COMPANY RESEARCH AND ANALYSIS REPORT

JUST PLANNING INC.

4287

TSE JASDAQ

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Summary

Aiming to increase the number of Makasete Net contracts and recover earnings, with the iToGo app for take-out businesses playing a hook role

Just Planning <4287> (hereafter, also "the Company") operates Makasete Net service (ASP* business), a store management system (sales, purchasing, and attendance management) for the restaurant industry, as its mainstay business. It is one of the industry's largest firms with 4,950 store contracts as of the end of FY1/21, 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. Also, the subsidiaries are conducting the Logistics Solution Business and the Solar Power Generation Business, while in February 2018, the Company newly established Putmenu Inc., to conduct the new business of Putmenu (a mobile ordering and payment system that utilizes IoT technologies).

* 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 FY1/21 results

In the FY1/21 consolidated results, net sales decreased 13.3% year-on-year (YoY) to ¥2,103mn and operating profit declined 25.3% to ¥185mn. Due to the novel coronavirus pandemic (hereafter, COVID-19) and the Japanese government's subsequent declaration of a state of emergency, in the restaurant industry, one after another businesses were suspended and restaurants were temporarily closed, and the number of stores contracting to Makasete Net, which is the mainstay service, declined by 142 on the end of the previous period to 4,950 stores. This was also the main reason for the slump in sales in the other businesses, such as the Logistics Solutions Business, and although the Company worked to keep down SG&A expenses, this was insufficient to cover for the decline in gross profit due to the fall in sales. In the mainstay business of Putmenu as well, although deployments for SS (service stations) have been progressed since the fall of 2020, sales to restaurants have been sluggish, and also proposals have stopped for tourist sites because of the end of inbound demand, and these were the main reasons why the results as a whole were less than forecast. Conversely, for the smartphone app iToGo (an advanced reservation ordering and payments service) for take-out businesses, which is a business that the Company acquired from SUNCORPORATION <6736> in August 2020, the number of stores deploying it increased, mainly for existing customers of Makasete Net, including due to the growth of take-out demand.

2. FY1/22 outlook

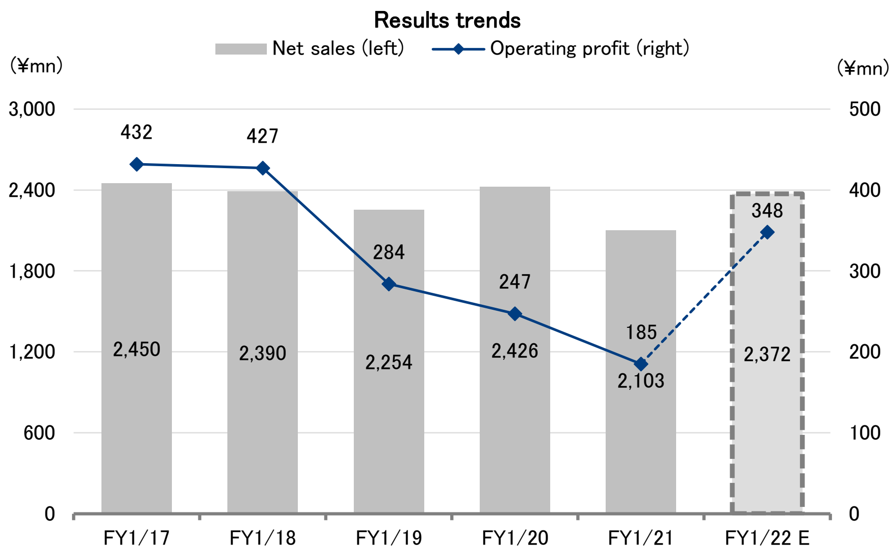
The FY1/22 outlook is for sale and profits to increase, with net sales to rise 12.8% YoY to ¥2,372mn and operating profit to grow 88.0% to ¥348mn. From the growth strategies of "Vertical business development in the restaurant industry," "Horizontal business development to industries other than the restaurant industry," and "Development of new businesses other than the ASP Business," the Company is aiming to once again achieve growth through strengthening Group collaborations and rationalizing operations. In the mainstay ASP Business, its strategy is for iToGo, for which demand is strong, to pay a hook role that will lead to new contracts for Makasete Net. That said, market conditions continued to be severe, including that the number of temporarily closed stores has once again started to increase following the re-declaration of a state of emergency for Metropolitan Tokyo and 3 prefectures in April 2021, so results may be less than forecast if the COVID-19 pandemic becomes prolonged.

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 FY1/22, it plans to pay a dividend per share of ¥7.4, which is unchanged YoY. The capital ratio at the end of FY1/21 was 92.8%, and as it conducts no-debt operations, it has ample cash and deposits of ¥2,230mn. 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

- Although sales declined in the ASP Business, has started deployments of Putmenu for the SS industry and acquired the iToGo app business for take-out businesses
- In FY1/22, is aiming for double-digit increases in sales and profits by focusing on Makasete Net new contracts, with iToGo to play a hook role
- Is targeting growth through vertical business development in the restaurant industry and horizontal business development to other industries

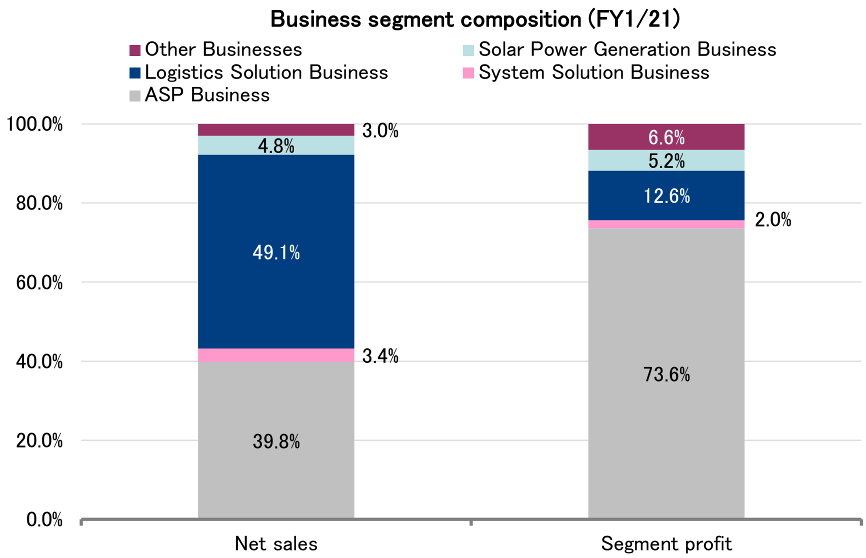


Source: Prepared by FISCO from the Company's financial results

Business overview

Major supplier of store management systems to the restaurant industry; exceeding 4,900 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 FY1/21 business segment composition, the ASP Business and Logistics Solutions Business accounted for just under 90% of net sales at 39.8% and 49.1%, respectively. However, the ASP Business dominates overall earnings at 73.6% of segment profit. We review segment content below.



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

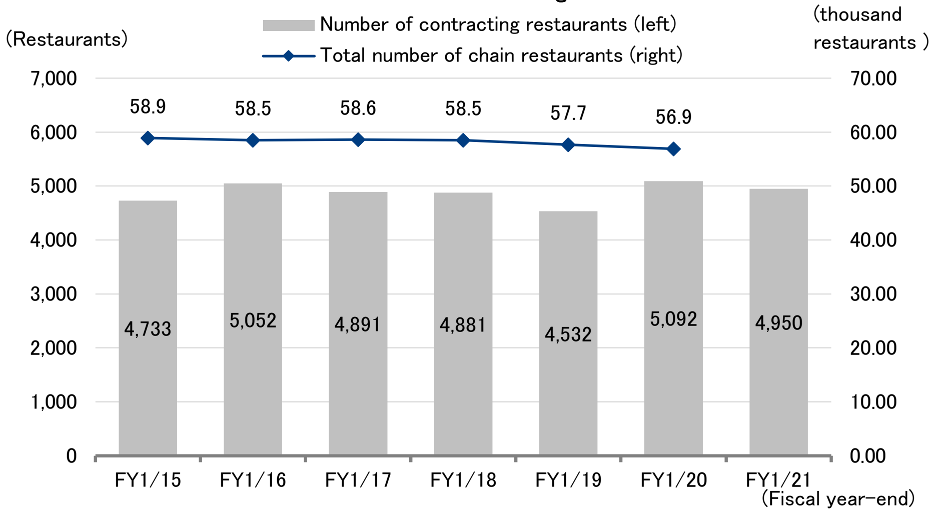
1. ASP Business

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 ¥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 ¥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 4,950 stores at end-FY1/21 (this includes 258 contracting stores for the Logi Logi logistics management system). Japan has about 56,900 restaurant chain stores as of March 31, 2020 (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.

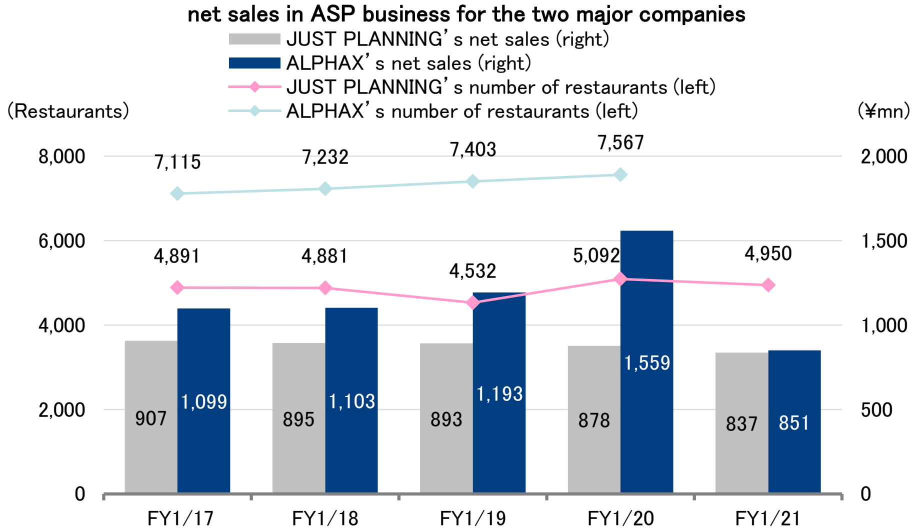
Number of chain restaurants in Japan and JUST PLANNING's contracting restaurants



Note: Figures for the number of chain restaurants are from the Japan Franchise Association (as of the end of March 2020)
Source: prepared by FISCO from the Company's results briefing materials and other 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. Of these, looking at the comparison with ALPHAX FOOD SYSTEM, their net sales were around the same scale in FY2020 in the ASP Business. 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 the Company. 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 (number of restaurants in FY9/20 undisclosed)
Source: Prepared by FISCO from Company materials

The Company is also promoting enhancement of added-value services besides Makasete Net, with the aim of vertical expansion within the restaurant industry. 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 number of contracting stores is still small, at slightly more than 200 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 developing Putmenu, which it is progressing while also utilizing external partners, mainly the Company, for customer acquisitions.

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.

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.

Other than this service, multiple IT companies provide similar services*, but different to the competitors' systems, the Company's system combines a beacon (a radio wave transmitter) using near distance wireless communication technology (Bluetooth) and IoT technology that utilizes a GPS function to recognize the position of the user. 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 (such as Showcase Gig Inc. and O:der Table) provide mobile orders and payment services.

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

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, 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 the Company 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 under 400 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. Since the Company intends to maintain the current level of power-generation capacity. this will become a business of stable income that is projected to achieve a 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. As of end-FY1/21, it had two izakaya pubs and one golf bar in addition to a newly opened shop for box lunches and side dishes, bring the total number of stores to four.

Results trends

In FY1/21, sales and profits declined due to the negative impact of COVID-19

1. Review of FY1/21 results

In the FY1/21 consolidated results, net sales decreased 13.3% YoY to ¥2,103mn, operating profit declined 25.3% to ¥185mn, ordinary profit fell 19.4% to ¥198mn, and net profit attributable to parent shareholders decreased 29.6% to ¥76mn. In March 2020, the novel coronavirus pandemic began to spread in Japan and from April to May, the Japanese government issued a declaration of a state of emergency and restaurants were required to temporarily close for business. Then as the pandemic began to spread once again from November 2020, the government ordered that restaurants shorten their working hours in some regions. In such ways, the severe market conditions in the restaurant industry have continued, and the decreases in the sales of Makasete Net provided by the Company and in the restaurant business have been the main reasons for the declines in sales and profits.

The Company worked to keep down expenses, mainly transportation expenses and advertising and publicity expenses, so SG&A expenses declined 7.4% YoY to ¥583mn. However, this was insufficient to cover for the decline in gross profit due to the fall in sales. Also, the reason for the large rate of decline of net profit attributable to parent shareholders was the recording in extraordinary losses of a provision for a bad credit allowance of ¥47mn, an investment securities valuation loss of ¥13mn, and an impairment loss on non-current assets of ¥14mn relating to the restaurants operated by the subsidiary JP Power.

Consolidated financial results for FY1/21

(¥mn)

	FY1/20		FY1/21		
	Results	% of sales	Results	% of sales	YoY
Net sales	2,426	-	2,103	-	-13.3%
Gross profit	877	36.2%	768	36.5%	-12.4%
SG&A expenses	629	26.0%	583	27.7%	-7.4%
Operating profit	247	10.2%	185	8.8%	-25.3%
Ordinary profit	246	10.2%	198	9.4%	-19.4%
Extraordinary loss	-57	-	-75	-	-
Profit attributable to owners of parent shareholders	108	4.5%	76	3.6%	-29.6%

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

Sales declined in the ASP Business, but started deployments of Putmenu for the SS industry and acquired the iToGo app business for take-out businesses

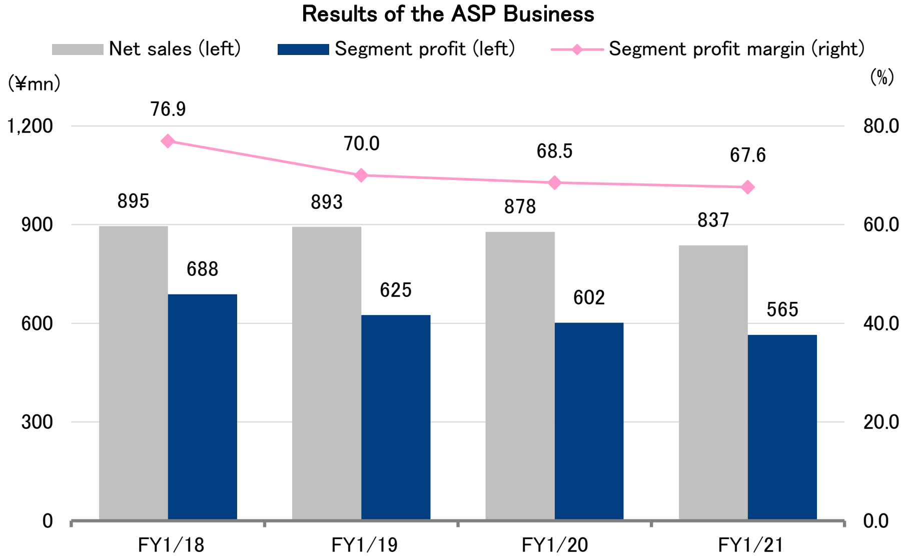
2. Performance trends by business segment

(1) ASP Business

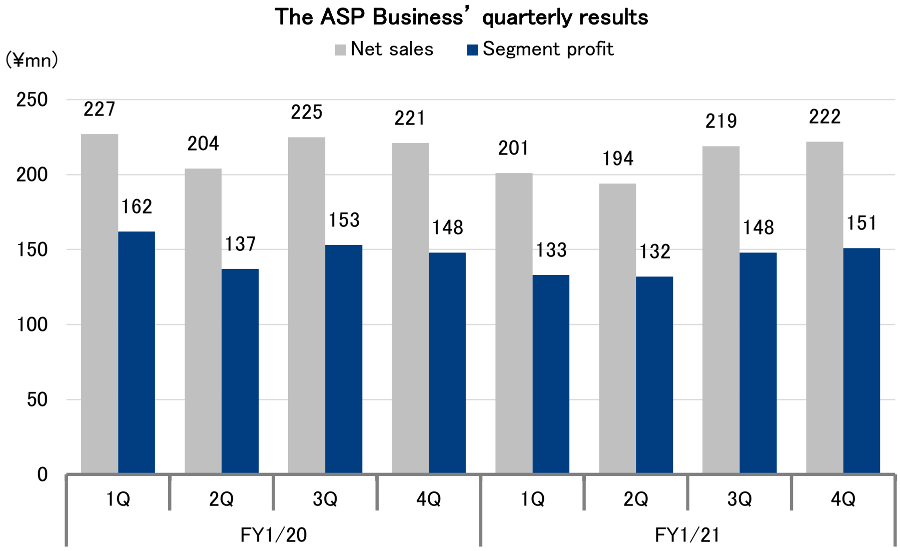
In the ASP Business, net sales declined 4.8% YoY to ¥837mn and segment profit decreased 6.0% to ¥565mn. The number of stores contracting to Makasete Net and to other services during the period increased 11.5%. But as previously stated, due to the declaration of a state of emergency because of COVID-19, in April and May the number of customer companies temporarily closing their stores increased (so usage fees were not invoiced), and the Company also responded to customers' requests for discounts, and these were the main reasons for the declines in sales and profits. However, looking at the YoY growth rates of net sales on a quarterly basis, they declined 11.7% in the 1Q, 4.6% in the 2Q, and 3.0% in the 3Q, so the sales decrease rate gradually contracted. Then in the 4Q they increased 0.4%, rising for the first time in four quarters, while segment profit also changed direction and increased, so signs of a recovery could be seen. Makasete Net's monthly usage fee income declined, but the main factors behind the higher sales and profits were the new deployments of iToGo*, which is a smartphone app for take-out businesses whose business the Company acquired in August 2020, and also the progress made centered on Makasete Net's existing customers.

* The fee plan for the smartphone app version for chain stores start from ¥500,000 for the initial deployment costs, a monthly usage fee (per store) of ¥8,000, and a usage-based fee (3% of the sales amount). There are also separate optional services.

Results trends

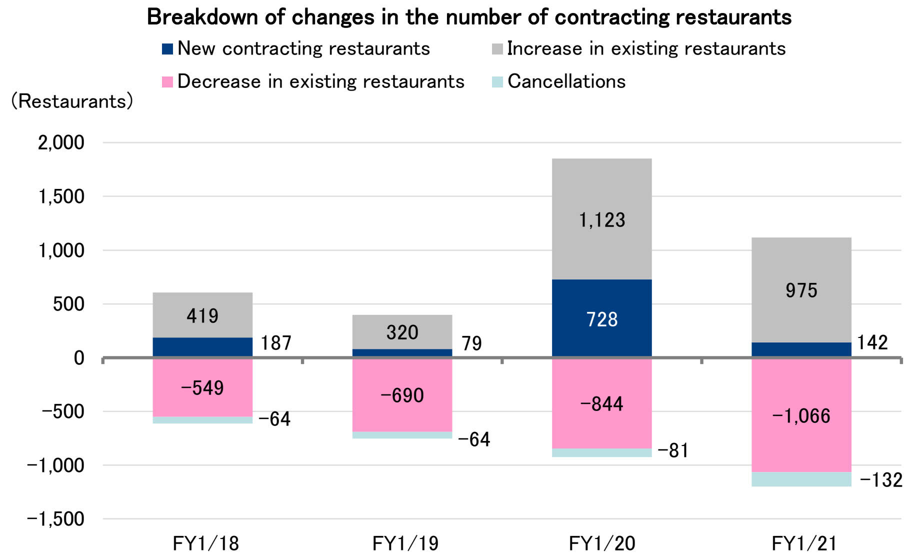


Source: Prepared by FISCO from the Company's financial results



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

Looking at the breakdown in the increases and decreases of contracting stores in FY1/21, acquisitions of new customers were 142 stores (down 586 stores), openings of new stores by existing customers (including stores reopened for business) were 975 stores (down 148 stores), contract cancellations were 132 stores (up 51 stores), and the decrease in existing customers was 1,066 stores (up 222 stores). So on the one hand, there were declines in new acquisitions and in the increase in store openings by existing customers, while on the other hand, market conditions were severe due to COVID-19. Against this backdrop, the numbers of cancelled contracts and store closures increased, and in particular, the number of stores closed by existing customers reached a record high level.



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

Putmenu, which is a new business, also struggled to increase sales due to COVID-19. Due to the absence of inbound demand and the postponement of holding the Tokyo Olympics and Paralympics, sales discussions for tourist sites were put on hold, and introduction to event halls did not progress due in part to the cancellation of events. As proposals for new deployments, deployments were progressed for take-out operations at multiple AEON stores, while for the sports industry, deployments included for J.LEAGUE teams, of the official goods store of YOKOHAMA FC, the food-stall village that is opened for the home games of TOKUSHIMA VORTIS, and for the pre-purchases of box lunches at the home games of F.C. TOKYO. This means that for the J.LEAGUE, it has now been deployed for a total of four teams, following on from its deployments for Fagiano Okayama in 2019. As people can queue to purchase food and drink on match days, it seems needs are strong for a service that will improve convenience. Also, it is being introduced into multiple stores as part of a series of measures in a project to revitalize restaurants in the area around Kamata, which is where the Company's head office is located.

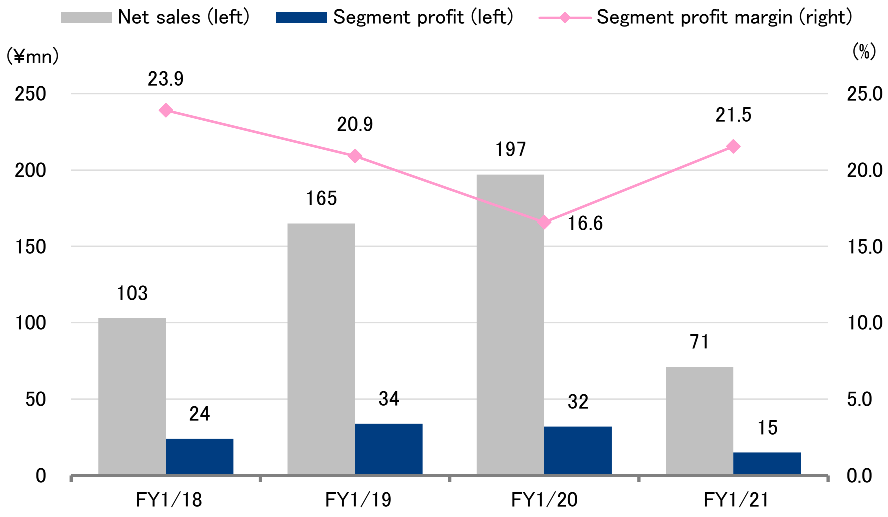
Other than the above, in April 2020 Putmenu was adopted as a mobile ordering and payment system for Refueling Orders by Smartphone, which is a mobile ordering and payment service for SS provided by NEC Platforms, Ltd., so deployments for SS have also begun. NEC Platforms is a major provider of POS systems for SS, and it was also the first in the industry to deploy a mobile ordering and payment service for SS. Although the effect on results is still negligible, as of April 2021, the number of deploying stores had steadily risen by around 60 stores. Business conditions are also severe in the SS industry, and in order to survive, improving work efficiency through digitalization (labor saving, going paperless, etc.) and improving services to customers have become important management issues. So it seems there is significant potential demand for this service that resolves these issues, and its use is expected to spread in the future.

Also, due to COVID-19, demand for take-out, such as for box lunches and sushi, is increasing. In this situation and with the aim of acquiring sales for this business format, in August 2020 the Company acquired the business of iToGo, which is a mobile ordering and payment app for take-out businesses, from SUNCORPORATION, its business partner. Putmenu is also a mobile ordering and payment app, but it has the problem of being difficult to deploy under the customer companies' own brand names. In contrast, the iToGo app can be deployed under customer companies' own brands and linked to their own websites, so it enables a system to be constructed more inexpensively than developing one in-house. Moreover, its UI (User Interface) has also been evaluated as being easy to understand and use, and following its deployment by Kozosushi Co., LTD<9973>, the number of deploying stores has been increasing, mainly to sushi businesses. For chain restaurants with multiple stores also, its price settings make it easy to deploy, while it also makes possible delivery orders. So the Company is proposing its deployment to its Makasete Net existing customers.

(2) System Solution Business

In the System Solution Business, net sales decreased 64.0% YoY to ¥71mn, and segment profit declined 53.1% to ¥15mn. Due to the impact of COVID-19, customers' desire to invest in equipment cooled-down and postponements of planned system deployments occurred, including of ordering and payments projects, and these were the main reasons for the declines in sales and profits.

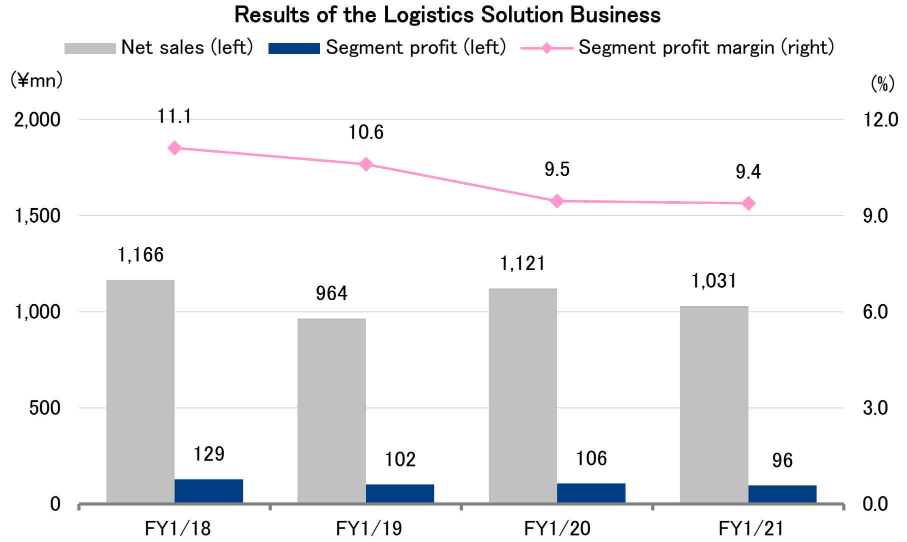
Results of the System Solution Business



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

(3) Logistics Solution Business

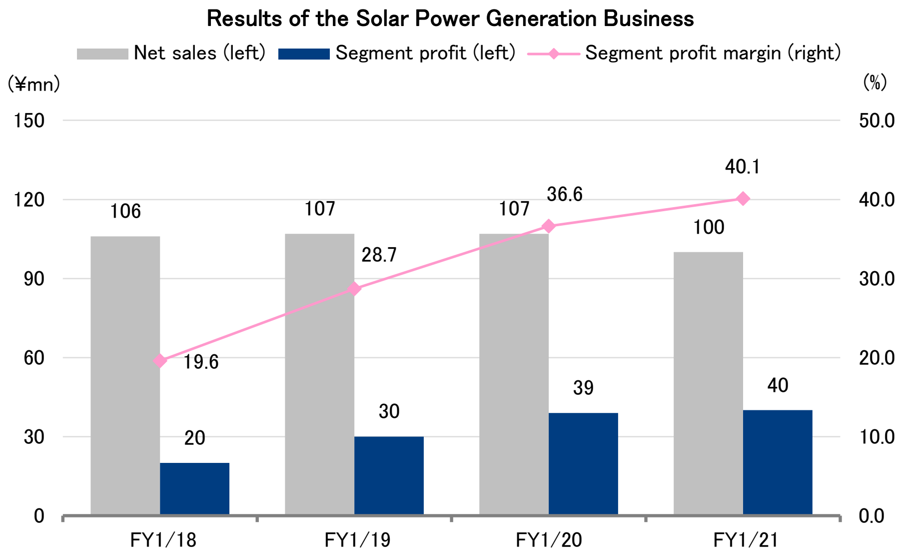
In the Logistics Solution Business, net sales declined 8.0% YoY to ¥1,031mn and segment profit decreased 8.7% to ¥96mn. The market environments of logistics solutions for the restaurant industry and corporate business support services are the same, and their sales declined greatly, by double-digits YoY. However, sales increased for food supply logistics services for nursing facilities, for which the Company has worked to acquire customers since FY1/20, and this kept down the sales decrease rate to a single digit.



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

(4) Solar Power Generation Business

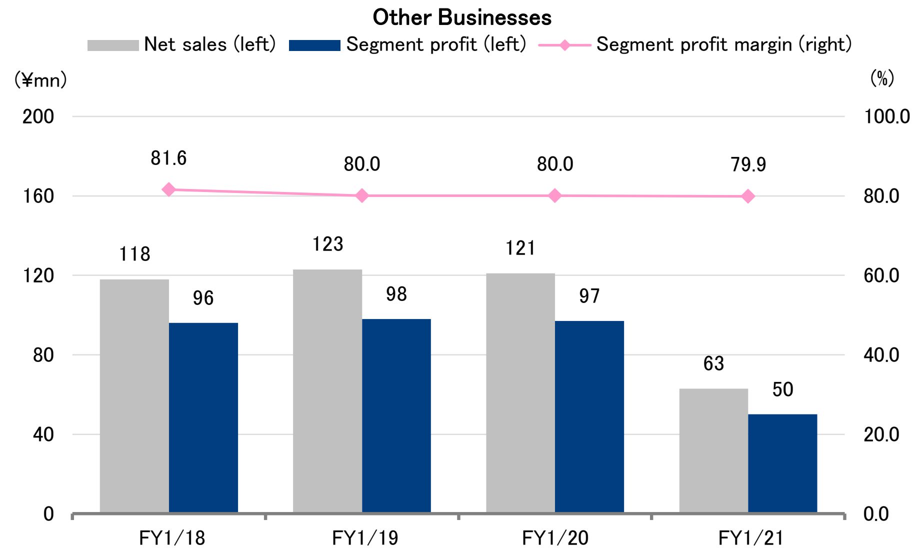
In the Solar Power Generation Business, net sales decreased 6.6% YoY to ¥100mn, but segment profit increased 2.3% to ¥40mn. Sales declined because the amount of sunshine decreased compared to in the previous period, so the amount of power generated fell. But profits increased because depreciation expenses declined by ¥7mn, from ¥61mn in the previous period to ¥54mn. Due to the decrease in depreciation expenses, the segment profit margin has continued to trend upward in the last few years.



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

(5) Other Businesses

In the Other Businesses, net sales decreased 48.3% YoY to ¥63mn and segment profit declined 48.4% to ¥50mn. Due to the requirement to temporarily close businesses following the Japanese government's declaration of a state of emergency in April 2020, in Fukuoka Prefecture 1 golf bar store was temporarily closed from April until mid-May, while in Tokyo also, 2 Japanese-style izakaya bars were forced to operate on reduced business hours, and these were the main reasons for the declines in sales and profits. In the 3Q, the order to temporarily close was lifted and results were gradually recovering. But on entering the 4Q, the pandemic began to spread so orders were again issued, including to reduce working hours. Therefore, conditions once again became severe and compared to the same months in the previous fiscal year, stores' net sales declined 35.1% in November and 39.1% in December 2020, and 53.3% in January 2021. In the 2H, 1 box lunches and side dishes store will open.



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 FY1/21, total assets were down ¥59mn on the end of the previous period to ¥3,377mn. Looking at the main increase and decrease factors, in current assets, there were increases in cash and deposits of ¥50mn and accounts receivable of ¥30mn. In non-current assets, property, plant and equipment decreased ¥77mn, while software declined ¥17mn, investment securities decreased ¥9mn, and the provision for the bad credit allowance increased ¥47mn (a decrease factor).

Total liabilities were down ¥44mn on the end of the previous period to ¥240mn. This was mainly due to the decreases of accounts payable of ¥25mn and income taxes payable of ¥16mn. Total net assets decreased ¥15mn to ¥3,137mn, mainly because profit surplus declined ¥18mn due to the payment of dividends.

Looking at the management indicators, the equity ratio, which indicates management stability, continues to be maintained at the high level of 92.8%, and the Company's financial condition can be judged to be sound. This is because even though profits decreased in the ASP Business, which is the main business, it has a recurring-income business model that maintains stable earnings and also has no large demand for investment funds. Looking at this from the opposite direction, the key to results growth, which has been stagnant in the last few years, can be said to be developing the existing businesses, and this has become a management issue.

Consolidated balance sheet

(¥mn)

	FY1/18	FY1/19	FY1/20	FY1/21	Change
Current assets	2,666	2,579	2,460	2,548	88
(Cash and deposits)	2,253	2,044	2,179	2,230	50
Non-current assets	837	824	976	828	-147
Total assets	3,503	3,403	3,437	3,377	-59
Total liabilities	323	267	284	240	-44
(Interest-bearing debt)	-	-	-	-	-
Total net assets	3,180	3,136	3,152	3,137	-15
Key financial indictors					
(Stability)					
Equity ratio	88.9%	92.0%	91.6%	92.8%	1.2pt
Interest-bearing debt ratio	-	-	-	-	-
(Profitability)					
ROA (return on assets)	12.4%	8.6%	7.2%	5.8%	-1.4pt
ROE (return on equity)	9.4%	4.7%	3.4%	2.4%	-1.0pt
Operating margin	17.9%	12.6%	10.2%	8.8%	-1.4pt

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

Statement of cash flows

(¥mn)

	FY1/18	FY1/19	FY1/20	FY1/21
Cash flow provided by operating activities	390	65	320	185
Cash flow provided by investing activities	-322	-85	-96	-40
Cash flow provided by financing activities	-75	-188	-88	-94
Cash and cash equivalents at the end of the period	1,653	1,444	1,579	1,630

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

Outlook

In FY1/22, is aiming for double-digit increases in sales and profits by focusing on Makasete Net new contracts, with iToGo to play a hook role

1. FY1/22 outlook

The forecasts for the FY1/22 consolidated results are for net sales to increase 12.8% YoY to ¥2,372mn, operating profit to rise 88.0% to ¥348mn, ordinary profit to grow 85.3% to ¥368mn, and net profit attributable to parent shareholders to increase 234.7% to ¥255mn. So the outlook is for sales to increase for the first time in two fiscal periods and operating profit to increase for the first time in six fiscal periods. The Company will grow sales of iToGo for take-out businesses, for which demand is strong, and it will also use iToGo as a hook in order to acquire new contracts for Makasete Net, which is the main service, with the aim of recovering earnings in the ASP Business. In addition, earnings are forecast to increase in the Logistics Solution Business, as it will progress acquisitions of customers other than in the restaurant industry, and in the Solar Power Generation Business, due to the decline in depreciation expenses.

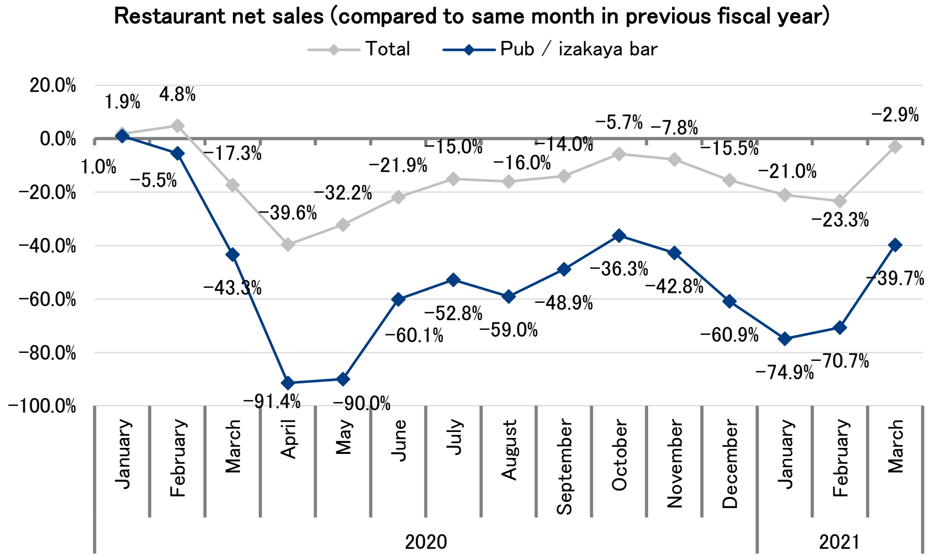
FY1/22 outlook

(¥mn)

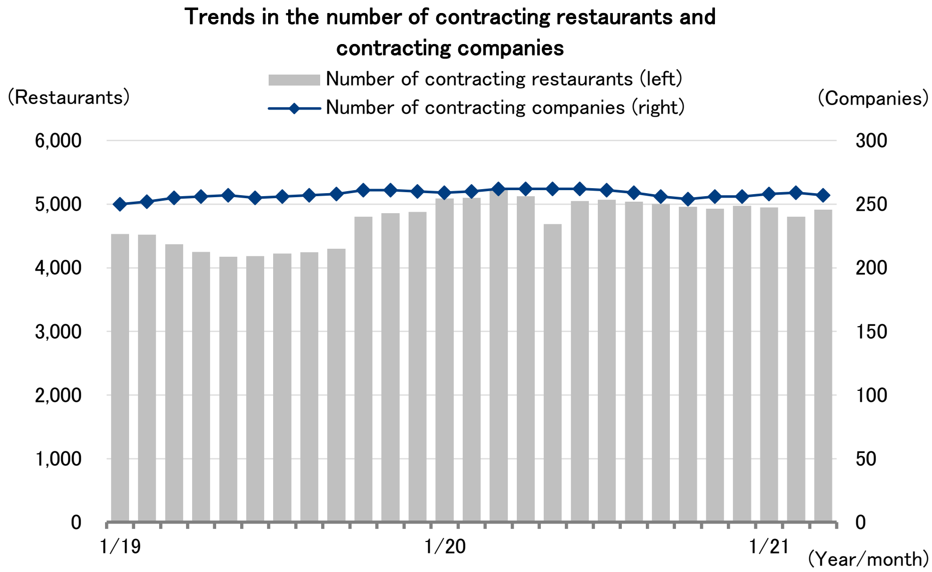
	FY1/21		FY1/22			
	Full-year results	YoY	1H forecast	YoY	Full-year forecast	YoY
Net sales	2,103	-13.3%	1,133	9.2%	2,372	12.8%
Operating profit	185	-25.3%	158	68.7%	348	88.0%
Ordinary profit	198	-19.4%	179	84.5%	368	85.3%
Profit attributable to owners of parent shareholders	76	-29.6%	123	2321.3%	255	234.7%
Earnings per share (EPS) (¥)	5.98		9.63		20.03	

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

However, since the spring of 2021, the COVID-19 pandemic has become prolonged and the external environment continues to be as severe as before, including that on entering April, a declaration of a state of emergency was issued for Metropolitan Tokyo and three prefectures. In Metropolitan Tokyo and the three prefectures, not only must restaurants operate with reduced business hours, but an order was also issued requiring self-restraint for the provision of alcoholic drinks. So in alcoholic drinks-related business establishments as well, the number of temporarily closed stores is increasing, and there are concerns about the negative impact of this on Makasete Net's sales. Looking at the growth rates of monthly sales of restaurant chains compiled by the Japan Food Service Association, in March overall, the sales decline rate contracted to 2.9% from 23.3% in February. But as this was in comparison to March of the previous year when the impact of COVID-19 first appeared, in fact conditions remained just as severe as in February. In particular, in drinking establishment businesses, sales continued to decline significantly over the year, and there are concerns about the impact this will have on the Company's number of contracting stores in the future, such as due to store closures and companies changing their business form. At the end of March, the number of contracting stores had decreased 6.1% to 4,916 stores compared to the same month in the previous fiscal year. The Company established the forecasts assuming that this number would increase on the previous fiscal year, so depending on the conditions of the number of contracting stores in the future, the timing of the earnings recovery may be delayed.



Source: Prepared by FISCO from the monthly data of the Japan Food Service Association



Source: Prepared by FISCO from Company materials

Aiming for growth through vertical business development in the restaurant industry and horizontal business development to other industries

2. Growth strategy

Within the harsh market environment, the Company has set a strategy of getting back onboard a growth track through working on vertical business development in the restaurant industry and horizontal business development to other industries.

(1) Vertical business development in the restaurant industry

As vertical business development in the restaurant industry, the Company previously focused on Makasete Net and on providing value-added services, such as Makasete Touch and Putmenu. But during the COVID-19 pandemic, restaurants' sales have continued to slump and companies' desire to invest has cooled-down, and in this situation, growing sales has become difficult. Conversely, in order to cover for the decline in store sales, demand is strong for systems investment to provide take-out and delivery services, and the Company is working to grow sales of iToGo as the optimum solution for these services. Among Makasete Net's existing customers as well, many companies are considering take-out and delivery services to cover for their declines in sales. A track record of deployments is starting to appear among the main customers, including that in April 2021, iToGo was adopted as the official app of the Café de Crié chain of coffee stores. By adding iToGo to existing Makasete Net services, sales per store are forecast to increase. So going forward also, the Company's policy is to progress proposals to existing customers that are considering take-out and delivery services.

The Company also expects iToGo to play a hook role for acquisitions of new customers for Makasete Net. This is because in the current market environment, it is difficult to provide deployment proposals and to obtain appointments for sales discussions only for Makasete Net, but interest in iToGo is high and opportunities for sales discussions increase when adding it as an app for take-out and delivery services. Through deployments of iToGo, opportunities to acquire contracts for Makasete Net are expected to increase. So in the future, it seems that the key to growth will be aspects such as strengthening the functions and further improving the convenience of iToGo, and enhancing its support structure.

(2) Horizontal business development to other industries

As one more growth strategy, the Company is progressing measures to horizontally develop to other industries the services constructed for the restaurant industry. Specifically, in the Logistics Solution Business, the number of customers for the food supply logistics service for nursing facilities is increasing, and going forward also, it will work to acquire customers in the same industry.

In addition, the use of Putmenu for the SS industry, which started in 2020, is expected to spread. For the SS industry, NEC Platforms, which is a major provider of SS-use POS systems, is progressing its sales growth as one solution, and there are no concerns with regards to sales. In total, there are approximately 30,000 SS stores in Japan, and currently, in addition to cash payments, they are deploying multiple payment systems, including payments by prepaid card and credit card. Therefore, at FISCO we think that deployments of this mobile ordering and payment system as one more system are highly likely to be progressed. This is because it enables a smartphone to be used in the car to complete the ordering and payment for the refueling service, and also as it further increases convenience for users. In addition, the Company is focusing on increasing deployments to professional sports team, including in the J.LEAGUE and the B.LEAGUE, while once the COVID-19 pandemic has settled down, it also plans to restart deployment proposals activities for tourist sites.

(3) Joint development with OGIS-RI

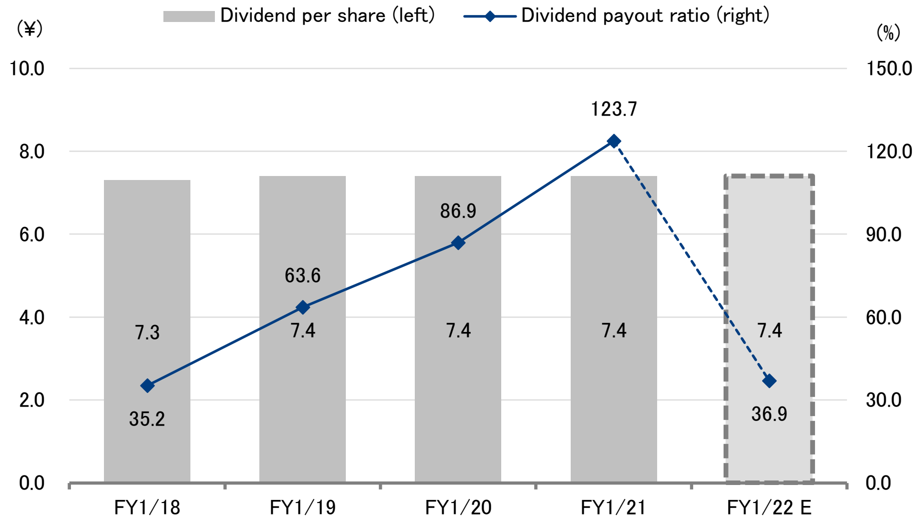
In June 2020, the Company announced that it had concluded a capital and business partnership agreement with OGIS-RI Co., Ltd., and that OGIS-RI would become the Company's second largest shareholder, holding 10% of its shares. OGIS-RI is a subsidiary of Osaka Gas Co., Ltd. <9532> and its strengths include its information solutions business, such as IT services and big data analysis. Through this capital and business partnership, the Company's expertise, including in systems development for the restaurant industry, will be integrated with the development capabilities of OGIS-RI, and they have in sight joint development toward constructing next-generation services. They are currently at the stage of regularly holding meetings to plan and propose new projects, and it seems some time will be required until a project is actually realized. But we shall be focusing on developments in the future, from a medium- to long-term viewpoint.

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. In accordance with this policy, in FY1/22 it plans to pay a dividend per share of ¥7.4 (dividend payout ratio, 36.9%), the same as in the previous fiscal year. In the future also, while considering the demand for funds, its basic policy is to stably pay dividends, while at the stage at which results are back on a growth track, it is expected to pay dividends with an awareness of the level of the dividend payout ratio.

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 and building firewalls to remove viruses. 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.

Disclaimer

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