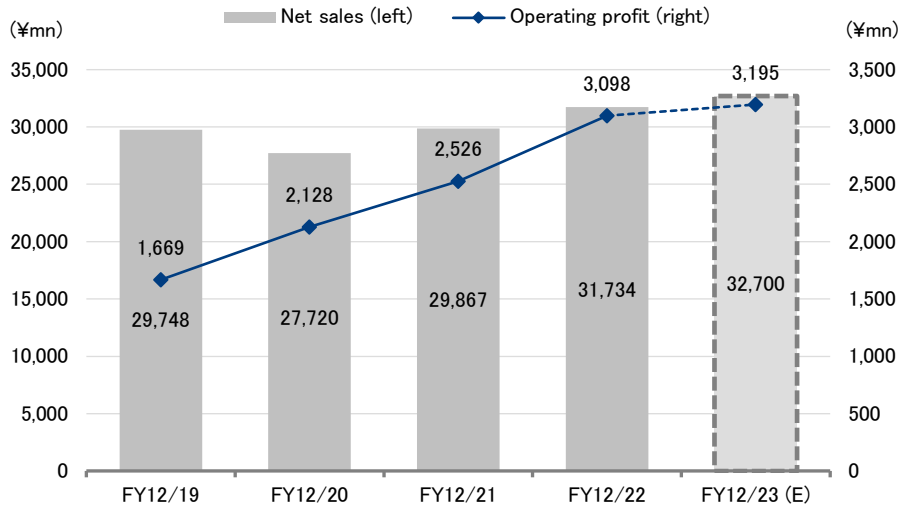
**3. As an IT services company leading DX in the distribution and retail industry, it has significant potential for growth in the medium to long term**

Having set forth its aims of striving to achieve further business growth, consistent earnings, and a further improvement in corporate value by promoting business structure reform in addition to upgrading its existing businesses and making its new retail business reality, the Company has established quantitative targets for FY12/25 under its medium-term management plan that include net sales of ¥34,700mn, operating profit of ¥3,395mn, ordinary profit of ¥3,345mn, and profit attributable to owners of the parent of ¥2,245mn. The retail industry is likely to encounter an increasingly rapid pace of DX investment undertaken to achieve store management enlisting the latest in so-called “new retail” technologies to address changes in individual consumption and purchasing behaviors and coping with labor shortages. FISCO deems that the Company has significant potential for growth over the medium to long term as an IT services company leading DX in the distribution and retail industry. We reached this conclusion upon having evaluated factors that include the Company’s strengths, particularly in terms of its understanding of the distribution and retail industry, its ability to flexibly deploy a combination of different POS systems, and its significant opportunities for market development.

**Key Points**

- Promotes new retail strategy and provides solutions services for POS and MD, mainly for major distribution and retail groups
- In FY12/22, sales profits grew significantly and were higher than the forecast
- Outlook for FY12/23 results is modest sales and profit increases, with the possibility of an upside
- As an IT services company leading DX in the distribution and retail industry, it has significant potential for growth in the medium to long term

**Results trends**



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

## ■ Company profile

### Implements IT services focused on the distribution and retail industry within the Fuji Soft Group

#### 1. Company profile

With a management philosophy of “contributing to the realization of a prosperous society by connecting people’s lives and the business activities of distribution companies with information system technology,” the Company is an IT services company leading DX in the distribution and retail industry. The Company has its headquarters in Osaka’s Kita Ward. Other business sites are the Tokyo office (Sumida-ku, Tokyo), Makuhari office (Mihama-ku, Chiba), Nagoya office (Naka-ku, Nagoya), Matsuyama office (Matsuyama City, Ehime), Osaki office (Shinagawa-ku, Tokyo), Data Center (Kita-ku, Osaka), and Toda Monitoring Center (Toda City, Saitama). At the end of FY12/22, total assets were ¥20,748mn, net assets were ¥13,004mn, the capital was ¥596mn, the equity ratio was 57.9%, and the outstanding shares were 17,718,000 shares (including 883,691 treasury shares).

The Company’s Group at the end of FY12/22 consisted of the Company, four domestic consolidated subsidiaries, and four overseas consolidated subsidiaries. Consolidated subsidiaries are 4U Applications, Inc., The AREA Co., Ltd., and Ui2 Corporation in Japan, Holon Co., Ltd. (acquired additional shares in August 2022 and became a consolidated subsidiary) and the overseas subsidiaries are Vinx China Co., Ltd. (Hangzhou) in China, Vinx Malaysia Sdn. Bhd. in Malaysia, VINX VIETNAM COMPANY LIMITED in Vietnam, and VINX SYSTEM SERVICE (Thailand) Co., Ltd. in Thailand. The Company has 1,474 employees on a consolidated basis.

The Company is a consolidated subsidiary of Fuji Soft Incorporated (<9749>; Fuji Soft owns 61.38% of the Company’s voting rights as of the end of FY12/22). It focuses on the distribution and services industries, particularly the provision of information services to the retail industry, within the Fuji Soft Group, a comprehensive provider of information services, and implements business while seeking to establish its unique business model. The parent company makes no particular restrictions or adjustments on business development. The monetary amount of transactions with the parent company is insignificant, so income reliance on the parent company is small. Moreover, the Company does not have jointly serving officers and retains its management autonomy.

#### 2. History

The Company was established as Mycal Systems, INC., a subsidiary of Mycal Corp. (now AEON RETAIL Co., Ltd.), in February 1991, and FUJI SOFT INCORPORATED became the parent company through Mycal’s transfer of shares to FUJISOFT ABC Incorporated (now, Fuji Soft) and changed the company name to Vinculum Japan Corporation in March 2002.

Subsequently, in December 2005, the Company was listed on the JASDAQ Securities Exchange and renamed itself VINX CORP. after absorbing Fuji Soft Group’s former Daiei-affiliate VIXUS INCORPORATED in April 2013. Its listing was upgraded to the Tokyo Stock Exchange (TSE) Second Section in May 2016 and then to the TSE First Section in October 2017. Following the TSE’s change to new market categories on April 2022, the Company became listed on the Standard Market.

## Company profile

In October 2021, the Company acquired the Eruboshi certification mark (level 3) for companies promoting the activities of women awarded by Japan's Ministry of Health, Labour and Welfare (MHLW). Then in November 2021, the Ministry of Internal Affairs and Communications certified it in the Selection of 100 Teleworking Pioneer Companies. In October 2022, the Company acquired certification as a DX-certified operator under the Digital Transformation (DX) Certification initiative of Japan's Ministry of Economy, Trade and Industry (METI). In March 2023, the Company was certified by MHLW as a child-rearing support company under the Act on Advancement of Measures to Support Raising Next-Generation Children. Subsequently, it acquired the new Kurumin next-generation certification logo, which had been subject to certification criteria revision in April 2022. In addition, the Company has been recognized by METI under its 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category).

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Company profile

History

Date	Items
February 1991	Established as Mycal Systems, INC., a subsidiary of former Mycal Corp. (now AEON RETAIL Co., Ltd.)
November 2000	Acquired privacy mark certification
March 2002	Became a wholly-owned subsidiary of FUJISOFT ABC Incorporated (now, FUJI SOFT INCORPORATED) through a share transfer by Mycal and changed the company name to Vinculum Japan Corporation
January 2003	Acquired e-coupon business from IMCOS, Inc.
March 2005	Obtained ISMS Accreditation Criteria (Ver.2.0) certification
December 2005	Listed shares on the JASDAQ Stock Exchange (now TSE JASDAQ)
May 2006	Established 4U Applications, Inc. as a consolidated subsidiary via the in-house venture program
October 2007	Formed a business alliance with Agentrics AP, Inc. (now GridAgent, Inc.)
June 2008	Obtained ISO20000 (International Standard) certification for IT service management
June 2008	Opened a liaison office in China
January 2009	Established Vinx China (Hangzhou) in Hangzhou (Zhejiang, China) as a joint venture with Totyu Soft Co., Ltd. (now Totyu Co., Ltd.)
February 2009	Acquired a stake in Totyu Soft Co., Ltd. (now Totyu Co., Ltd.)
August 2009	Acquired SFI, Inc. as a consolidated subsidiary
April 2011	Established Shanghai Vinculum Co, Ltd. (China)
December 2011	Established FMS Solution Co., LTD. as a joint venture with AEON DELIGHT CO., LTD.
June 2012	Established Vinculum Malaysia Sdn. Bhd (now Vinx Malaysia Sdn. Bhd) in Malaysia as a consolidated subsidiary
April 2013	Renamed VINX CORP. after absorbing Fuji Soft Group's former Daiei-affiliate VIXUS INCORPORATED
January 2014	Established VINX VIETNAM COMPANY LIMITED in Vietnam as a local entity
September 2015	Transferred all shares of Shanghai Xinyu System Integration
October 2015	Absorbed Systems Formulations and Integrations Incorporated
March 2016	Transferred all shares of FMS Solution Co., LTD.
May 2016	Changed the share listing to the TSE Second Section (TSE-2)
January 2017	Invested in Holon Co., Ltd.
April 2017	Invested in Colorful Board Inc. (now SENSY Inc.)
June 2017	Established joint investee GRIT WORKS, Inc. with SATUDORA HOLDINGS CO., LTD.
July 2017	Made The AREA Co., Ltd. a consolidated subsidiary
October 2017	Changed the share listing to the TSE First Section (TSE-1)
February 2018	Established VINX SYSTEM SERVICE (Thailand) Co., Ltd. in Thailand as a local entity
March 2019	Established joint investee Retail SHIFT Inc. with Trial Holdings, Inc.
November 2019	Collaborated with salesforce.com <CRM>
January 2020	MadeUi2 Corporation, a consolidated subsidiary
May 2020	Formed a comprehensive business alliance with Wiredbeans Inc.
July 2021	Published initiatives for sustainability and ESG
October 2021	Acquired the Eruboshi certification mark (level 3) for companies promoting the activities of women awarded by the Ministry of Health, Labour and Welfare
November 2021	Certified in the Selection of 100 Teleworking Pioneer Companies by the Ministry of Internal Affairs and Communications
February 2022	Established a special committee as an optional advisory board to the Board of Directors to enhance corporate governance
April 2022	The listing was changed to the TSE Standard Market
May 2022	Developed a new touchless self-POS system
July 2022	Concluded MoA on alliance in the DX solutions business serving the Southeast Asian Market with Turn Cloud Technology Service Inc., a major IT company in Taiwan
August 2022	Made Holon Co., Ltd. a subsidiary upon additional acquisition of its shares
October 2022	Assumed business of the LoadStar Scheduler job management tool from SoftBank Corp. <9434> Acquired certification as a DX-certified operator under the DX Certification initiative of Japan's Ministry of Economy, Trade and Industry
March 2023	Acquired the new Kurumin next-generation certification logo from Japan's Ministry of Health, Labour, and Welfare Recognized by Japan's Ministry of Economy, Trade and Industry under its 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category)

Source: Prepared by FISCO from the Company's web page, securities reports, and press releases

## Business overview

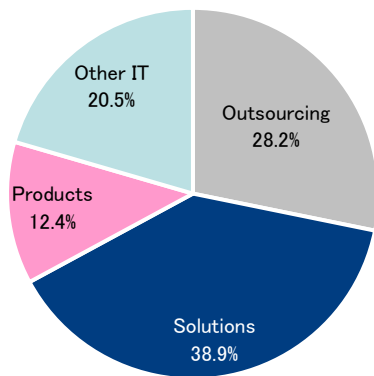
### Offers system development and solutions services mainly to major distributors and retailers

#### 1. Service overview

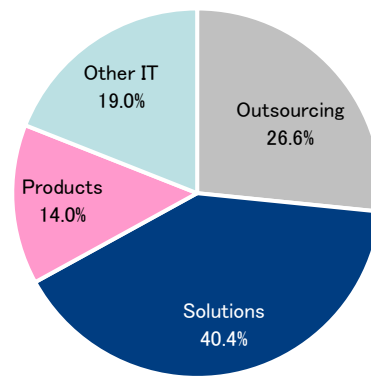
The Company mainly targets the distribution and services industries, particularly within them, the major distribution and retail groups that are some of Japan’s leading companies (including their overseas business development). It conducts system development and provides solutions services, mainly for these significant distribution and retail groups, including a cashless and self-POS system, a touchless POS system, POS for a shopping cart POS system, CRM for customer management and analysis, and MD that utilizes AI to predict the number of store visits by customers and an automated ordering system.

As the information-related services business is the only reporting segment, its business areas are outsourcing, solutions, products, and other IT. Concerning the sales mix in FY12/22, outsourcing, solutions, products, and other IT business areas they accounted for 26.6%, 40.4%, 14.0%, and 19.0% of the Company’s total net sales, respectively. In recent years, the solutions and product areas have been expanding against the backdrop of rising needs for DX in the distribution and retail industry. The outsourcing area was affected by the COVID-19 pandemic overseas but showed signs of recovery in FY12/22. Other IT mainly sells purchased hardware, so its profit margin is somewhat low compared to the other areas.

Overview of FY12/21 sales composition



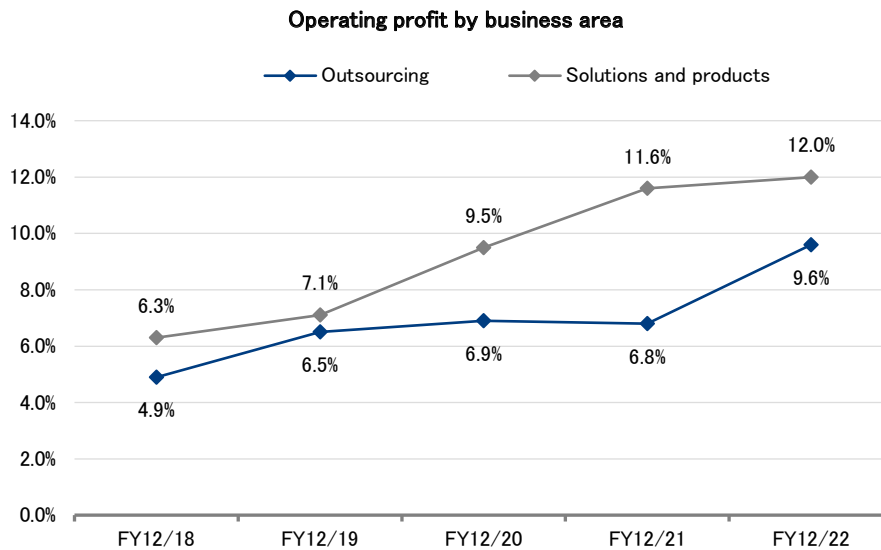
Overview of FY12/22 sales composition



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



Business overview



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

Consolidated subsidiaries are The AREA Co., Ltd. and Ui2 Corporation for solutions business in Japan, 4U Applications, Inc. for products business in Japan, Holon Co., Ltd. in the development of the core sales and logistics system for apparel AP-Vision, and the four overseas subsidiaries (Vinx China Co., Ltd., Vinx Malaysia Sdn. Bhd., VINX VIETNAM COMPANY LIMITED, and VINX SYSTEM SERVICE (Thailand) Co., Ltd.) in outsourcing.

## 2. Outsourcing

In the outsourcing business, the Company receives consignments for various services (including system operation and management service, software maintenance service, help desk service, and ASP (Application Service Provider) service) to realize the efficient and stable operation of information system infrastructure at customer companies in the distribution and service industries. This is a recurring business and a steady income source from continuous service provision.

## 3. Solutions

For the solutions business area, the Company plans and develops business systems that address the needs of customer companies in the distribution and services industries, including mission-critical system solutions for the distribution and services industries (sales management, product management, logistics management, and other core business systems), credit card system solutions (mission-critical systems for credit card systems), and internet business solutions (Web solutions mainly for building EC operations). Fundamentally, it receives direct orders for system development from customer companies in the distribution and services industries.

## 4. Products

For the products business area, the Company develops and sells various packaged software products based on technologies and know-how related to systems in the distribution and services industries. It also customizes software to address the needs of customer companies. As sales routes, the Company sells through hardware manufacturers, system developers, and other partners and conducts direct sales. The main packaged software products are described below.

Business overview

**(1) ANY-CUBE – Open POS software package**

This POS software package complies with OLE-POS specifications (standard specifications for POS software advocated and mainly formulated by Microsoft (MSFT) to achieve standard POS technology). It operates on POS devices, tablets, and other hardware. The Company sells this software to drugstores, supermarkets, specialty stores, volume resellers, and other customers with a wide range of businesses and formats as a core product. One reason for support of this product is the ease with which customers can deploy it after an M&A deal without replacing hardware.

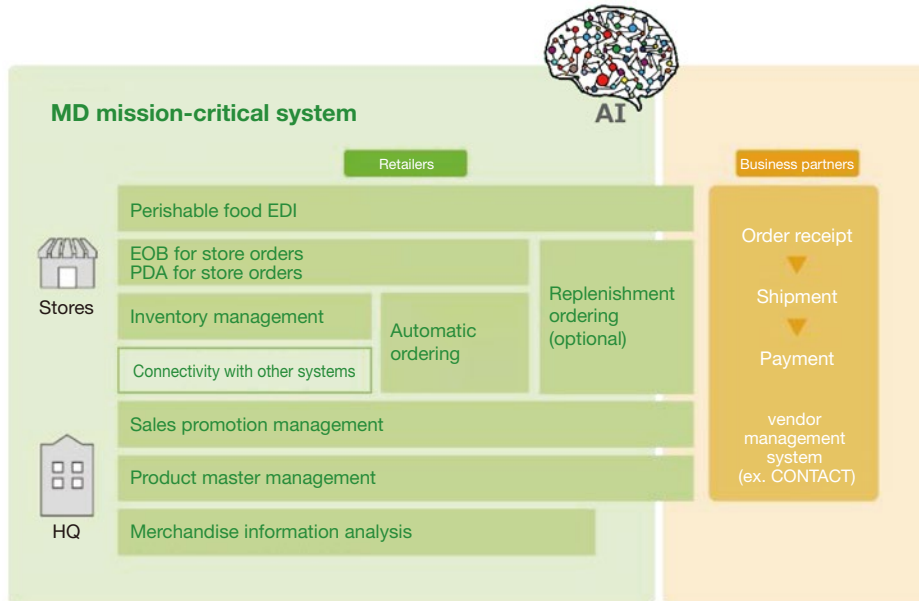
**(2) Hybrid Satisfia – CRM software package for the distribution and services industries**

This CRM software package includes customer management, point management, customer analysis, and other functions for EC and real-world stores. The Company provides it in collaboration with the ANY-CUBE open POS software package and Web systems.

**(3) MDware – MD mission-critical system for the distribution industry**

This MD software package seamlessly connects “stores, headquarters, and business partners” for retail chain stores. It realizes total business operations from product master management to order placement and inventory management. Demand has risen for an automated orders placement function recently, and many customers are implementing just this capability rather than the complete mission-critical system.

MD mission-critical system



Source: From the Company's results briefing materials

**(4) Hybrid series – Next-generation integrated operating solution**

This next-generation integrated management product series with a track record of over 3,000 licenses in cumulative shipments domestically supports Power Systems running IBMi.

**(5) VI-SERIES – Next-generation operation product**

The VI-SERIES consolidates detection and monitoring other than system operation monitoring using AI and IoT (Internet of Things), including body temperature detection, abnormal temperature detection in substances, crime prevention, and face authentication, and achieves efficient management.

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

Business overview

**(6) Integrated Viewer for ZABBIX – Integrated operation and monitoring tool**

This is a server operation monitoring tool for centralized monitoring of all environments, including Windows, Linux, UNIX, IBMi, virtual environments, cloud environments, and integrated servers.

**(7) Contactless-type self-POS system**

In November 2020, the Company developed a contactless-type self-POS system, which can be operated from the screen without touching the POS screen. It is a system (patent pending) that works by utilizing an infrared sensor to detect movements of the hand close to the screen. As the contactless operating screen display overlaps the existing POS screen, it can be used with only minimal modifications to the existing POS application. In May 2022, the Company completed the development of its ANY-CUBE Neo touchless self-POS system. By enlisting infrared sensors capable of greater accuracy than previously available, the system makes it possible for users to perform precise operations by placing their fingers close to the display without the need to come into physical contact with the device. The system can also stream advertising and other such media at the top of the screen.

**5. Other IT**

In this area, the Company conducts hardware sales as part of system building in solutions and products business areas. It also handles the installation of store system equipment at chain store outlets and education and other services.

## **Development capabilities, technology know-how, and service capabilities rooted in a thorough understanding of the distribution and retail industry are the main features and strengths**

**6. Characteristics and strengths**

The Company was established as an information systems subsidiary of a major distribution and retail company. After that, it further developed customers and broadened its scope as a specialist in the distribution and retail industry. Therefore, its characteristics and strengths are that it can respond to each customer's needs based on its advanced development capabilities, technological know-how, and service capabilities founded on its expertise in distribution and retail. Utilizing this strength as a weapon, it is developing solutions that solve problems in the retail industry.

A feature of the Company's solutions is flexible systems that are not dependent on any specific manufacturer or hardware. In the case of the POS system, if the software is to be replaced when conducting an M&A or a system integration, the existing hardware can continue to be used unchanged, which makes it possible to reduce costs relating to additional purchases of POS hardware and store-installation work. In the case of the MDware mission-critical system, it enables flexible responses even for a business reorganization or the management of multiple companies because it is a system that is in operation at major companies in various business categories. Also, its other advantages include that it is easy to expand because it is built based on the cloud. Even if the type of cash register changes following the implementation of intelligent stores, the software can still be used unchanged.

In addition, the Company has DX solutions to respond to various tasks as the platform on which to progress DX for the distribution and retail industry, so it can respond flexibly to transformations of store business type and group consolidations. Also, by utilizing AI to improve the accuracy of demand forecasts, it can improve the efficiency of store operations, preventing product shortages, reducing waste loss, etc.

#### Business overview

Moreover, as its primary customers are major distribution and retail groups that are some of Japan's leading companies, a feature of the Company is that it conducts continuous transactions in the solutions and outsourcing areas and has built excellent relations with these companies. It provides integrated, one-stop solutions services needed in the distribution and retail industry, including store systems, mission-critical systems, customer management, and EC. Another strength is that in addition to being within Japan, it can also respond to its customers' overseas business development.

## Promoting new retail strategy, etc., as its priority strategies

### 7. Priority strategies

In recent years, so-called "new retail" that utilizes the latest technologies has appeared, including "smart stores" that integrate distribution by connecting real stores and EC to provide a new customer experience, unmanned stores that do not require conventional POS terminals and cart-type stores. To address such changes in the business environment, the Company promotes its priority strategies: the new retail strategy, the strategy of specifying customers, and the global market strategy.

Under its new retail strategy, the Company engages in initiatives that involve: enhancing its proposal and solutions capabilities, leveraging its strength of neutrality toward manufacturers, bolstering competitiveness, and increasing sales of its existing core products, such as the ANY-CUBE series of POS systems that do not rely on hardware and its MDware MD mission-critical system for retailers; extending lineups in the solutions and product areas that enlist next-generation technologies in realms including cashless payment, AI, robotics, and automatic recognition, and; developing and expanding sales of next-generation new retail solutions.

As for the strategy of specifying customers to expand business scale by harnessing the wave of business innovation in the distribution and retail industry, the Company is strengthening relationships with existing designated customers, reinforcing sales and development operations to convert new customers into assigned customers, enhancing and improving the efficiency of IT entire outsourcing service business that includes maintenance and operation for selected customers, and building a common foundation for the expansion of integrated help desk service and other recurring business. For customer acquisition, the Company promotes a strategy that entails first acquiring new customers, mainly in the products area, and subsequently linking them to the solutions and outsourcing areas to expand transactions and turn them into stable customers.

Under its global market strategy, the Company seeks to prompt the conversion of business models by strengthening the solutions business serving Japanese and local companies. Consequently, the Company is strengthening operations for existing designated customers in the ASEAN region, bolstering alliances with overseas partners, and reinforcing sales, development, and service operations to expand global product sales.

## A favorable business environment through accelerated DX investments by distribution and retail companies

### 8. Risks/income characteristics and measures

General risks that affect income in the information-related services industry are corporate curtailment of IT investments due to economic slowdown, weakening of orders terms because of tougher competition, unprofitable individual projects, delayed responses to technology innovation, information security management, and system disruptions, human resource acquisition and training, an upswing in outsourcing costs, and legal regulations.

Investments should remain at a high level amid the DX trend. Distribution and retail chains, the Company's primary targets, have arrived at the most significant innovation period since POS inroads in the 1980s, including format changes through integrating the internet and the real world and conversion to smart stores. Companies are accelerating DX investments in POS systems, CRM, MD, and other areas to realize store operations that utilize new retail technologies. Therefore, it can be said that the business environment is favorable.

In terms of competition, there are only a few companies that are experts in the distribution and retail areas and that can therefore handle aspects such as system development and equipment procurement, and the Company's neutrality toward manufacturers gives it the advantage of being able to select and propose equipment from manufacturers around the world. For quality also, it has a reputation of being highly reliable thanks to its track record of projects in the past.

In November 2022, the settlement was reached in a patent infringement lawsuit about semi-self-checkout between Teraoka Seiko Co., Ltd. and Toshiba Tec Corporation <6588>. As such, Toshiba Tec will discontinue its semi-self-checkout semi-self-checkout POS system sales from May 2024 onward. Although this is likely to culminate in a shift in the market landscape of POS system manufacturers, the Company is enlisting a solution involving systems that do not depend on the hardware of any particular manufacturer, and both companies have established positive relationships. As such, this situation is not likely to affect the Company.

## Results trends

### In FY12/21, sales and profits grew significantly and were higher than the forecast

#### 1. Overview of FY12/22 consolidated results

In the FY12/22 consolidated results (the Company applied the "Accounting Standard for Revenue Recognition" etc. from the start of FY12/22, but the impact was immaterial, and Holon Co., Ltd. was newly consolidated from FY12/23 3Q), net sales increased 6.3% YoY to ¥31,734mn, operating profit rose 22.7% to ¥3,098mn, ordinary profit grew 20.5% to ¥3,058mn, and profit attributable to owners of parent increased 26.9% to ¥2,051mn. Profits rose significantly and were higher than forecast (net sales of ¥31,000mn, operating profit of ¥2,620mn, ordinary profit of ¥2,630mn, and profit attributable to owners of parent of ¥1,670mn).

## Results trends

## Overview of FY12/22 consolidated results

	FY12/21 Result	FY12/22			
		Forecast	Result	YoY	Vs. forecast
Net sales	29,867	31,000	31,734	6.3%	102.4%
Gross profit	6,898	-	7,527	9.1%	-
SG&A expenses	4,372	-	4,428	1.3%	-
Operating profit	2,526	2,620	3,098	22.7%	118.3%
Ordinary profit	2,537	2,630	3,058	20.5%	116.3%
Profit attributable to owners of the parent	1,616	1,670	2,051	26.9%	122.9%

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

The strong performance was due to a high level of demand amid mounting DX needs in Japan's retail industry, as well as success achieved with the Company's efforts geared to deepening relationships with existing customers, maintaining appropriate order pricing, generating more recurring revenue in line with rising license sales, continuously improving productivity, enhancing quality, and engaging in initiatives to address unprofitable operations. On a Company-wide basis, gross profit increased 9.1% YoY, and the gross profit margin gained 0.6 percentage points (pp) to 23.7%. SG&A expenses increased 1.3%, and the SG&A expenses ratio decreased by 0.6pp to 14.0%. As a result, the operating profit margin rose from 1.3pp to 9.8%, the ordinary profit margin gained from 1.1pp to 9.6%, and the net profit margin increased from 1.1pp to 6.5%. The profit margins have been on an upward trajectory. There were no significant items regarding non-operating income/expenses or extraordinary income/losses.

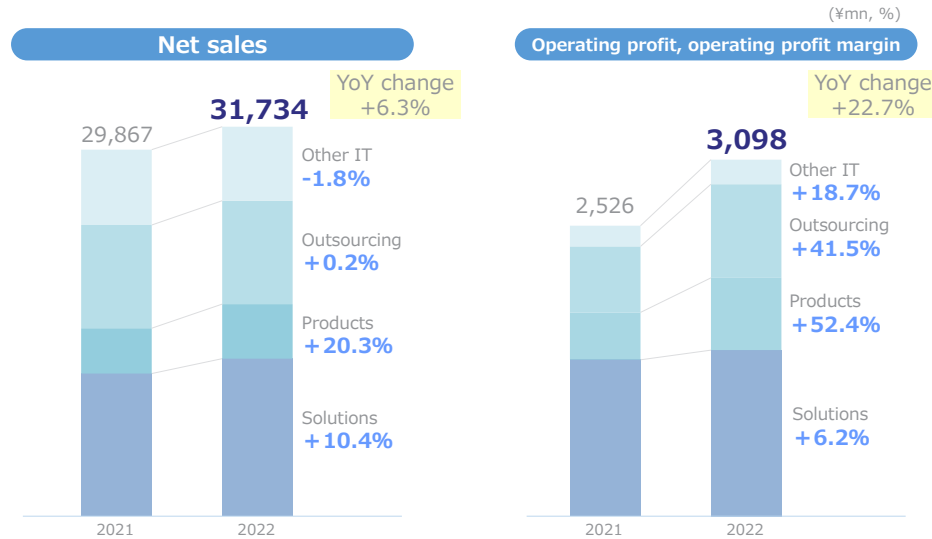
## The solutions and products areas grow

### 2. Trends by business area

Looking at trends by business area, net sales in solutions increased 10.4% YoY, and operating profit gained 6.2%. Meanwhile, in products, net sales increased by 20.3% and operating profit increased by 52.4%. Both business areas encountered substantial demand amid good performance from the ANY-CUBE POS systems that do not rely on hardware, the MDware MD mission-critical system, and automatic ordering systems. The product area, in particular, achieved significant growth buoyed in part by license sales. Outsourcing achieved a 0.2% increase in net sales and a 41.5% gain in operating profit. Whereas sales in outsourcing held flat overall, profits increased substantially in part aided by operational streamlining amid a recovery in overseas business, which had been subject to the effects of the COVID-19 pandemic. Other IT incurred a 1.8% drop in net sales but an 18.7% rise in operating profit. Profit margins improved overall with a downturn in incidental business (sales of purchased hardware).

Results trends

Net sales and operating profit by business area



Source: From the Company's results briefing materials

The main projects ordered consisted of the following. Under the new retail strategy this included a project for developing an MDware MD mission-critical system for a Kansai retail group; a project for developing a next-stage POS system for drugstores operating in the Kanto region; a project for developing a CRM system for a supermarket serving in the Kanto region; a project for developing a CRM system for a shoe specialty store serving nationwide, and; a project for developing an AI sales forecasting system for a supermarket operating in the Tokyo metropolitan area. Under the strategy of specifying customers, this included a project for building a logistics-related mission-critical system for a comprehensive retail group and; a project for building systems related to a joint logistics center for a supermarket group operating in the Kanto region. Under the global market strategy, this included a scheme for facilitating overseas subsidiaries of specialty retailers in their efforts to open stores abroad. A project for introducing a point management system for the Chinese overseas subsidiary of a drugstore operating nationwide. As of the end of FY12/22, the order backlog (excluding the outsourcing area) was at the record-high level of ¥7,595mn.

## More financially sound

### 3. Financial status

Looking at the Company's financial status, at the end of FY12/22, total assets had increased ¥242mn from the end of FY12/21 to ¥20,748mn. Cash and deposits increased ¥1,280mn, and notes, accounts receivable, and contract assets declined ¥761mn. Total liabilities decreased ¥1,622mn to ¥7,743mn, as accounts payable, short-term borrowings, and long-term borrowings decreased ¥744mn, ¥596mn, and ¥482mn, respectively. Total net assets increased ¥1,865mn to ¥13,004mn, mainly due to a rise of ¥1,539mn in retained earnings. As a result, the equity ratio increased 7.8pp at the end of the previous period to 57.9%. Having not identified any concerns regarding the Company's state of cash flows, FISCO deems that the Company's financial health has improved further.

## Results trends

## Consolidated balance sheet and cash flow statement

	(¥mn)				
	FY12/18	FY12/19	FY12/20	FY12/21	FY12/22
Total assets	16,108	16,913	18,768	20,505	20,748
(Current assets)	10,487	10,832	13,437	15,976	16,385
(Non-current assets)	5,621	6,081	5,331	4,528	4,362
Total liabilities	7,810	8,799	9,341	9,366	7,743
(Current liabilities)	5,465	5,960	6,330	6,972	5,890
(Non-current liabilities)	2,344	2,838	3,011	2,394	1,853
Total net assets	8,298	8,114	9,426	11,138	13,004
(Shareholders' equity)	8,013	7,717	8,695	10,068	11,641
(Share capital)	596	596	596	596	596
Equity ratio (%)	49.8%	45.6%	46.4%	50.1%	57.9%
Cash flows from operating activities	914	3,096	2,491	2,322	3,070
Cash flows from investing activities	-957	-1,459	-736	-499	-567
Cash flows from financing activities	-898	-1,456	731	-1,393	-1,757
Cash and cash equivalents at the beginning of period	4,081	4,246	6,730	7,324	8,172

Note: Due to fiscal year change, there were nine months in FY12/18  
 Source: Prepared by FISCO from the Company's financial results

## Outlook

### Outlook for FY12/23 results is modest sales and profit increases, with the possibility of an upside

The FY12/23 consolidated results forecasts are for net sales to increase 3.0% YoY to ¥32,700mn, operating profit to rise 3.1% to ¥3,195mn, ordinary profit to grow 3.0% to ¥3,150mn, and profit attributable to owners of the parent to increase 3.1% to ¥2,115mn. Looking at the fiscal half-year, in 1H, the forecasts are for net sales to increase 3.0% compared to the same period in the previous fiscal year to ¥16,680mn, operating profit to rise 3.1% to ¥1,625mn, ordinary profit to grow 3.0% to ¥1,680mn, and profit attributable to owners of the parent to increase 3.0% to ¥1,100mn. In 2H, the forecasts are for net sales to increase 3.1% to ¥16,020mn, operating profit to climb 3.1% to ¥1,570mn, ordinary profit to grow 3.0% to ¥1,470mn, and profit attributable to owners of the parent to increase 3.2% to ¥1,015mn.

#### Overview of FY12/22 consolidated results forecast

	FY12/22			FY12/23 (E)					
	1H	2H	Full fiscal year	1H	Changes (YoY)	2H	Changes (YoY)	Full fiscal year	YoY
Net sales	16,188	15,545	31,734	16,680	3.0%	16,020	3.1%	32,700	3.0%
Operating profit	1,576	1,522	3,098	1,625	3.1%	1,570	3.1%	3,195	3.1%
Ordinary profit	1,631	1,426	3,058	1,680	3.0%	1,470	3.0%	3,150	3.0%
Profit attributable to owners of the parent	1,068	983	2,051	1,100	3.0%	1,015	3.2%	2,115	3.1%

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



Outlook

As the industry's largest IT company specializing in distribution IT systems, the Company aims to achieve sustainable business growth by upgrading existing businesses and making its new retail business a reality. Meanwhile, whereas the Company projects modest sales and profit increases given factors that include economic uncertainties as well as rising personnel and development costs due to upfront investment, it seems highly likely that the company will outperform its forecast given factors that include the prospect of persistently high levels of DX demand in the retail industry, recurring revenue growth, and further progress attained concerning improving productivity.

## Growth strategy

### Management vision – Become a leading retail IT company in Asia

#### 1. DX strategy

Having set forth its management vision to “become a leading retail IT company in Asia,” the Company formulated its DX strategy in September 2022. Under the DX strategy, the Company has declared aims of achieving further business growth, establishing consistent earnings, and increasing corporate value even more through efforts that entail upgrading its existing businesses, making its new retail business a reality, and promoting business structure reform (digitalizing and streamlining of in-house operations, developing DX professionals, and promoting hybrid work arrangements). Under its medium-term management plan, the Company's FY12/24 quantitative targets are net sales of ¥33,690mn, operating profit of ¥3,295mn, ordinary profit of ¥3,245mn, and profit attributable to owners of the parent of ¥2,180mn. Meanwhile, the Company's FY12/25 quantitative targets are net sales of ¥34,700mn, operating profit of ¥3,395mn, ordinary profit of ¥3,345mn, and profit attributable to owners of the parent of ¥2,245mn.



Source: The Company's “DX strategy” briefing materials

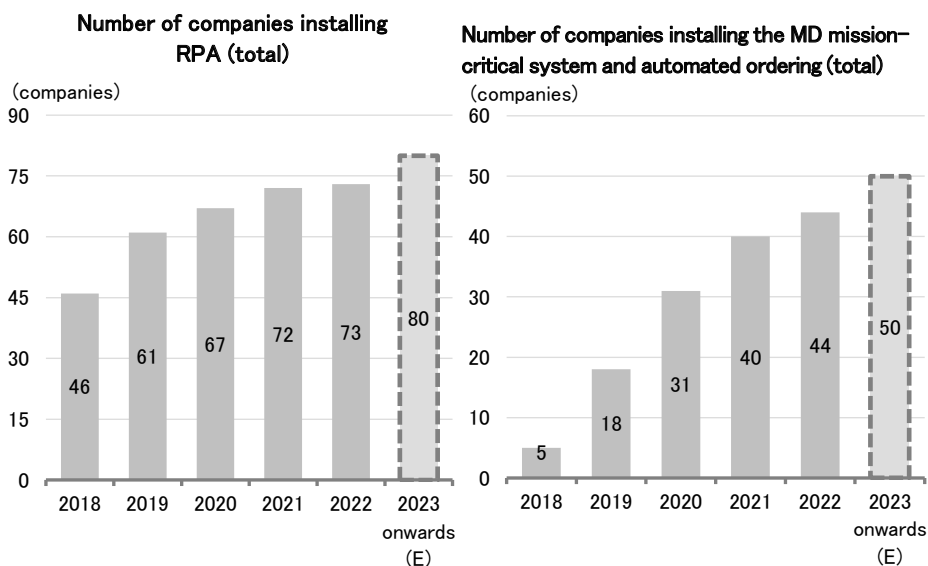
Growth strategy

Under its new retail strategy, the Company is promoting initiatives that include: providing new store systems that facilitate smart store conversions such as those involving shopping cart POS and smartphone POS; integrating online stores and actual stores; transforming stores into media platforms for advertising, and; creating and expanding fee-based business involving payment and point services to serve as a new business model. In terms of upgrading existing businesses, the Company is promoting initiatives that include: strengthening its current products such as ANY-CUBE for converting to Cloud-based POS systems and MDware for AI-based automatic ordering; enhancing its lineup of products such as those associated with robotic process automation (RPA) and camera solutions; fortifying its solutions-oriented businesses that address changing customer needs related to the shift to DX, and; reinforcing its outsourcing services related to the transition to cloud computing. In terms of business structure reform, the Company is promoting initiatives that include: streamlining in-house operations through adopting new systems, developing DX professionals such as technology experts and business specialists, and; creating pleasant working environments in part by establishing telework infrastructure and implementing personnel system reforms.

## Steady progress achieved with new retail strategy

### 2. Progress on new retail strategy

The Company has achieved steady growth in terms of the number of companies installing its MDware MD mission-critical system that serves as a DX platform for the retail industry, with a cumulative total of 73 companies have installed it as of the end of FY12/22. Moreover, it has been projected that 80 companies will have installed the system as of the end of FY12/23. The Company has also achieved steady growth in the number of companies installing its BizRobo RPA solution for achieving operational improvements through automation, with a cumulative total of 44 companies have installed it as of the end of FY12/22. Moreover, it is projected that 50 companies will have installed it as of the end of FY12/23. The Company has won numerous awards in the BizRobo! Family Awards program serving as a sales agency for RPA Technologies Inc. (a subsidiary of RPA Holdings <6572>).

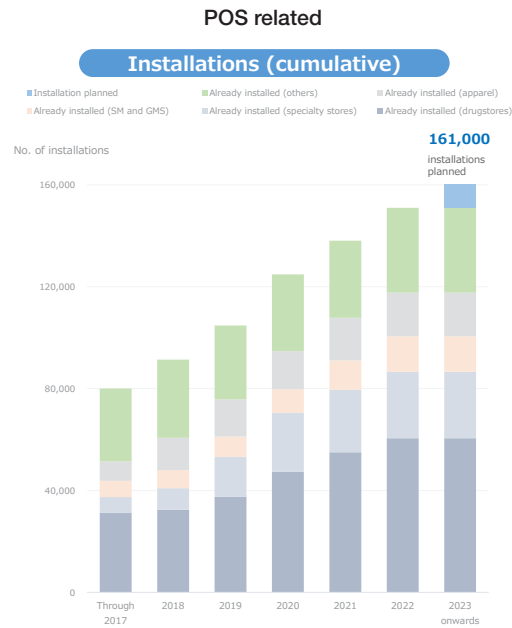


Source: Prepared by FISCO from the Company's results briefing materials

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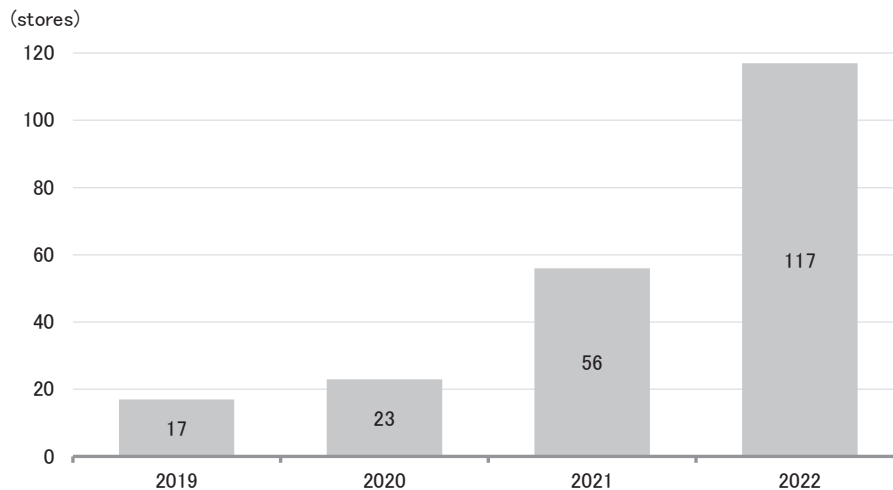
Growth strategy

In its POS-related business, the Company forecasts a cumulative total of 161,000 installations as of the end of FY12/23 concerning its mainstay ANY-CUBE series and its SoftWare CAT series multi-payment platform. As of the end of FY12/22, 117 stores had installed the next-generation cart-type POS compatible with smart stores, constituting a cumulative total of 12,000 such systems in operation.



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

**No. of stores installing shopping cart POS (cumulative)**



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

Growth strategy



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

## Significant potential for growth in the medium to long term

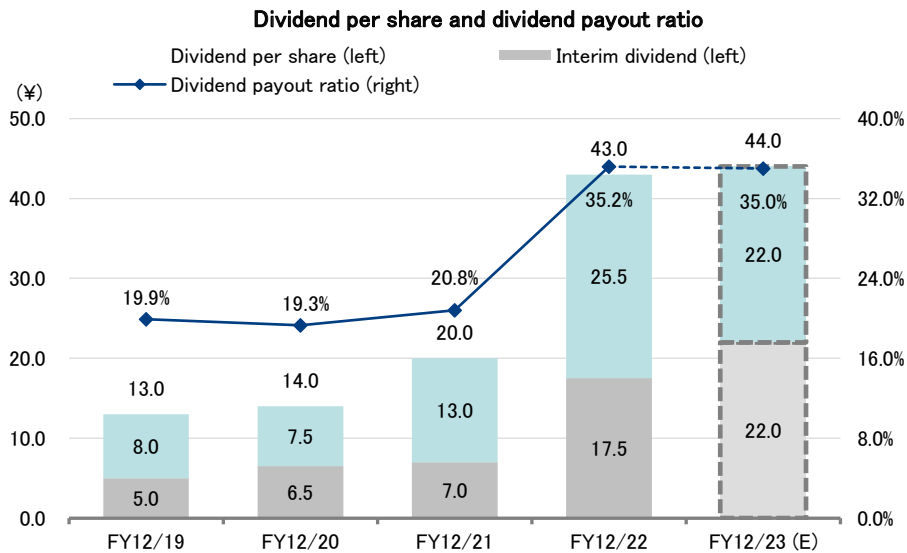
### 3. Medium- to long-term prospects

In terms of the Company's market share at this point (based on the number of entities it serves in Japan's retail industry), the Company estimates that its market share is roughly 50% when it comes to the general supermarket and supermarket sector where large corporations are prevalent, approximately 30% in the drugstore and DIY store sector, and less than 20% in the apparel, specialty store, and others sector where SMEs are prevalent. Not only does the Company have the potential for market share growth in the significant general supermarket, supermarket, and drug store sectors, currently its primary target, but it also has ample opportunity for market development in the retail domain, mainly consisting of apparel and specialty stores. In the apparel sector, the Company seeks to grow sales by making Holon a subsidiary.

The retail industry is likely to encounter an increasingly rapid pace of DX investment undertaken to achieve store management enlisting the latest in so-called "new retail" technologies to address changes in individual consumption and purchasing behaviors and coping with labor shortages. FISCO deems that the Company has significant potential for growth over the medium to long term as an IT services company leading DX in the distribution and retail industry. We reached this conclusion upon having evaluated factors that include the Company's strengths, particularly in terms of its understanding of the distribution and retail industry, its ability to flexibly deploy a combination of different POS systems, and its significant opportunities for market development.

## Shareholder return policy

For returns to shareholders, the Company’s basic policy is to stably pay dividends after considering strengthening its financial structure and proactive development its businesses. It has reviewed its dividend policy intending to steadily improve its profit structure. Based on this dividend-policy review, in FY12/21, the Company increased the dividend by ¥6 relative to FY12/20 to ¥20 (¥7 at the end of 2Q, ¥13 at period-end). In FY12/22, the Company furthermore increased the dividend by ¥23 relative to FY12/21 to ¥43 (¥17.50 at the end of 2Q, ¥25.50 at period-end). As such, the Company has been consistently and substantially raising its dividends. For FY12/23, the Company is poised to increase the dividend by ¥1 relative to FY12/22 to ¥44 (¥22 at the end of 2Q, ¥22 at period-end) for a forecast dividend payout ratio of 35.0%. At FISCO, we anticipate that the Company will likely further increase its shareholder returns in line with its profit growth.



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

## SDGs and ESG management initiatives

As an SDGs and ESG (environmental, society, governance) management initiative, the Company adheres to its management philosophy of “contributing to the realization of a prosperous society by connecting people’s lives and business activities of distribution companies with information system technology.” It promotes ESG management with emphasis on SDGs to make consumers more prosperous by contributing to innovations and advancements in the distribution and retail industry in Japan and abroad.

### SDGs management initiatives

SDGs items		Major initiatives
<b>Environmental</b> Toward realizing a carbon-neutral society by 2050, create new ecological value, including by building next-generation stores in the retail industry	7. Affordable and clean energy 8. Decent work and economic growth 9. Industry, innovation, and infrastructure 12. Responsible consumption and production 13. Climate action	(1) Energy-saving at offices (2) Using recycled products and reducing the waste generated by business activities
<b>Society</b> Contributing to resolving human rights, labor, and social issues, also establishing environments in which employees can demonstrate their abilities doing worthwhile work and progressing diversity so that a wide range of human resources can be active	3. Good health and well-being for all 4. Quality education for all 5. Gender equality 8. Decent work and economic growth 10. Reduced inequalities between people and countries	(1) Human rights and labor · Respect for fundamental human rights and prevention of harassment · Management of appropriate working hours · Maintenance and improvement of physical and mental health · Improvements to employee skills and provision of career development support · Support for child care and nursing (2) Social contribution · Support for culture and sports · Support for victims of disasters, etc.
<b>Governance</b> Ensure the soundness and transparency of management, enhance information disclosure, and strengthen risk management while expanding businesses	16. Peace, justice, and strong institutions for all	(1) Legal compliance (2) Risk management (3) Corporate governance (4) Dialogues with stakeholders

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

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