COMPANY RESEARCH AND ANALYSIS REPORT

JUST PLANNING INC.

4287

TSE JASDAQ

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FISCO Ltd. Analyst

Yuzuru Sato

FISCO Ltd.

http://www.fisco.co.jp

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Summary

Is linking Makasete Net and Putmenu to support solving the labor-shortage problem in stores

Just Planning <4287> (hereafter, also "the Company") operates Makasete Net service (ASP* business), a store management system (sales, deliveries, and worker attendance management) for the restaurant industry, as its mainstay business. It is one of the industry's largest firms with 5,092 store contracts as of the end of January 2020, mainly with small and medium-sized restaurant chains. It achieves high profitability and stability thanks to having a recurring-income business model based on monthly fees. The Company also operates logistics solutions and solar power businesses via subsidiaries and launched Putmenu (mobile ordering and payment system that utilizes IoT technology) as a new service in FY1/19.

* ASP (Application Service Provider): a business that provides customers with application software functions used on IT devices as a service via networks. ASP can also refer to this type of service itself.

1. Review of FY1/20 results

In the FY1/20 consolidated results, net sales increased 7.7% year-on-year (YoY) to ¥2,426mn and operating profit decreased 12.9% to ¥247mn, which were basically in line with the Company's forecasts. Sales were strong in the logistics solutions business, increasing 16.3% YoY, and net sales rose for the first time in three fiscal periods. But the main reasons for the decline in profits was that in the mainstay ASP business, Makasete Net's average number of contracting stores during the period decreased, while Putmenu's development costs increased. Deployments of Putmenu are being progressed not only in restaurants, but also in companies' employee cafeterias, sports stadiums, and tourist sites, although its impact on sales is still negligible because it is at the upfront investment stage. The number of Makasete Net contracting stores at the end of FY1/20 had increased by 560 stores on the end of the previous fiscal period to 5,092 stores, due to the rise in the number of new contracts for Makasete Net up to FY1/20 4Q, and the number has recovered to a record-high level (the end of FY1/16).

2. Business development in the future

The Company has decided to postpone disclosing the FY1/21 results forecasts because it is difficult to rationally estimate numbers in a situation in which the spread of the new coronavirus is having a major impact on restaurant companies. It is unavoidable that restaurant companies freeze their investment in systems and stores at the present time, so the number of Makasete Net contracting stores may decrease due to store closures by existing customers. In this situation, the Company has started to provide new solutions services in anticipation of the time after the recovery of the market environment. Specifically, by linking Putmenu and Makasete, it has started providing the Makasete Net Comprehensive System, which aims to optimize personnel deployments of hall staff, while it has also started providing Makasete Labor EX, which utilizes AI to achieve a reduction in the employee turnover rate. It will conduct fully fledged sales activities for these services once the market environment has settled down, but they are already attracting attention as services that will lead to improvements in the number of contracting stores and the customer sales unit price. For Putmenu as well, there are success case studies of it being deployed not just in restaurants, but also in other venues like sports stadiums, event halls, and companies' employee cafeterias, and based on this, the Company's strategy is to progress its horizontal development.

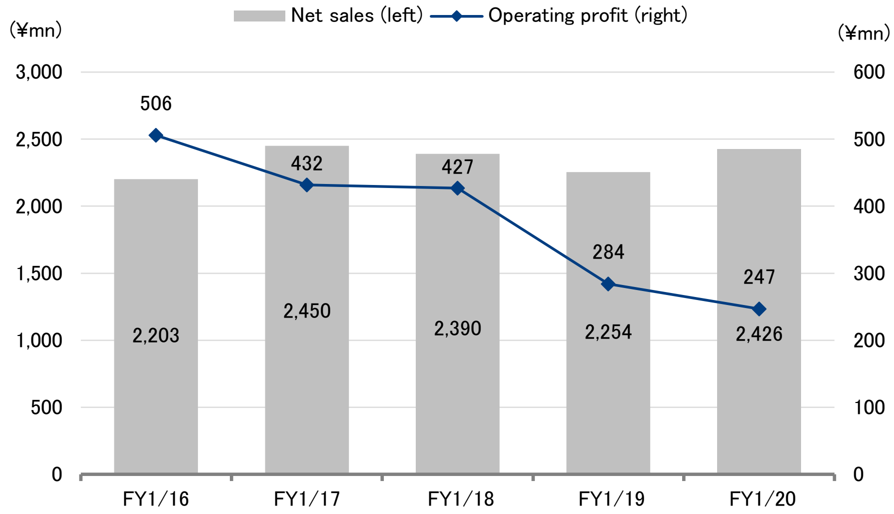
3. Shareholder return policy

The Company's basic policy for shareholder returns is to stably and continuously pay dividends, while also retaining the retained profits necessary for business development in the future and to strengthen the management structure. For FY1/21, it plans to pay a dividend per share of ¥7.4, which is unchanged YoY. The capital ratio at the end of FY1/20 was 91.6%, and as it conducts no-debt operations, it has ample cash and deposits of ¥2,179mn. Therefore, in the future also, it is expected to continue its basic policy of stably paying dividends, while considering the demand for funds.

Key Points

- In FY1/20, sales continued to increase, but profits decreased due to the upfront investment in Putmenu
- The number of Makasete Net contracting stores recovered in FY1/20 4Q to a record-high level
- Is aiming for regrowth by focusing on providing solution to stores' labor-shortage problem

Results trends



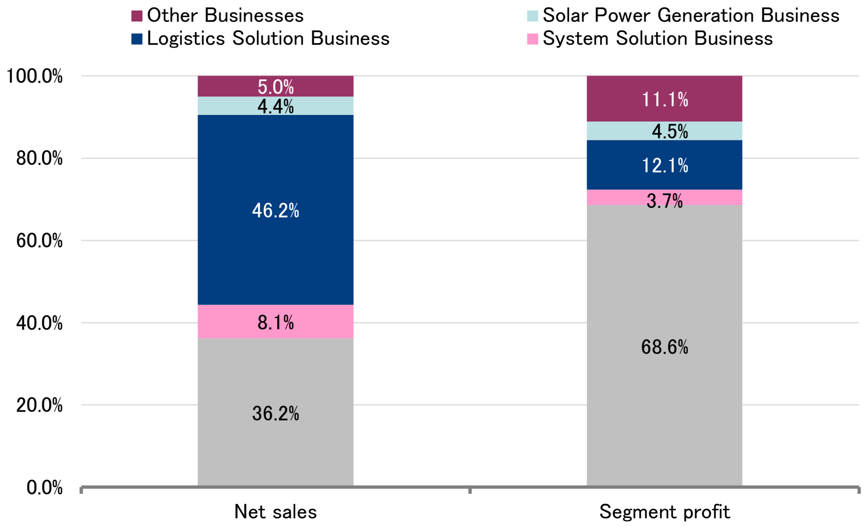
Source: Prepared by FISCO from the Company's financial results

Business overview

Major supplier of store management systems to the restaurant industry; exceeding 5,000 contracting stores

The Company's operations are classified into five business segments; the ASP Business, the System Solution Business, the Logistics Solution Business, the Solar Power Generation Business, and the Other Businesses. In the FY1/20 business segment composition, the ASP Business and Logistics Solutions Business accounted for over 80% of net sales at 36.2% and 46.2%, respectively. However, the ASP Business dominates overall earnings at 68.6% of segment profit. We review segment content below.

Business segment composition (FY1/20)



Note: Net sales indicate sales to external customers
Source: Prepared by FISCO from the Company's financial results

1. ASP Business

In the ASP Business, the core service is Makasete Net (launched in 1999). This service allows customers to utilize the business software they need to operate various aspects of restaurants, such as sales, purchasing, and attendance management, via the Internet. The main customers for this service are small and medium-sized restaurant companies that operate chains of between 20 to 50 restaurants. Introducing Makasete Net makes it possible for these client companies to promptly and inexpensively gather, manage, and analyze data on operating conditions at their restaurants. It is a recurring-income business model in which the monthly usage fees from the contracting restaurants provide the majority of the net sales. Its gross profit margin is also high and it is the Company's mainstay business.

While the Makasete Net monthly fee varies depending on the service used, it averages in the lower ¥20,000 range per store (the full- service costs about ¥30,000). This seems expensive compared to the services from many rivals supplied in the range of about ¥10,000 per month. However, the difference can be attributed to the Company's free provision of customized support that requires additional charges at other companies (though the Company charges extra fees in the case of large-scale changes to specifications).

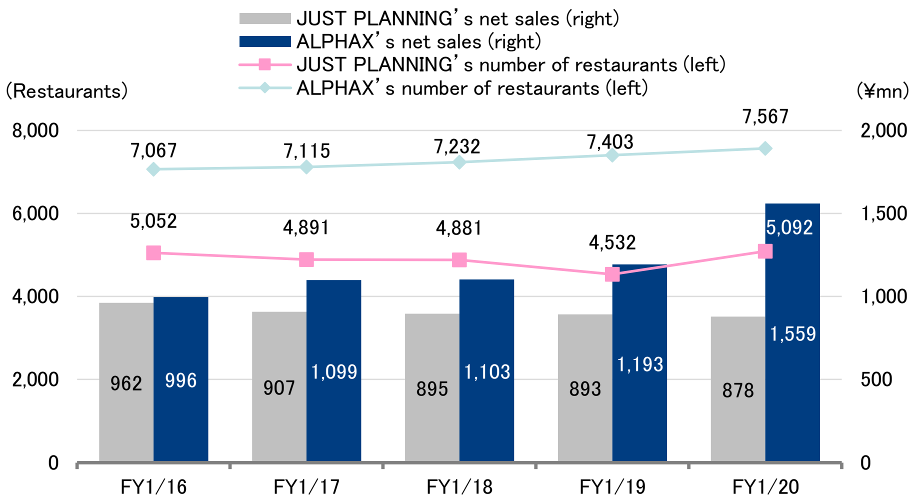
Contracted store volume totaled 5,092 stores at end-FY1/20 (this includes 259 contracting stores for the Logi Logi logistics management system). Japan has about 57,700 restaurant chain stores (according to data from the Japan Franchise Association). While the Company's industry share is just under 9%, we estimate that it holds a share of just over 10% for small and medium-sized restaurant chains with less than 50 stores, its main target.

Number of chain restaurants in Japan and JUST PLANNING's contracting restaurants

Note: Figures for the number of chain restaurants are from the Japan Franchise Association (as of the end of March)
Source: Prepared by FISCO from the Company's results briefing materials

Looking at the Company's competitors, there are 5 to 6 rival companies of a similar size, including ALPHAX FOOD SYSTEM CO., LTD. <3814>, Hitachi Systems, Ltd., and ASPIT CO., LTD. ALPHAX FOOD SYSTEM reported 7,567 contracting stores at the end of September 2019 (278 contracting companies), making it the industry leader with about 1.5 times more contracting companies than the Company. At ALPHAX FOOD SYSTEM, sales of its automated ordering system rapidly increased in FY9/19, and net sales grew by double digits. In ASP services for restaurant companies, Infomart Corporation <2492> also provides order receipt and placement services, so some of its services overlap with those of ALPHAX. However, Infomart Corporation mainly focuses on providing services to the selling side (food wholesalers), so these two companies have built a good relationship, such as by mutually linking their systems when their customers overlap.

Trends in the number of contracting restaurants and net sales in ASP business for the two major companies



Note: ALPHAX FOOD SYSTEM's results to the end of September
Source: Prepared by FISCO from Company materials

The Company is also promoting enhancement of added-value services besides Makasete Net, with the aims of raising ARPU and further solidifying relationships with customers. Of these services, Makasete Touch (this service was launched in 2012 with the name POSITEV and changed to the current name in 2014) is a service that facilitates replacement of specialized terminals (handy terminals) used to accept orders from customers at restaurants with an iPad, iPod Touch, or other general-use terminal. The advantages of this service include a major reduction in the initial deployment costs to about one-third the usual amount through utilizing general-use terminals, that education and training periods and costs are kept down as employees learn quicker from using terminals that they are already familiar with, and that maintenance costs can be reduced. The initial cost for the deployment of Makasete Net begins at ¥100,000 and the monthly charge per store is ¥19,800, as the total of ¥9,800 for the ordering service, ¥5,000 for the POS service, and ¥5,000 for the maintenance service. The number of contracting stores is still small, at slightly more than 100 stores, but the number of contracts has started to steadily increase not only from stores that have already deployed Makasete Net, but also from new customers.

Separately, the ASP business includes Putmenu as a new service. The Company established Putmenu Inc. through joint investment with Boxyz Inc. and Tagcast Inc. as a consolidated subsidiary (it holds a 70% stake) in February 2018. Boxyz is responsible for the development of Putmenu, while sales are conducted mainly by the Company, in cooperation with its external partners.

Putmenu is a mobile ordering and payment system that realizes “zero minute” order and payment wait time at restaurants and other stores by having customers utilize a smartphone app. Payment options include not only major credit cards but also the three mobile carriers and various online payment systems, such as LINE Pay, Apple Pay, PayPal, Alipay and PayPay. The app is also available in 12 languages and it also provides allergy-related information at the menu display stage, if the user has preregistered allergy substances, as well as Halal and vegan displays. This service envisioned use by foreigners from the initial design.

Furthermore, a difference with other similar services* is integration with IoT technology that recognizes user location utilizing a beacon (radio wave transmitter and receiver) for Bluetooth, a close-distance wireless communication technology, and smartphone GPS function. It is a mechanism in which orders can only be made from an area determined in advance through confirming the user-location information via the beacon and other means. For businesses, it provides the ability to collect and analyze data on the seat and location of the order, enabling effective marketing measures, which is a strength compared to similar services. Tagcast has the international patent for the Company’s mechanism (it holds patents in nine countries, including Japan, the US, China, South Korea, the UK, Germany, and France).

* Since 2019, Starbucks and McDonalds launched services from systems developed in-house for some stores. Also, several IT venture companies provide mobile orders and payment services.

The main targets for deployments are restaurants, particularly food courts in commercial facilities, but also venues such as restaurants and merchandise stores at sites where people tend to line-up, like event venues, and at hotels and tourist sites with many overseas tourists. The service has three income models. It is available at a monthly fixed fee for restaurants and other sites operating on a regular basis; with a revenue-sharing framework that charges a certain percentage of the gross purchase value handled through Putmenu, mainly for event venues and tourist sites; while it is also now offered with a hybrid-type fee structure, which combines the fixed fee and the percentage of the gross purchase value structures.

Features of Putmenu

Main features	Effect
1. Increase in sales contact points Orders can be received anytime because it does not use register (face-to-face) sales Supports larger sales per hour without additional investment	Larger sales, labor savings, improved customer satisfaction
2. Cashless (non-face-to-face online payment) Eliminates need for register support due to payment via an app Only necessary to hand over product	Labor savings, improved customer satisfaction
3. Foreign language and allergen ingredient display Foreign visitors to Japan can conduct ordering and payment in their native language on their own smartphone Supports display of allergen ingredients and Halal and vegan dishes	Labor savings for foreign traveler support, improved customer service
4. Provision of convenience tailored to the user experience Use of spatial awareness technology prevents order placement outside of the defined area Allows for customer recruitment measures via O2O (Online to Offline)	Promotion, improved customer satisfaction

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

2. System Solution Business

The System Solution Business is mainly comprised of the sales of various devices and equipment, such as POS systems and order entry systems that are deployed by the restaurants of companies contracting to Makasete Net and to other services, as well as related system configuration and maintenance revenues. However, net sales in the System Solution Business are only weakly correlated to those of the ASP Business. This is because there is no need for customers to repurchase devices and other equipment that are already installed in their restaurants, which is true even when customers are contracting to Makasete Net or another service for the first time. Also, it provides a comparatively low amount of the segment profit margin of the businesses as a whole, as these items are purchased from third parties for sales to customers.

3. Logistics Solution Business

The Logistics Solution Business is mainly being developed by SuccessWay Inc., made a wholly-owned subsidiary of JUST PLANNING in 2005. This business mainly provides services such as logistic solutions and merchandising solutions for restaurant companies, along with corporate business support services. Currently, since labor-intensive logistics-business support services account for the bulk of its net sales, the segment profit margin trended at a low level. The Company is pursuing increased sales of Logi Logi System, a service for a logistics total management system (store orders placement, warehouse management, inventory management, etc.) developed by itself (this service currently has about 300 contracting stores).

4. Solar Power Generation Business

The Company operates its solar power business through subsidiary JP Power Inc. (wholly owned). It runs power plants at two sites in Tochigi Prefecture with a total of 1.7MWh (started operating in February 2015) and one location in Miyagi Prefecture with 1.1MWh (February 2016) and sells electricity to power companies. The Company intends to maintain the current level of power-generation capacity and should achieve higher margin as depreciation cost burden declines.

5. Other Businesses

Subsidiary JP Power operates restaurants as locations for employee training to obtain knowhow on store operations and test marketing of new systems. It had a total of four stores including three izakaya pubs and one golf bar as of end-FY1/20.

Results trends

In FY1/20, sales continued to increase, but profits decreased due to the upfront investment in Putmenu

1. Review of FY1/20 results

The Company reported an increase in sales but decreases in profits in the FY1/20 consolidated results, with net sales at ¥2,426mn (+7.7% YoY), operating profit at ¥247mn (-12.9%), ordinary profit at ¥246mn (-17.1%), and net profit attributable to parent shareholders at ¥108mn (-26.7%). Although net sales increased for the first time in three fiscal periods, supported by the growth of the Logistics Solutions Business, the main reason for the declines in profits was the reduction in the average number of contracting stores during the period (monthly average number of stores) for Makasete net and other services, which are the pillar of earnings, falling 3.8% to 4,492 stores, and that gross profit declined 1.6% YoY. Also, operating profit decreased for the fourth consecutive period due to increases in Putmenu's development costs, and mainly sales-promotion expenses including advertising and promotions costs, and SG&A expenses.

Compared to the Company forecasts, net sales of Makasete Net were slightly below forecast, but this was covered by the growth of the Logistics Solutions Business, so the result was basically as forecast. Operating profit and ordinary profit were both more than 20% above forecast due to the measures to keep down SG&A expenses. Net profit attributable to parent shareholders was 5.0% below forecast due to the recording of a provision of the bad credit allowance of ¥57mn as an extraordinary loss.

Consolidated financial results for FY1/20

(¥mn)

	FY1/19		FY1/20				
	Results	% of sales	Plan	Results	% of sales	YoY	% of forecast
Net sales	2,254	-	2,452	2,426	-	7.7%	-1.0%
Gross profit	891	39.6%	-	877	36.2%	-1.6%	-
SG&A expenses	607	26.9%	-	629	26.0%	3.7%	-
Operating profit	284	12.6%	204	247	10.2%	-12.9%	21.4%
Ordinary profit	297	13.2%	205	246	10.2%	-17.1%	20.2%
Profit attributable to owners of parent shareholders	147	6.6%	114	108	4.5%	-26.7%	-5.0%

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

The number of Makasete Net contracting stores recovered in FY1/20 4Q to a record-high level

2. Performance trends by business segment

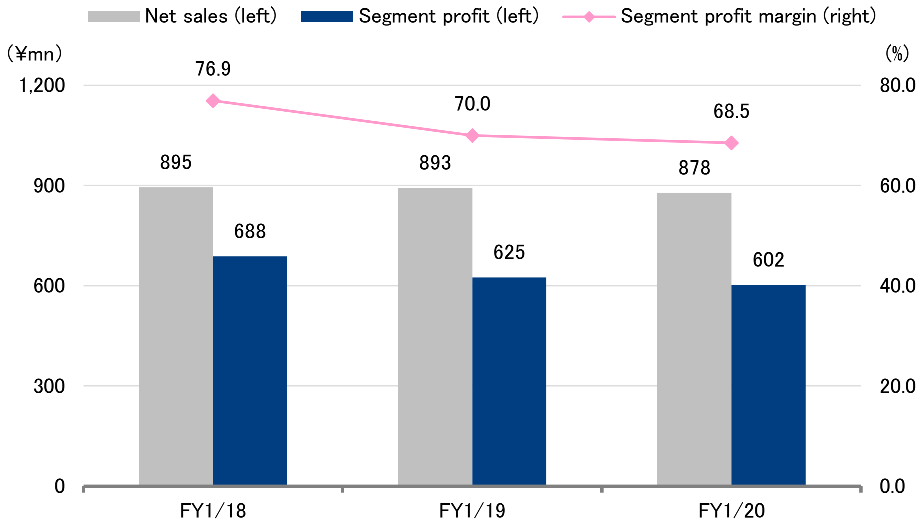
(1) ASP Business

In the ASP business, net sales decreased 1.6% YoY to ¥878mn and segment profit fell 3.7% to ¥602mn. As previously stated, the main reason for the decline in sales was that the average number of contracting stores during the period for Makasete Net and other services decreased 3.8% YoY. Among the main customers, transactions shrunk with one company, but through FY1/20 4Q, the Company made progress in acquiring comparatively large new customers. As a result, the number of contracting stores recovered and at the end of FY1/20, it had reached 5,092 stores, a record-high level (at the end of FY1/16).

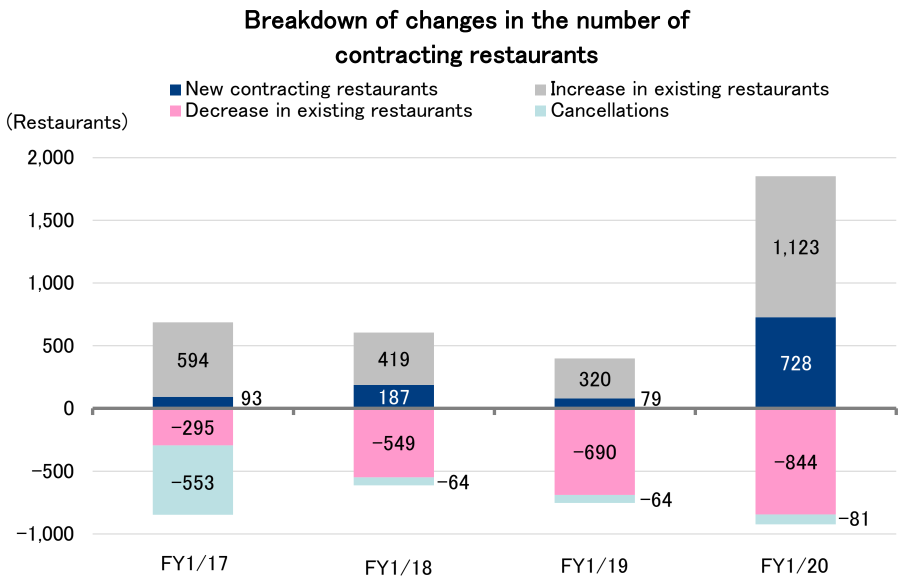
Looking at the breakdown of the increases and decreases in the number of contracting stores in FY1/20, the increases were 728 stores from acquisition of new customers (up 649 stores YoY) and 1,123 stores from openings of new stores by existing customers (up 803 stores), and the decreases were 81 stores from contract cancellations (up 17 stores YoY) and 844 stores from store closures by existing customers (up 154 stores), for a total increase of 560 stores on the end of the previous fiscal period. Even when compared to the last few years, the numbers of newly acquired customers and store openings by existing customers were large, and it seems they contributed to the increase in the number of contracting stores. Conversely, the number of contract cancellations rose slightly YoY, but the Company still succeeded in keeping cancellations at a low level. This is considered to be because in the last few years, it has worked to strengthen its relationships with customers.

Also, in FY1/20, the monthly usage fees per store (monthly average sales ÷ average number of contracting stores during the period) increased approximately 2% YoY to ¥16,300. This was mainly due to the decline in the percentage of total fees provided by Logi Logi, which has a low average usage unit price, and also because the Company changed to a policy of as much of possible not conducting discount sales of the mainstay Makasete Net service and working to increase the customer unit price. The main profit-decrease factors were the decline in sales and the increases in costs, including Putmenu's development costs, advertising and promotion costs, and sales-promotion costs, and the segment profit margin fell from 70.0% in the previous fiscal period to 68.5%.

Results of the ASP Business



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



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

Looking at the conditions for the main initiatives for Putmenu, which is a new business, in April 2019 the Company deployed the system into "Minna-no Shain Shokudo," which are employee cafeterias operated by Koyo Corporation. In these employee cafeterias, it deployed a framework to provide a discount service for pre-orders and payments up to 9am on the day in question, which, in addition to improving the usage rate, has had the effect of reducing the food-waste loss. Currently, it has also started to deploy it into several other facilities operated by the Koyo Group, including employee cafeterias in hospitals.

In July 2019, the Company deployed and started managing a service in AEON Style Koshien for pre-orders and payments for an event-spectator set (meal + drink, etc.), and also an ordering and payment service for the food menu on the home stadium of J-League team Fagiano Okayama FC (City Light Stadium). The restaurant that delivers the food is located at a distance from the soccer stadium, and it solved the problem of the time taken to deliver orders to the stadium by introducing a micro-delivery* framework, which has been favorably received by the spectators. In addition, during the same period, at Hamasaka Onsenkyo, which is a hot springs tourist resort in Hyogo Prefecture, it launched the Omiyage Tengoku (Souvenir Heaven) service, that enables orders and purchases on Putmenu of souvenirs unique to the area from anywhere in the town (within a radius of 5km of JR Hamasaka Station). Moreover, with the same service, it is introducing a micro-delivery framework that enables users to receive orders the following day at a location that they specify, including their lodging facility, a roadside station, or a station information office.

* A framework in which the ordered products are grouped by the delivery staff and taken to the reception desk established on the concourse within the facility and delivered to users. It has the advantage for users of reducing the time taken to deliver their orders to them.

The Company also deployed the service into the "Tokyo Wagyu Show 2019, Autumn," which is Japan's largest wagyu (Japanese beef) fair, held in September 2019. This confirmed the large size of potential needs at places where people line up, including that the number of orders was so overwhelmingly large as to temporarily cause the server to go down. Also, in January 2020, in the "Myoko Cashless Planning for Each Town" winter campaign (January to March 2020), it started to deploy Putmenu, including for the cooperating ski resorts and restaurants, roadside stations, and merchandise stores. A single app enables users to make multiple purchases, including of ski tickets at the ski resorts, at restaurants, and for shopping, and the use of this service spread, particularly among overseas tourists. But the number of visitors to the ski resorts declined greatly from February onwards due to the lack of snow in the warm winter and also because of the impact of the spread of the new coronavirus, which meant that the results were less than expected. That said, it was highly evaluated by the companies participating in this planning campaign*, and it is possible that Putmenu will be used again for event planning and other campaigns in the future. Sales of Putmenu in FY1/20 were small, while in profits, it seems it recorded a loss of around tens of millions of yen. However, to a certain extent it has acquired a good reputation, including among the companies, stores, and tourist sites deploying it, so there is no change to the expectation that it will grow in the future.

* Implementation of a campaign plan in which users receive a voucher for one free drink when ordering and paying using Putmenu at one of the cooperating restaurants. It has the advantage that it can be effectively utilized for marketing measures, as it collects information such as on user attributes and usage times.

The main examples of Putmenu's deployments from 2019 onwards

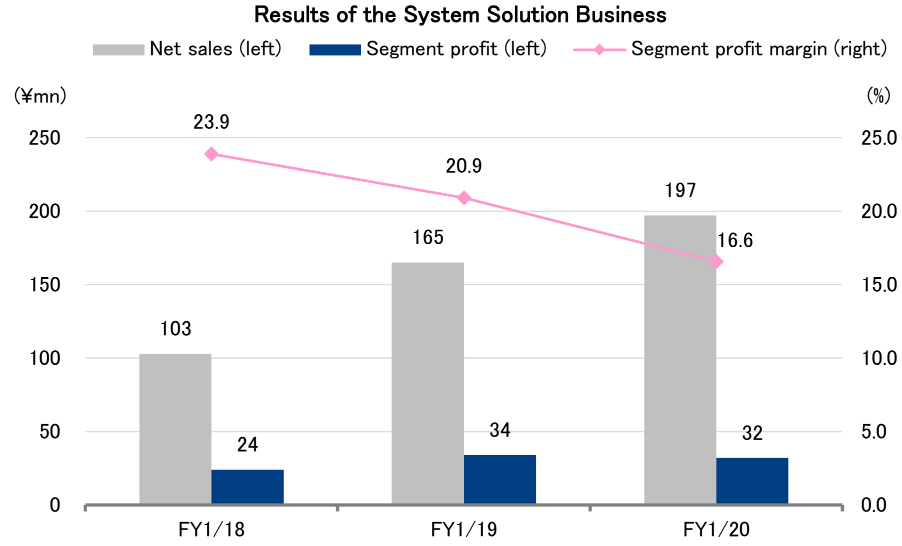
Date	Main deployment examples
• Restaurants / ready-made meals	
April 2019	Start of operations at the "Minna-no Shain Shokudo" employee cafeterias operated by Koyo Corporation. An initiative to reduce food-waste loss by pre-orders.
July 2019	Deployed as a pre-ordering and payment service for an event-spectator set (meal, drink, etc.) at AEON Style Koshien
September 2019	Deployed into 15 food hall stores in the 2nd basement floor of the Daimaru Shinsaibashi main store building
• Tourist sites	
February 2019	Collaboration with SpotTour, a digital tour app, provided by Boxyz
April 2019	Installment on "handy" rental smartphones deployed in all guest rooms (200 rooms) at Henn-na Hotel Huis Ten Bosch
May 2019	Promotion of use at the "Sogensai" local appeal event as part of the "cashless payment initiative for Myoko town"
July 2019	In collaboration with Japan Design, Inc., launched the Omiyage Tengoku (Souvenir Heaven) service for tourists at Hamasaka Onsenkyo, a hot springs resort (Hyogo Prefecture), which enables orders and purchases of souvenirs unique to the area from anywhere in the town. The orders can be collected the following day, including from lodging facilities, roadside stations, and the Hamasaka Station Information Office.
July 2019	As one part of the hospitality activities for overseas tourists visiting Japan, it announced that Putmenu would be utilized to advance "Hospitality for Every Town" activities, centered on the host towns, as a certified business of the "beyond2020" program that is being promoted by the Secretariat Headquarters for the Promotion of the Tokyo Olympics and Paralympics, the Cabinet Secretariat.
January 2020	In the "Myoko Cashless Planning for Each Town" winter campaign, it was deployed into cooperating restaurants, merchandise stores, etc., in each of the cooperating ski resorts and towns in the Myoko area (January to March, 2020).
• Event venues	
July 2019	Deployed into "Fagiano," the stadium gourmet food service of J-League team Fagiano Okayama FC (City Light Stadium).
September 2019	Deployed at the Tokyo Wagyu Show 2019, Autumn, Japan's largest wagyu festival.
October 2019	Deployed into the official goods, advanced-reservations sales system for the B1 opening game of the men's professional basketball league (B. League)

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

(2) Other Businesses

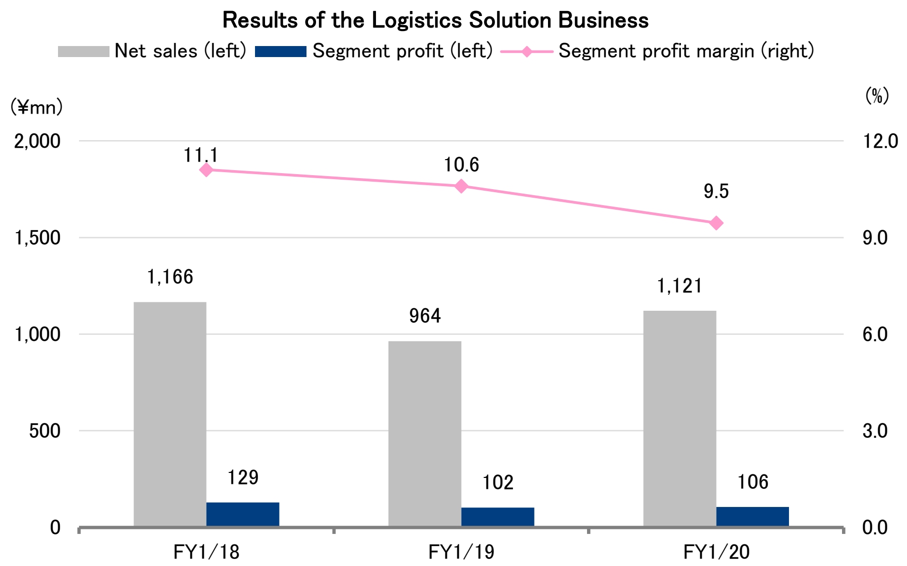
In the System Solution Business, net sales increased 19.3% YoY to ¥197mn and segment profit decreased 5.5% to ¥32mn. As a reaction to the introduction of the reduced rate of consumption tax from October 2019, there occurred special demand for replacements of POS systems, and therefore sales increased by double digits. However, the segment profit margin fell from 20.9% in the previous fiscal period to 16.6% due to the rise in the percentage of total sales provided by purchased products for sale, which have low profit margins.

Results trends



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

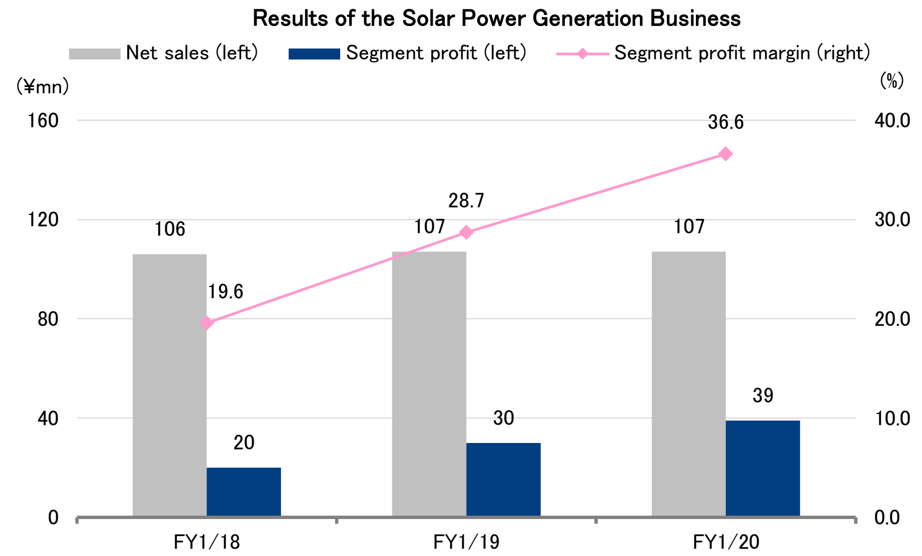
In the Logistics Solutions Business, net sales increased 16.3% YoY to ¥1,121mn and segment profit rose 3.7% to ¥106mn, for the first increases in sales and profits in 3 fiscal periods. Earnings fell in the previous fiscal period due to the impact of contract cancellations by two main customers for logistics-business support services. So, sales increased as this impact ended and also as progress was made in acquiring new customers outside of the food industry, such as for food-supply logistic services for nursing facilities. The segment profit margin fell from 10.6% in the previous fiscal period to 9.5%, mainly due to changes in the sales-composition ratios.



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

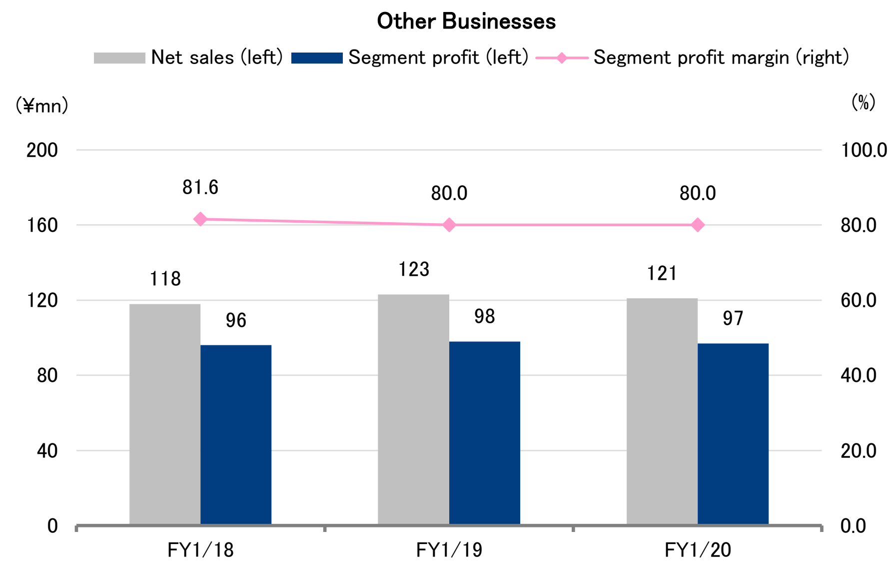
In the Solar Power Generation Business, net sales decreased 0.1% YoY to ¥107mn and segment profit increased 27.5% to ¥39mn. The amount of power generated was basically the same as in the previous fiscal period, and profits increased due to a reduction in depreciation costs of ¥8mn.

Results trends



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

In Other Businesses, net sales decreased 1.3% YoY to ¥121mn and segment profit declined 1.3% to ¥97mn. As it relates to restaurants, the segment profit margin is high, at 80.0%. But operating profit is small once personnel costs and sales costs, such as rent, have been deducted.



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

Maintains healthy financial standing with no-debt operations and an equity ratio of just over 90%

3. Financial condition and key financial indicators

At the end of FY1/20, total assets were up ¥33mn on the end of the previous fiscal period to ¥3,437mn. Looking at the main change factors, in current assets, cash and deposits increased ¥135mn, while short-term loans and the bad credit allowance decreased by ¥303mn and ¥68mn, respectively. In non-current assets, tangible non-current assets decreased ¥71mn, software and other intangible assets increased ¥49mn, while long-term loans and the bad credit allowance increased by ¥297mn and ¥125mn, respectively. The long-term loans relate to compensation for damages for a former president (total amount, ¥303mn), and the Company has set collateral rights on 368,000 shares and certain assets through concluding a quasi-loan for a consumption contract.

Total liabilities rose slightly, up ¥16mn on the end of the previous fiscal period to ¥284mn. Net assets also increased ¥16mn to ¥3,152mn. Dividend payments of ¥93mn and net profit attributable to parent shareholders of ¥108mn were recorded, while the profit surplus increased ¥14mn.

Looking at the management indicators, the equity ratio, which indicates management stability, was maintained at the high level of 91.6%. This was mainly because the ASP business, the mainstay business, has a recurring-income business model in which stable earnings can be expected, and also because there was no large demand for funds. The indicators of profitability have trended at low levels in the last one or two periods, with ROA at 7.2%, ROE at 3.4%, and the operating margin at 10.2%. But this was mainly due to the active upfront investment in costs for the Putmenu business, and when this business starts contributing to earnings, it is forecast that profitability will once again improve.

Consolidated balance sheet

(¥mn)

	FY1/17	FY1/18	FY1/19	FY1/20	Change
Current assets	2,383	2,666	2,579	2,460	-118
(Cash and deposits)	2,060	2,253	2,044	2,179	135
Non-current assets	933	837	824	976	152
Total assets	3,317	3,503	3,403	3,437	33
Total liabilities	353	323	267	284	16
(Interest-bearing debt)	-	-	-	-	-
Total net assets	2,963	3,180	3,136	3,152	16
Key financial indictors					
(Stability)					
Equity ratio	87.6%	88.9%	92.0%	91.6%	-0.4pt
Interest-bearing debt ratio	-	-	-	-	-
(Profitability)					
ROA (return on assets)	13.1%	12.4%	8.6%	7.2%	-1.4pt
ROE (return on equity)	9.8%	9.4%	4.7%	3.4%	-1.3pt
Operating margin	17.6%	17.9%	12.6%	10.2%	-2.4pt

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

Outlook

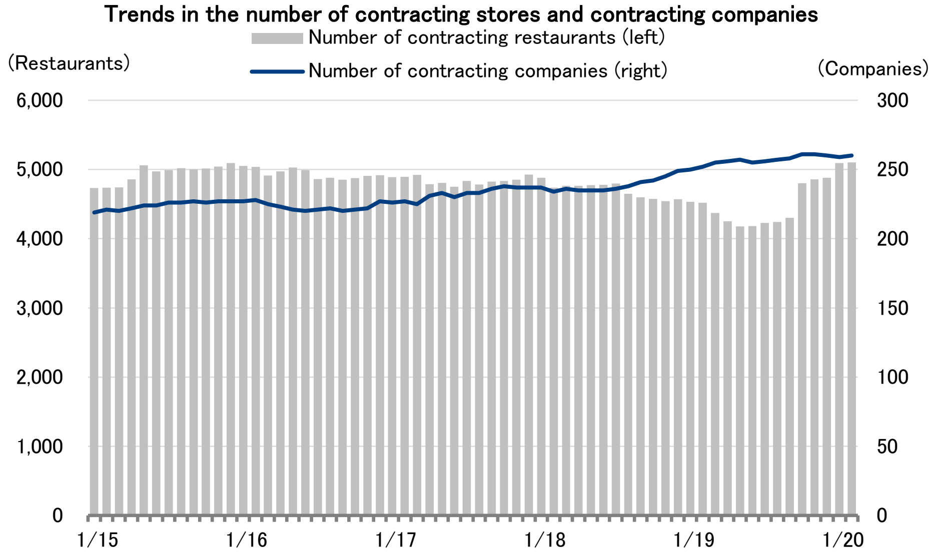
Has postponed disclosing the FY1/21 results forecasts due to the impact of the new coronavirus

1. FY1/21 outlook

At the current time, the Company has not decided on forecasts for the FY1/21 results based on the stagnation of economic activity due to the spread of the new coronavirus and the uncertainty about the impact of its main customers, restaurant companies, keeping down their investment in systems and facilities alongside the deterioration of their business environment. However, it intends to quickly start calculating them at the time when rational calculations become possible. The actual situation on entering March was that sales had fallen significantly due to the decline in customer numbers, such as izakaya pub chains, and that no investment was being conducted, including to open new stores. The Company has actually stopped conducting sales activities, and it is currently responding to the situation while listening to customers. When the Great East Japan Earthquake occurred, it discounted service fees for a limited period for stores that had suffered damage, but at the present time, it has not yet decided on the kind of support it can provide and over what range.

Going forward, the mood of self-restraint among consumers in order to stop the spread of the new coronavirus is likely to continue for a long time, so it is forecast that an increasing number of the Company's customers will be forced to close stores. It is possible that the number of Makasete Net contracting stores, which in February 2020 recorded a new record high of 5,103 stores, will once again decrease. For Putmenu as well, there are appearing cases of potential customers postponing its deployment due to the spread of the new coronavirus, so the present outlook is that the timing of it becoming profitable will be later than expected. Specifically, the start of J. League games has been postponed, while the momentum to deploy it at tourist sites, where tourist numbers have decreased considerably, is receding. However, Chiba Jets Funabashi (B League), which has already deployed it, is progressing activities, including the planning of various kinds of campaigns for fans, and the Company is aiming to horizontally deploy these success stores as a package to other teams. For merchandise sales, it has added a function to specify the date of receipt when pre-ordering merchandise, and it is expanding the usage scenes. Moreover, it is expected to be deployed not only in restaurants, but also in companies' employee cafeterias. Sales will be small in FY1/21, but the development costs have peaked out, so it seems that the extent of the loss will decrease compared to in the previous fiscal period.

Trends in the number of contracting stores and contracting companies



Source: Prepared by FISCO from Company materials

Is aiming for regrowth by focusing on providing solution to stores' labor-shortage problem

2. Growth strategy

As its growth strategy for the future, in addition to developing the Putmenu business, the Company is aiming to once again realize growth by proposing solutions to the issue facing restaurant companies, of staff shortages, to acquire new customers and to increase the unit prices of existing customers. The employee turnover rate in the restaurant industry is high compared to other industries, so staff shortages is a major issue for restaurant management. The Company considers that utilizing IT to resolve this issue and supporting its customers' sales growth will lead to its own growth. As new solutions to tackle this issue, it has started providing the Makasete Net Comprehensive System, which incorporates Putmenu into Makasete Net, and Makasete Labor EX, which utilizes AI to help keep down the employee turnover rate and improve the recruitment rate.

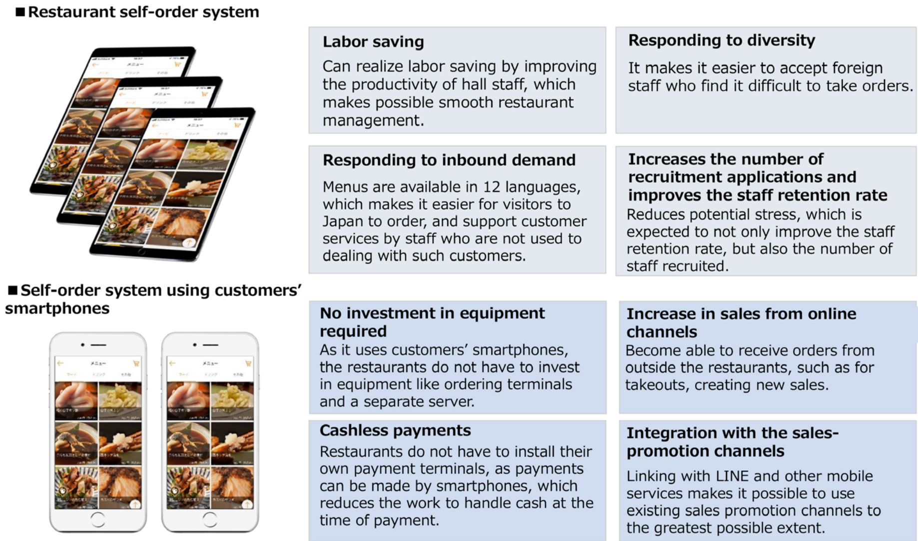
(1) Makasete Net Comprehensive System

The Company is providing business proposals for this service that incorporates Putmenu, which has a self-order function, into Makasete Net, to make it possible to optimize the number of store hall staff, which in turn improves the store's profitability. Self-order type systems that use tablet terminals are already in widespread use, including at izakaya pubs and conveyor-belt sushi chains, but their initial deployment costs are high, at ¥3mn to ¥5mn per set, and an advantage of the Company's system is that it can be deployed at one fourth of this cost.

In addition, in the Company's system, it is possible to order through Putmenu from an iPad installed at the table or from the customer's own smartphone (it is not necessary to install a touch panel screen at all seats), and as it links to the store's POS, customers can choose the payment method, of cash payment or cashless payment. As it is a self-order system, problems like delays or mistakes in taking orders do not occur even during busy periods, which not only improves customer satisfaction, but it also reduces the work burden placed on the hall staff. Looking from the stores' perspective, it reduces personnel costs, as stores can be managed with the minimum number of hall staff, and it also improves the accuracy of the management of actual and forecast results by minimizing the extent of fluctuations in personnel costs. Moreover, it has the advantage of reducing the work stress experienced by hall staff as it is a self-orders system, which increases the number of applications for part-time staff and improves the staff retention rate*, which in turn leads to reductions in recruitment costs and in education and training costs. The Company plans to actively conduct sales activities for the Makasete Net Comprehensive System at the stage when the market environment has settled down, which will lead to increases in unit prices at existing customers and acquisitions of new customers.

* In a major izakaya pub chain that deployed a self-order type system, the number of recruitment applications increased by 2 to 3 times compared to before its deployment. Also, in a survey of major Korean barbecue-style chain restaurants, the number of enrollment days of part-time staff increased by 1.3 times at restaurants in which it had been deployed compared to restaurants in which it had not been deployed.

Restaurant self-order system



Source: The Company's results briefing materials

(2) Makasete Labor EX

In January 2020, the Company announced that, as an additional function for Makasete Net, it had developed and started to provide Makasete Labor EX, which utilizes the expertise in labor management of Labor AI provided by Legal Literacy, Inc. Labor AI is an AI system that realizes "zero employees leaving their jobs in three months" through analyzing the work data on more than 200,000 people, and Makasete Labor EX is a solution that seamlessly integrates this expertise in labor management with the information on attendance that has been accumulated in Makasete Net Attendance Management.

Makasete Labor EX has three main features; a function to predict when an employee will leave the company, a function to support interviews when joining the company, and a function to clarify and digitize employment contracts. The function to predict when an employee will leave the company derives a result from an analysis of work data of more than 200,000 people, and it issues an alert to the store manager in advance. This makes it possible to take measures before the employee leaves, which in turn contributes to improving the staff retention rate. The function to support interviews when joining the company displays information tailored to the applicant, including showing the optimal questions and conversations, and it provides support for the interview that does not depend on the personality or experience of the manager conducting the interview, thereby providing the applicant with peace of mind and improving the recruitment rate. Also, the function to clarify and digitize employment contracts reduces the store manager's paperwork burden and helps to realize paperless operations, including for the employment contract and the procedures to join the company. The Company is coordinating this solution with Shop Ran*, which is dedicated tool for communication between a head office and stores provided by its partner, DreamArts Corporation, and it seems the effects of this are being realized on the next level, so its strategy is to increase sales while cooperating with its partner.

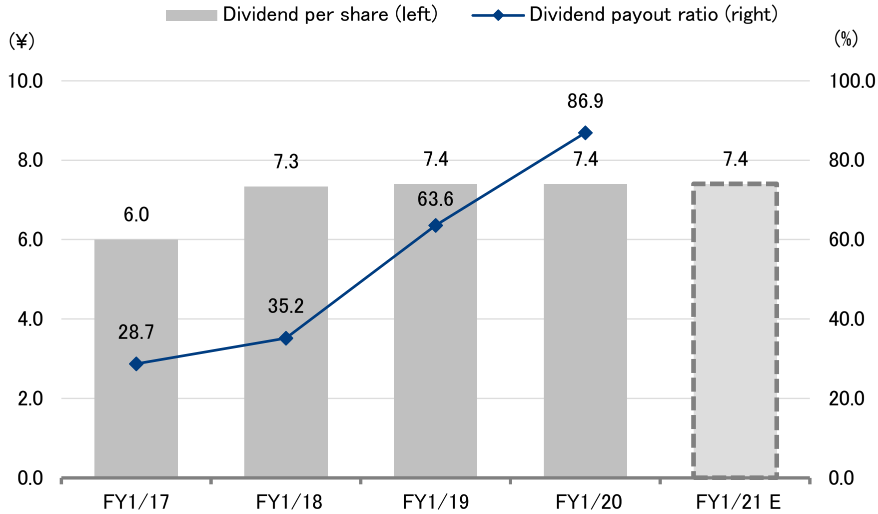
* The communication tool with the leading share of the number of deployments in the chain store industry. It is provided as a Cloud service, with functions including for work communications between the head office and various stores, a survey function, and a report aggregating function. It has been deployed by 35,000 stores and has 530,000 users (including overseas).

Shareholder return policy

At the present time, intends to return profits to shareholders based on a basic policy of stable dividends

The Company's basic shareholder return policy is to stably and continuously pay dividends, while securing the retained profits necessary to develop its business in the future and to strengthen its management structure. It has not disclosed results forecasts for FY1/21, but it plans to pay a dividend per share of ¥7.4, which is unchanged YoY. In the background to this is the fact that it has a significant funds in reserve for dividends, with ample cash on hand of more than ¥2bn. Going forward also, it is expected that it will pay dividends with an awareness of the level of the dividend payout ratio at the stage when its results are on a growth track, based on its basic policy of stably paying dividends while considering the demand for funds.

Dividend and dividend payout ratio



Note: The Company implemented a 1:3 stock split in August 2018. We adjusted dividend values retroactively.
Source: Prepared by FISCO from the Company's financial results

Information security

As information security actions, the Company implements various measures, such as computer virus detection in information infrastructure equipment, building firewalls to remove viruses, and use of anti-virus software. In server policy, it completed a transition from running its own servers to cloud-based servers in FY1/19. Moving onto the cloud is expected to contribute to stable operation and cost efficiencies in the Makasete Net business.

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■ For inquiry, please contact: ■
FISCO Ltd.
5-11-9 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (Financial information Dept.)
Email: support@fisco.co.jp