COMPANY RESEARCH AND ANALYSIS REPORT

Miroku Jyoho Service Co., Ltd.

9928

Tokyo Stock Exchange Prime Market

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Contents

Summary

Announced Medium-term Management Plan Vision 2028, targeting ordinary income of ¥12.0bn in FY2028

Miroku Jyoho Service Co., Ltd. <9928> (hereafter, "MJS" and "the Company") is an industry leader in developing and selling enterprise resource planning (ERP) systems, primarily financial accounting and tax systems, for tax accountant and CPA firms and small and medium enterprises (SMEs). The Company is in the process of shifting its business model from a one-off purchase to a subscription model, and promoting the Comprehensive DX Platform business as a new business to support the management of small enterprises and others*.

* Assumes small enterprises and microenterprises with annual sales of less than ¥0.5bn.

1. Summary of the FY3/24 results

In the FY3/24 consolidated results, net sales increased 6.1% year on year (YoY) to ¥43,971mn and ordinary income rose 8.0% to ¥6,306mn, with both thereby exceeding the Company's forecasts (net sales of ¥41,600mn, ordinary income of ¥6,200mn) to post consecutive record highs again this fiscal year. The increase in net sales is attributable to growth in software usage fee revenues associated with a shift to cloud subscriptions, in addition to robust sales of ERP products for tax accountant and CPA firms as well as for small enterprises in part due to introduction of Japan's invoice system as well as the end of grace period measures associated with the revised Electronic Books Act.* On the profit front, the Company achieved higher profit due to the increase in sales in conjunction with improvement in non-operating income balance, despite factors that included higher personnel expenses associated with active recruitment of employees and wage hikes, higher advertising expenses and promotional expenses, and investment in new business development. Considering that the shift to cloud subscriptions adversely affected results to the tune of around ¥1.7bn, the Company conceivably achieved double-digit sales and profit growth in real terms.

* The Electronic Books Act (Electronic Books Maintenance Act), revised in 2022, is a law stipulating that tax-related accounting documents are to be stored in electronic format in alignment with certain requirements, and also mandating retention of data associated with digital transactions. Although the law allowed for printed documentation to serve as master copies up through 2023 as a transitional measure in regard to mandatory electronic retention of data associated with digital transactions, that practice is generally no longer permitted effective from January 2024.

2. Overview of the new Medium-term Management Plan Vision 2028

The Company announced its new Medium-term Management Plan Vision 2028 with FY3/29 as its final fiscal year. Quantitative targets of the plan to be achieved in its final fiscal year consist of net sales of ¥60.0bn (average annual growth of 6.4%), ordinary income of ¥12.0bn (average annual growth of 13.7%), and ROE (return on equity) of 18%. In the ERP business, which serves as driver of the Company's results on a non-consolidated basis, the Company seeks to increase ordinary income from ¥6.9bn in FY3/24 to ¥10.0bn by working to attract new customers through promotion of DX consulting (expansion of the customer base) and by maximizing customer lifetime value (LTV) through a shift to cloud subscriptions. Under the plan, the Company seeks to achieve a portfolio of 15,000 companies with subscription contracts for major ERP products for a 4.7-fold increase, a ratio of subscription sales of 60% from 15.5% initially, and ¥20.0bn ARR* from overall software usage fees in FY3/29 from ¥6.46bn in FY3/24 for a 3.1-fold increase. In the Comprehensive DX Platform business, despite its having recorded ordinary loss of ¥700mn in FY3/24 due to upfront investment, the Company aims to record profit of ¥1.0bn in the final fiscal year of the plan by developing the Hirameki 7 management support platform for small enterprises.

* ARR (Annual Recurring Revenue) is the figure obtained by multiplying net sales obtained in the relevant month by 12.

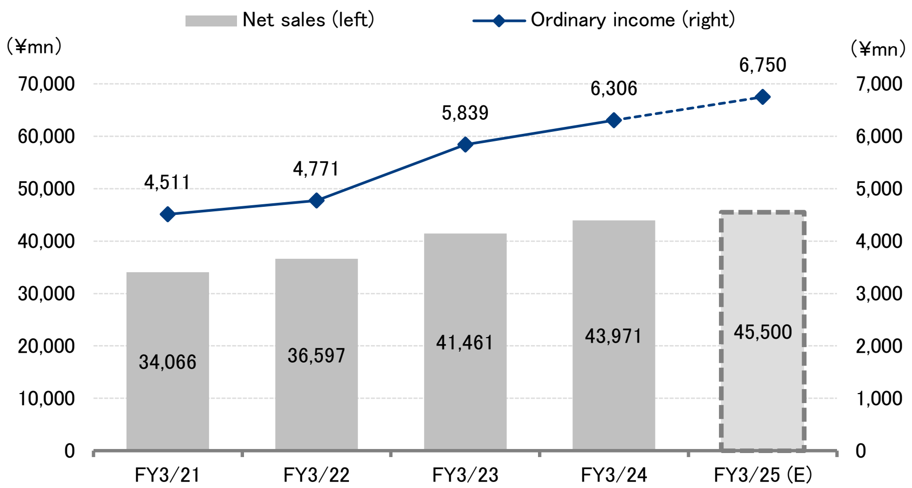
3. FY3/25 forecast

For the FY3/25 consolidated results, the Company forecasts further gains in sales and profit with net sales up 3.5% YoY to ¥45,500mn and ordinary income up 7.0% to ¥6,750mn. Although net sales growth is poised to slow due to factors that include the shift to a cloud subscription model for ERP products and tapering off of replacement demand for tax accountant and CPA firms, profit is likely to increase due to a decrease of approximately ¥800mn in depreciation of software products, in addition to effects of higher sales. Under its shareholder return policy, the Company intends to furnish a progressive dividend aligned with profit growth in targeting a dividend payout ratio of between 30% and 40%. As such, the Company intends to increase its dividend for a second consecutive fiscal year to ¥55.0 per share (dividend payout ratio of 37.1%) in FY3/25, for an increase of ¥5.0 per share. Moreover, the Company will review possibilities as necessary with respect to acquiring its treasury shares under its capital policy.

Key Points

- Sales and profit growth exceeded the Company's forecast in FY3/24 due to robust sales of ERP products to tax accountant and CPA firms and also to small enterprises
- Targeting ordinary income of ¥12.0bn in FY3/29 by shifting to subscription model and expanding the customer base
- Targeting sales and profit growth while shifting to subscription model again in FY3/25
- Dividend payout ratio raised from around 30% to between 30% and 40% and possibility of acquiring treasury shares to be reviewed as necessary while monitoring circumstances

Consolidated financial results trends



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

Corporate overview

Leader in financial accounting systems promoting growth with tax accountant and CPA firms and SMEs as target customers

1. Corporate history

Since its establishment in 1977, the Company has provided management systems and management information services focused on finance and accounting. Around the time of its foundation, it started out in data center processing services, shifted from office computer business to development and sales of packaged software for PCs, evolving along with advances in ICT. Since 2020, the Company has been in the process of transitioning to a cloud subscriptions business model, along with the expansion of the cloud services market after 2020. It has also advanced an M&A strategy to expand its business domain, and most recently, in 2020 the Company acquired one of Japan's largest independent organizational and HR consulting firms, Transtructure Co., Ltd., and the digital marketing support and digital platform business company Tribeck Inc., and made them into subsidiaries, doing the same with the CRM/SFA system development and installation support company BizMagic Co., Ltd. in 2022.

Company history

Core service format	Year	History
Data Processing Center	1977	Miroku Jyoho Service Co., Ltd. established
	1978	New financial data processing system MS-1 developed and sales started Online terminal MJS800 developed and sales and online service commenced
Office Computing	1980	Shift from data processing to office computer development and sales business Development and commencement of sales for the specialist Miroku Ace Model Series for accounting
	1983	Entry into the market for clients advised by tax accountant and CPA firms Development and commencement of sales for the specialist Pro Office computer [Keiri] aimed at clients of tax accountant and CPA firm
Shift to open systems (package software)	1990	Developed and commenced sales for package software for PC installation "SI Zaimu Taisho," "SI Hanbai Taisho," and "SI Kyuyo Taisho"
	1992	Became a listed enterprise by an OTC listing on the Japan Securities Dealers Association (formerly TSE JASDAQ)
	1994	Developed and commenced sales for the accounting telecommunications system MJS-COMPASS linking tax accountant and CPA firms and the client companies advised
	1997	Listed on the Second Section of Tokyo Stock Exchange
	1998	Developed and commenced sales of the MICSNET Series ERP system compatible with Windows NT® for medium-sized companies
	2001	Developed and commenced sales of the ACELINK Series of network solution systems for tax accountant and CPA firms
	2002	Developed and commenced sales of the MJSLINK Series of operations and comprehensive information systems for small/medium-sized companies
	2004	Developed business information website "bizocean" targeting business people at small/medium-sized companies and venture companies
	2005	Developed and commenced sales of the ACELINK Navi Series of network solution systems for tax accountant and CPA firms Developed and commenced sales of the Galileopt package ERP systems for medium-sized enterprises
	2007	Developed and commenced sales of the MJSLINK II Series of package ERP systems for small/medium-sized companies

Core service format	Year	History
Shift to service provider	2011	Developed and commenced sales of the ACELINK NX-Pro ERP system for tax accountant and CPA firms (April)
	2012	Developed and commenced sales of the Galileopt NX-I ERP system for medium-sized companies (February) Listed on the First Section of Tokyo Stock Exchange
	2013	Developed and commenced sales of MJSLINK NX-I ERP system for small/medium-sized companies (April) Investment in consolidated accounting systems company Primal, Inc. (33.3%) and conversion into a consolidate affiliate (October)
	2014	Established MJS M&A Partners Co., Ltd. that provides services supporting the business succession and revitalization of small/medium-sized companies (September)
	2015	Developed and commenced provision of My Number management system “MJS My Number” for tax accountant and CPA firms and small/medium-sized companies (September) Made Miroku Webcash International a subsidiary (December)
	2016	Transferred the bizocean business to a new subsidiary, bizocean Co., Ltd. (April) Started the Marunage Kichodaiko bookkeeping support service for tax accountant and CPA firms (July) Developed and commenced provision of the MJSLINK NX-I for IaaS ERP cloud service for small/medium-sized companies (August) Developed and commenced provision of the bizsky cloud platform for small/medium-sized companies and the Rakutasu Money Transfer service over this platform (September) Opened Japan’s first marketplace for business templates through the bizocean business information site (October)
	2017	Developed and commenced provision of offering the Rakutasu Kyuyo Money Transfer service through the bizsky cloud platform for small/medium-sized companies (January) Established a business alliance with Crowd Cast, Ltd. and connected that company’s Staple cloud expense payment service with MJS’s Rakutasu Money Transfer service using an application program interface (API) (March) Developed and commenced sales of the Galileopt NX-Plus ERP solution for medium-sized companies (April) Developed and released the new ERP system for small/medium-sized companies MJSLINK NX-Plus (October) Developed and commenced provision of Edge Tracker, a cloud service for employees supporting multi-device use (October)
	2018	Developed and commenced provision of MJS Okane No Kanri, a cloud service for small sized companies (March) Developed and commenced provision of Kantan Cloud Kaikei and Kantan Cloud Kyuyo, new cloud services for small/medium-sized companies and self-run businesses (April) Started provision of Cloud Service Hub for MJS, an accounting support solution developed jointly with Fuji Xerox Co., Ltd. and giving greater efficiency to digitalizing and migrating paper documentation to the cloud. (April) Started provision of the new Workflow function on Edge Tracker, a cloud service promoting operational efficiency through real-time, time-saving, visualizing operations. (June) Developed and released MJS Zeimu NX-Plus, a new tax affair system (July) Developed and commenced provision of Kantan Cloud Kaikei Plus and Kantan Cloud Kyuyo Plus, cloud services for small/medium-sized companies and self-run businesses (November)
	2019	Developed and started provision of collection agent service Rakutasu Kaishu (July) Developed and commenced provision of AI-driven journaling and balance check system MJS AI Kansa Shien (November)
	2020	Made a wholly owned subsidiary of Transtructure Co., Ltd., an independent and one of Japan’s largest organizations and HR consulting firms (April) Developed and began providing a function to assess eligibility for financing support for tax accountant and CPA firms, which automatically determines eligibility for the government’s Subsidy Program for Sustaining Businesses (April) Developed and began providing MJS DX Cloud, a cloud service that enables MJS financial accounting and tax applications to be used on Microsoft Azure (August) Made a subsidiary of Tribeck Inc., which conducts digital marketing support and marketing platform businesses (December)
	2021	Developed and started providing MJSLINK DX, which is a cloud-based ERP system for small/medium-sized companies (March) The subsidiaries Tribeck Inc., and bizocean Co., Ltd., were merged, the digital marketing business was integrated with the media and advertising agency businesses, and is providing comprehensive DX consulting services (April) MJS AI Audit Support, a journal and balance check system that utilizes AI, was made cloud compliant (June) Capital and business partnership with KACHIEL Co., Ltd., which holds seminars, provides video distribution services, etc., for tax accountant and CPA firms (June) Capital and business partnership with SecondXight Analytica, Inc., which conducts analytics and AI development (September) Started providing MJS DX Workflow, a cloud-based workflow system that enables electronic applications and approvals from smartphones (September)
	2022	Developed and commenced provision of a cloud-type ERP system for medium enterprises “Galileopt DX” (April) Transitioned to the Prime Market, a new market segment of the Tokyo Stock Exchange (April) Launched MJS e-document Cloud Sign, a cloud-based e-contract service that complies with the revised Electronic Books Maintenance Act (June) Made BizMagic Co, Ltd., which develops and sells a customer relationship management/sales force automation system, into a subsidiary (August) Launched MJS e-Invoice, a cloud-based service for sending and receiving electronic invoices (September) Developed and commenced provision of MJS Zeimu DX, a new tax practice system (September)
	2023	Started providing MJS DX Denpyo Nyuryoku on MJSLINK DX (January) Finished adding functions complying with the invoice system to various systems (September) Started providing the morningmate project management tool of MADRAS CHECK CO., LTD. (December) Started providing the new Pocket Accounting Billing and Payment service for microenterprises (December) Started providing the new Fixed-term Contract Management optional service of the Galileopt DX Receivable Management ERP system for medium-sized enterprises (December)

Source: Prepared by FISCO from the Company’s website, results briefing materials, and IR press release materials

2. Business description

Currently, the main business is the ERP business, with finance and accounting at its core (development and sales of ERP systems, installation support services, and various maintenance services), and it provides more than 90% of net sales. The remainder is provided by the businesses conducted by subsidiaries, including MJS M&A Partners, Transtructure, and Tribeck.

Main customers in the ERP business are tax accountant and CPA firms and their SME clients. The number of accounting firm users is approximately 8,400 and the Company holds a roughly 25% industry share, standing alongside TKC Corporation <9746> and Japan Digital Laboratory Co., Ltd. as an industry leader. In the market for SMEs, the Company has about 17,000 users. Looking at the composition of distribution channels by customer type, direct sales account for almost 100% of tax accountant and CPA firms and nearly 90% of SMEs, while the remaining just over 10% is through sales agencies. We think the Company still has substantial room to attract new customers because the tax accountant and CPA firms it handles provide services to around 500,000 companies. It provides simplified accounting software on a subscription model for microenterprises through tax accountant and CPA firms and online, and has just over 80,000 users.

Overview of ERP business

Customers	Tax accountant and CPA firms	Small and medium enterprises (SMEs) (Most of them are clients of tax accountant and CPA firms)
Systems (developed by MJS)	• Financial and accounting systems • Tax return systems, etc.	• ERP systems centered on financial and accounting systems accounting, payroll, sales management)
Services	• System installation support services • Various maintenance services • Training and information services, etc.	• System integration • Various maintenance services • Training and information services, etc.
Marketing methods / customer support	Almost 100% direct sales 32 sales and support branches nationwide	Direct sales (90%, includes sales through tax accountant and CPA firms) Agency sales (10%) 31 sales and support branches nationwide
No. of users /market share	8,400 firms/market share of approx. 25%	Approx. 17,000 companies (SMEs with annual sales of ¥0.5bn to ¥50.0bn)

Source: Prepared by FISCO from the Company's materials

3. Subsidiaries and affiliates

At the end of March 2024, the Group companies consisted of 10 consolidated subsidiaries and three equity-method affiliates. Since 2002, three consolidated subsidiaries, NTC Co., Ltd., MSI Co., Ltd., and Lead Co., Ltd., have carried out the consigned development of business software. Since 2014, the Company has established or acquired through M&A seven companies to develop businesses in areas such as consulting and fintech. Of these seven companies, it seems that Tribeck is the subsidiary with the largest sales scale with annual sales of just under ¥3.0bn, followed by Transtructure with just under ¥1.0bn.

The Company's three equity-method affiliates are Primal, Inc., which develops and sells systems for consolidated accounting; NFC (Korea) Co., Ltd., which develops and sells payment services using near-field communications (NFC); and KACHIEL Co., Ltd., which provides seminars and video distribution services for tax accountant and CPA firms.

The Company's subsidiaries and affiliates (as of March 31, 2024)

Company name	Ownership ratio	Main business
Consolidated subsidiaries		
NTC	100.0%	Software development, sales, installation, and operational support services, hardware sales
MSI	100.0%	Software development, sales, installation, and operational support services, hardware sales
Lead	100.0%	Software development, sales, installation, and operational support services
MJS M&A Partners	100.0%	Business succession support services, etc. utilizing M&A
MJS Finance & Technology	100.0%	Provision of payment services, finance services, and other services
Miroku Webcash International	66.6%	Develop and sell software and content for business finance and asset management
Transtructure	100.0%	Consulting services, specializing in the organization and personnel fields
Spice	100.0%	Manages in-store cash, improves distribution efficiency, etc.
Tribeck	74.2%	Digital marketing support, marketing platform service, management of business information site "bizocean," etc.
BizMagic	86.4%	Development, sales, and support of BizMagic, a customer relationship management/sales force automation system
Equity-method affiliates		
Primal	27.8%	Software development, sales, installation, and operational support services
NFC (Korea)	21.9%	Development and sales of payment services using near-field communications (NFC)
KACHIEL	33.5%	Holds seminars, provides video distribution services, etc. for tax accountant and CPA firms

Source: Prepared by FISCO from the Company's securities report and news releases

Business trends

Sales and profit growth exceeded the Company's forecast in FY3/24 due to robust sales of ERP products to tax accountant and CPA firms and also to companies

1. FY3/24 consolidated results

In the FY3/24 consolidated results, net sales increased 6.1% YoY to ¥43,971mn, operating income increased 0.4% to ¥6,110mn, ordinary income increased 8.0% to ¥6,306mn, and net income attributable to owners of parent increased 12.5% to ¥4,238mn. All items exceeded the Company's forecasts with net sales, operating income and ordinary income each posting consecutive record highs again this fiscal year.

Consolidated results for FY3/24

(¥mn)

	FY3/23		FY3/24				
	Results	% vs net sales	Company forecast	Results	% vs net sales	YoY	Vs. forecast
Net sales	41,461	-	41,600	43,971	-	6.1%	5.7%
Gross profit	25,603	61.8%	26,250	26,800	60.9%	4.7%	2.1%
SG&A expenses	19,519	47.1%	20,150	20,689	47.1%	6.0%	2.7%
Operating income	6,084	14.7%	6,100	6,110	13.9%	0.4%	0.2%
Ordinary income	5,839	14.1%	6,200	6,306	14.3%	8.0%	1.7%
Net income attributable to owners of parent	3,767	9.1%	4,100	4,238	9.6%	12.5%	3.4%

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

System installation contract net sales rose 1.6% YoY amid active IT investment needs in addition to factors that include increased sales of ERP products to tax accountant and CPA firms and corporate customers, in conjunction with developments such as introduction of Japan's invoice system effective from October 2023 and the end of grace period measures associated with the revised Electronic Books Act effective from January 2024. Also, recurring income-type service revenues increased a solid 14.1% YoY, owing to the provision of subscription contracts for ERP products, and growth in sales of cloud services. Whereas in its initial forecast the Company projected an 8.2% decrease in system installation contract net sales and a 9.4% increase in service revenues in view of progress made in the shift to cloud subscriptions, its results have exceeded the forecast on both fronts. As of March 2024, the Company has provided 3,190 companies with its mainstay ERP products via subscriptions, an increase of 54.9% YoY, and ARR amounts to ¥2.74bn, an increase of 67.0%, thereby exceeding the Company's forecast (3,100 companies, ¥2.59bn) on both fronts. Moreover, whereas subscription contract sales as a share of mainstay ERP product sales declined from 18.0% in the previous period to 15.5%, this performance is largely attributable to growth beyond expectations with respect to sales under one-off purchase contracts particularly to tax accountant and CPA firms.

On the profit front, the gross profit margin declined 0.9ppt YoY to 60.9%. The decrease is largely attributable to factors that include an upturn in procurement margins amid a situation where hardware sales have come to make up for a greater proportion of the sales mix, an increase in personnel expenses associated with workforce reinforcement and wage hikes, and greater investment in new business development. However, gross profit rose 4.7% YoY to ¥26,800mn, buoyed by higher sales. Meanwhile, SG&A expenses increased 6.0% YoY to ¥20,689mn, primarily due to higher personnel expenses associated with workforce reinforcement and wage hikes, as well as higher advertising expenses and promotional expenses. Although the Company estimates that the shift to cloud subscriptions has had a negative impact on net sales and operating income amounting to approximately ¥1.7bn, the notion that sales and profit increased by double digits in real terms indicates that the Company achieved robust financial results.

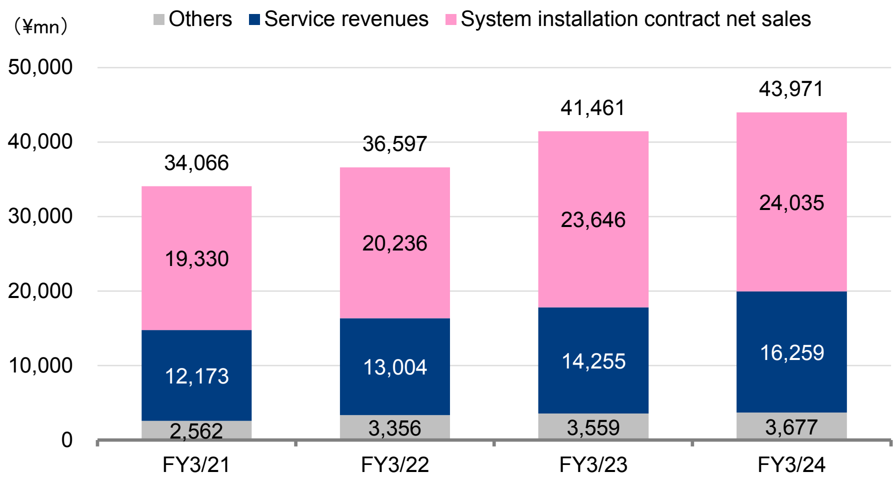
Non-operating income improved by ¥440mn YoY, of which ¥366mn is attributable to improvement in investment returns on equity method. The Company recorded ¥328mn share of loss of entities accounted for using equity method upon having fully amortized the equivalent of ¥303mn in goodwill associated with one equity-method affiliate in FY3/23.

Persistently high growth in ARR from fees for usage of software, including mainstay ERP products, up by 42.3%

2. Sales trends by customer and product category

Looking at the breakdown of net sales, system installation contract net sales, which are flow-type revenues, increasing 1.6% YoY to ¥24,035mn, remaining strong amid the ongoing shift to cloud subscription services for mainstay ERP products. Services revenues, which are recurring-income type revenues, continued to be strong, increasing 14.1% to ¥16,259mn and others (mainly the sales at subsidiaries) increased 3.3% to ¥3,677mn, securing increased sales.

Net sales by business

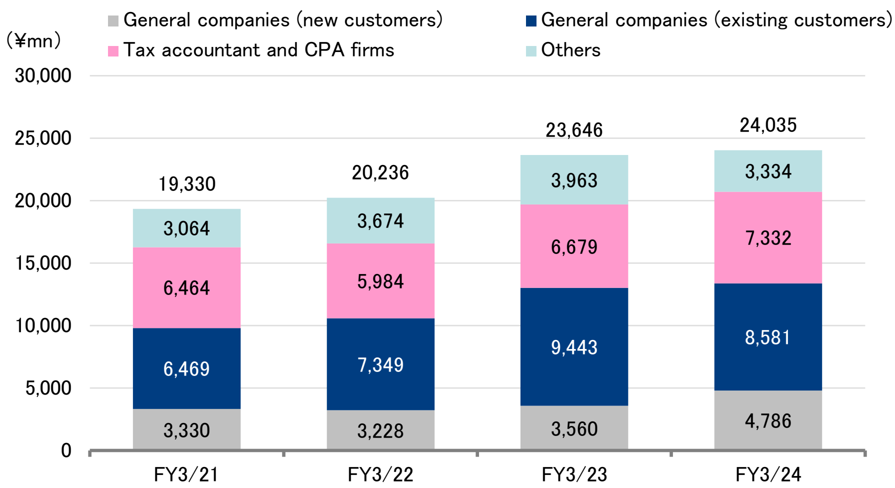


Note: From FY3/22, the Company has adopted the Accounting Standard for Revenue Recognition, etc. Values for FY3/21 are displayed using the previous standard
Source: Prepared by FISCO from the Company's results briefing materials

(1) System installation contract net sales by customer and product category

Looking at system installation contract net sales by customer, net sales to general companies (corporate) were up 2.8% YoY to ¥13,368mn, to tax accountant and CPA firms, were up 9.8% to ¥7,332mn, and to others (which includes net sales from subsidiaries and to sales partners, etc.), were down 15.9% to ¥3,334mn.

System installation contract net sales by customer



Note 1: Others (sales by subsidiaries and the Head Office and sales to business partners)
Note 2: From FY3/22, the Company has adopted the Accounting Standard for Revenue Recognition, etc. Values for FY3/21 are displayed using the previous standard
Source: Prepared by FISCO from the Company's results briefing materials

Net sales to general companies grew, despite a 9.1% decline in sales to existing customers due to a pullback from the high level a year ago and the shift to cloud subscriptions, because sales to new customers rose 34.4% YoY to ¥4,786mn—sharply exceeding the previous record high. Growth slowed for new products released in 2021 or later (MJSLINK DX for SMEs in March 2021, Galileopt DX*1 for medium enterprises in April 2022), but ACELINK NX-CE, which is sold to small enterprises and microenterprises clients of tax accountant and CPA firms, did well. Demand appears to have expanded to support the invoice system's introduction and Electronic Books Act revision. Also, the Company opened one new solutions branch (17 in total at the end of March 2024) conducting consulting-based marketing, which it has been working on over these past few years as a strategy for marketing to general companies. That is worked to strengthen the sales framework also led to sales growth. With ERP system functions becoming increasingly sophisticated and complex, not just product functions but also consulting capabilities to accurately understand the issues that companies face and offer optimal solutions have become important. The Company's development of sales staff with such skills is also leading to sales growth. Specifically, the Company is promoting the acquisition of IT coordinator*2 certifications, and as of June 2024, approximately 60 employees had acquired the certification, accounting for just under 10% of the sales force.

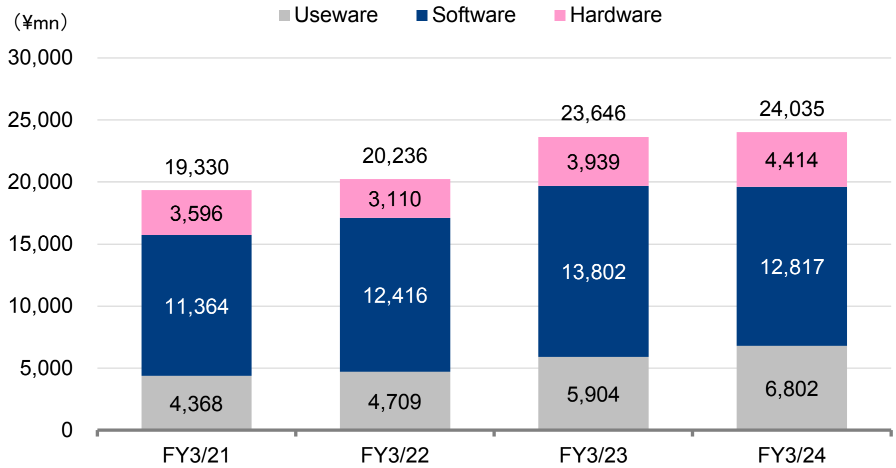
*1 Galileopt DX features enhanced convenience compared with the previous product, including improved operating performance from utilizing AI technology, faster processing speed, and expanding API alliance partners. It is helping to enliven replacement demand

*2 The IT coordinator qualification is granted to those who have passed a test administered under a qualification program promoted by Ministry of Economy, Trade and Industry (METI) since 2001, the aim of which is that of developing professionals equipped with skills needed to provide advice and support in use of IT in a way that is beneficial to management enlisting a managerial perspective.

Net sales to tax accountant and CPA firms were brisk, driven by upgrade demand as it is a replacement period for such products. Another factor contributing to the growth in sales was the fact that many customers continued to sign contracts on a one-off purchase, rather than on cloud subscriptions, compared to corporate customers. Regarding net sales to others, sales through sales partners were strong, whereas sales of subsidiaries' products were weak.

Looking at system installation contract net sales by product category, net sales of software turned down 7.1% YoY to ¥12,817mn, but were strong for hardware with 12.1% growth to ¥4,414mn and useware (installation support services) with 15.2% growth to ¥6,802mn. Software was affected by progress transitioning to subscriptions and that demand including that pertaining to new customer acquisitions was strong in real terms. The rate of sales growth for useware, which also includes installation support services for customers with cloud subscription contracts, apparently most closely reflects the actual status of sales.

System installation contract net sales by product category

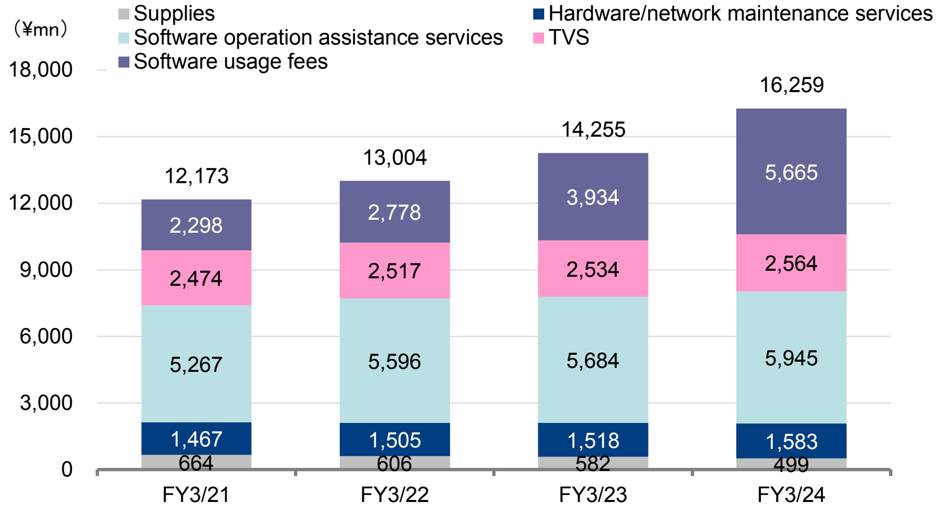


Note: From FY3/22, the Company has adopted the Accounting Standard for Revenue Recognition, etc. Values for FY3/21 are displayed using the previous standard
Source: Prepared by FISCO from the Company's results briefing materials

(2) Service revenues

Looking at the breakdown of service revenues, software operation assistance services (corporate software maintenance services) grew 4.6% to ¥5,945mn, TVS (a comprehensive maintenance service for tax accountant and CPA firms) increased 1.2% YoY to ¥2,564mn, software usage fees rose 44.0% to ¥5,665mn, hardware/network maintenance services up 4.3% to ¥1,583mn, and office supplies decreased 14.2% to ¥499mn. Revenue from software usage fees rose significantly, driven by the provision of subscriptions for mainstay ERP products, and growth in sales of cloud services. Also, revenue from TVS and software operation assistance services rose steadily, owing to the cultivation of new customers. For software operation assistance services, some sales shifted to software usage fees because some existing customers transitioned to subscriptions, but the negative impact from those transitions to subscriptions was outweighed by new customer acquisitions. Sales of ERP products for small enterprises, in particular, appear to have contributed to an increase in new customer acquisition.

Breakdown of service revenues



Note 1: TVS (a comprehensive maintenance service for tax accountant and CPA firms)
Note 2: From FY3/22, the Company has adopted the Accounting Standard for Revenue Recognition, etc. Values for FY3/21 are displayed using the previous standard
Source: Prepared by FISCO from the Company's results briefing materials

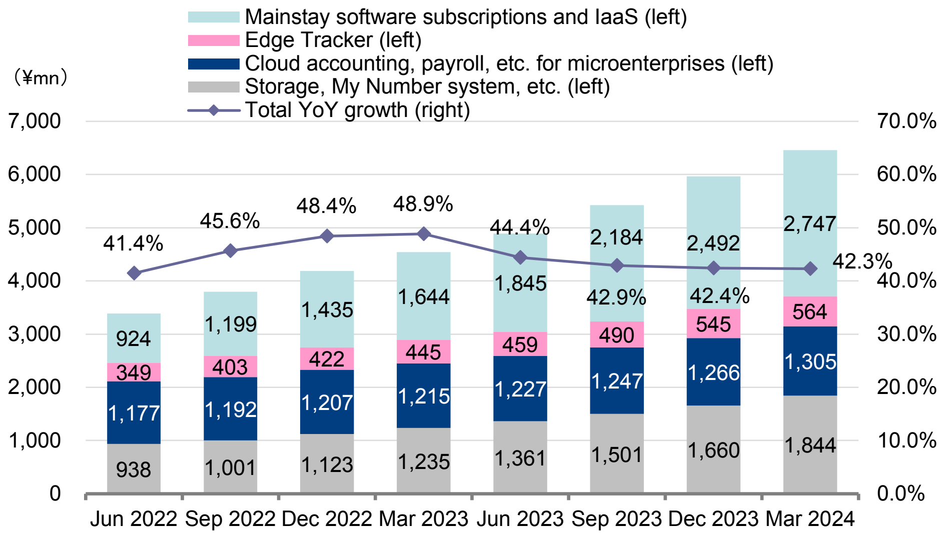
ARR, a KPI for cloud subscription revenue (software usage fees), rose 42.3% YoY to ¥6,461mn in FY3/24 as growth continued. In particular, mainstay ERP product*1 subscription and IaaS*2 revenue rose 67.0% YoY to ¥2,747mn, growing rapidly. The number of companies with subscription contracts*3 rose 54.9% YoY to 3,190 companies. In addition to progress switching existing customers from one-off purchases to subscription and IaaS models, this owes to new customer acquisitions. Also, ARPU (average revenue per user)*1 rose 7.8% YoY to ¥861,000 because of an increase in customers signing up for various additional functions such as MJS e-Invoice (now Edge Tracker e-invoice) and MJS e-Document Cloud. The subscriber retention rate for mainstay ERP products has held to the high level of 99.3% as a result of the Company providing high-quality services with respect to consulting and customer success upon installation of such products. Subscription sales as a share of mainstay ERP product sales*4 consequently amounts to 15.5% and is likely to keep rising going forward.

*1 ARR and ARPU for mainstay ERP products are calculated by adding monthly billing revenue from the MJS Zeimu series, MJS Cloud IaaS, MJS DX Cloud, MJS e-Document Cloud, and MJS e-Invoice (now Edge Tracker e-invoice) to revenue from subscription contracts to the Galileopt series, the MJSLINK series, ACELINK NX-Pro, and ACELINK NX-CE. MJS e-Document Cloud's fee-based plans are ¥8,000 or ¥20,000 per month, while MJS e-Invoice (now Edge Tracker e-invoice) fees range from ¥6,000 to ¥55,000 according to the number of qualified invoices (invoices).
*2 IaaS (Infrastructure as a Service) is a service providing only the infrastructure parts, such as hardware and networks, of cloud service.
*3 Companies with subscription contracts to mainstay ERP products refer to subscribers to the Galileopt series, the MJSLINK series, ACELINK NX-Pro, and ACELINK NX-CE.
*4 Comparison of system installation contract software sales and subscription contract sales

Also, ARR rose 26.6% YoY to ¥564mn for the Edge Tracker* comprehensive platform cloud service for companies, 7.4% to ¥1,305mn for various cloud services for microenterprises (e.g., Kantan Cloud Kaikei), and 49.4% to ¥1,844mn for services relating to storage and the Social Security and Tax Number System (My Number system), other companies' cloud services, and so forth. Excluding cloud services for microenterprises, double-digit growth continued.

* A cloud service for the employees of SMEs. It is a service that can be used anywhere and at any time on multiple devices for tasks including expense payments, attendance management, referencing payroll statements, year-end adjustment reporting, and workflow.

Trend in ARR for cloud subscriptions



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

(3) Others

In others (mainly the business of the subsidiaries), net sales increased 3.3% YoY to ¥3,677mn. In November 2022, the Company sold all of its shares in Adtop Co., Ltd., which conducts an advertising agency business, and Adtop's subsequent removal from subsidiaries depressed sales, but despite the negative impact of the subsidiary's removal, other subsidiaries generally performed well. Looking at trends at major subsidiaries, Tribeck's sales rose on brisk momentum for digital marketing support services for large companies. It is making proactive investments in development costs, advertising expenses, etc. for Hirameki 7, a comprehensive DX platform to support small enterprises released in July 2022, aiming for major business expansion in the future while still at the upfront investment stage.

Hirameki 7 is a one-stop cloud-based platform service with seven functions necessary for expanding business. They are marketing (website and webform creation, e-mail distribution, business card management, etc.), operation (file management, etc.), finance (online funding support, subsidy diagnosis navigation, etc.), communication (communities, etc.), business (management analysis, cash flow simulations, etc.), corporate (company newsletters, etc.), and CX (customer experience, coming soon). Since its launch, the Company has aggressively promoted the service using various media, including TV commercials and taxi ads. The service is steadily expanding, with the cumulative number of companies that have introduced it topping 26,000 as of the end of March 2024. However, the majority of users are currently on free plans for services such as web form creation and storage. Going forward, the Company's strategy is to promote a shift to fee-based plans for profitability.

HR consulting firm Transtructure achieved an increase in sales despite having incurred a slight downturn in profit as a result of it having addressed the challenge of reinforcing its consultant personnel. MJS M&A Partners, which offers M&A support services, achieved gains in both sales and profit upon having made progress in hiring professional human resources.

Company remains financially sound with an equity ratio of over 50% and ample net cash of over ¥9.0bn

3. Financial status and management indicators

For the financial status at the end of FY3/24, total assets increased ¥224mn compared to the end of the previous fiscal year to ¥46,018mn. Looking at the main influencing factors in current assets, accounts receivable increased ¥607mn, while cash and deposits decreased ¥958mn and inventories decreased ¥186mn, respectively. In fixed assets, software assets (including development in progress) increased ¥1,608mn, while goodwill decreased ¥123mn and investment securities decreased ¥652mn respectively. Software assets increased because costs for developing new products and revamping internal information systems were posted as assets.

Total liabilities decreased ¥2,186mn compared to the end of the previous fiscal year to ¥18,831mn. Whereas ¥11,007mn in zero coupon convertible bond-type bonds with share acquisition rights were redeemed upon having reached maturity on the one hand, interest-bearing debt increased by ¥8,241mn as a result of the Company having used bank borrowings to fund redemption of the bonds, and contract liabilities representing future sales increased by ¥343mn. Total net assets increased ¥2,411mn to ¥27,186mn. Retained earnings increased by ¥2,840mn as a result of having recorded ¥4,238mn in net income attributable to owners of parent and dividend payments of ¥1,343mn. Meanwhile, accumulated other comprehensive income decreased by ¥483mn due in part to sales of shareholdings.

Looking at management indicators, the equity ratio rose from 53.0% at the end of the previous fiscal year to 58.0% due to a decrease in liabilities. Despite the interest-bearing debt ratio having risen from 4.4% to 34.3% due to an increase in interest-bearing debt, the Company maintained a sound financial position with ample net cash (cash and deposits + securities – interest-bearing debt) of over ¥9.0bn. Meanwhile, ROE rose by 0.4ppt compared to the end of FY3/23 to 16.6%.

Consolidated balance sheet

(¥mn)

	FY3/23	FY3/24	Change	Factors
Current assets	27,410	26,668	-742	Cash and deposits -958, accounts receivable +607, inventories -186
Cash and deposits	19,846	18,888	-958	
Fixed assets	18,378	19,350	972	Software assets (including development in progress) +1,608, goodwill -123, investment securities -652
Software assets (including development in progress)	6,927	8,535	1,608	
Total assets	45,793	46,018	224	
Current liabilities	20,868	15,490	-5,378	Current portion of convertible bond-type bonds with share acquisition rights -11,007, short-term interest-bearing debt +5,059, contract liabilities +343
Fixed liabilities	149	3,340	3,191	Long-term loans payable +3,200
Total liabilities	21,018	18,831	-2,186	
Total net assets	24,775	27,186	2,411	Retained earnings +2,840, valuation difference on available for sale securities -483
Interest-bearing debt	1,090	9,332	8,241	
Net cash	18,755	9,656	-9,099	(Cash and deposits + securities – interest-bearing debt)
<Management indicators>				
Current ratio	131.3%	172.2%	+40.9pt	
Equity ratio	53.0%	58.0%	+5.0pt	
Interest-bearing debt ratio	4.4%	34.3%	+29.9pt	
ROE	16.2%	16.6%	+0.4pt	

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

Outlook

Targeting ordinary income of ¥12.0bn in FY3/29 by shifting to subscription model and expanding the customer base

1. New Medium-term Management Plan Vision 2028

(1) Overview of the new Medium-term Management Plan Vision 2028

The Company announced its five-year Medium-term Management Plan Vision 2028 extending from FY3/25 to FY3/29. Having established its commitment to “taking on challenges to reform the business model and create new value,” the Company aims to achieve consolidated net sales of ¥60.0bn, ordinary income of ¥12.0bn, and ROE of 18% in FY3/29 by taking steps to expand its customer base through transformation of its business model in terms of shifting to a subscription model and gaining new customers. That works out to average annual growth over the five years of 6.4% for net sales and 13.7% for ordinary income.

Medium-term earnings targets

(¥bn)

	FY3/24 results	FY3/29 target	Increase amount	CAGR
[MJS non-consolidated (ERP business)]				
Net sales	38.7	50.0	11.2	5.2%
Ordinary income	6.9	10.0	3.0	7.7%
[Group companies (excluding DX Platform business)]				
Net sales	7.0	9.0	1.9	5.0%
Ordinary income	0.3	1.0	0.6	22.7%
[Comprehensive DX Platform business]				
Net sales	0.0	2.5	2.5	-
Ordinary income	-0.7	1.0	1.7	-
[Total]				
Net sales	43.9	60.0	16.0	6.4%
Ordinary income	6.3	12.0	5.6	13.7%

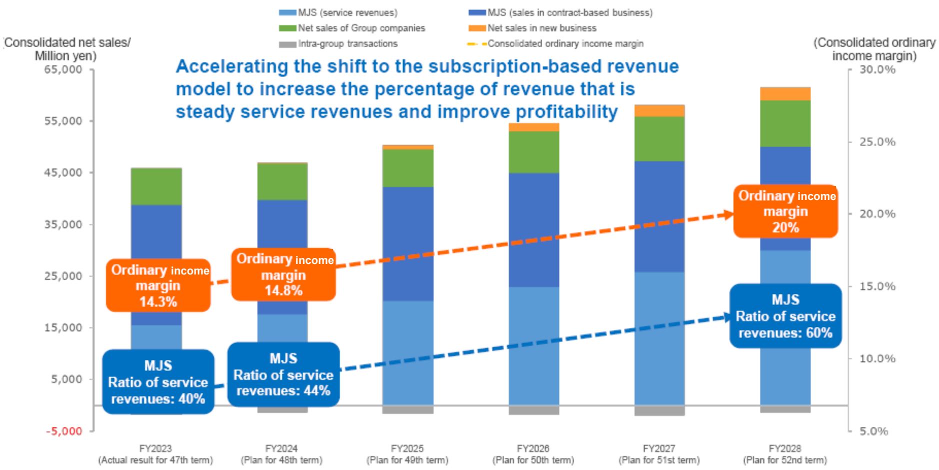
Source: Prepared by FISCO from the Company’s medium-term management plan material

With respect to the ERP business on a non-consolidated basis, the Company aims to steadily achieve earnings growth with net sales of ¥50.0bn for an increase of 5.2% on an annual basis and ordinary income of ¥10.0bn for an increase of 7.7%. The Company seeks to achieve these targets in part by expanding its customer base through efforts that involve actively attracting new customers enlisting sophisticated one-stop solutions and DX consulting. The Company is also striving to achieve these targets by developing and extending sales of SaaS-based ERP products, shifting to a subscription-based model, and maximizing lifetime value (LTV) enlisting its customer success approach.

In the Comprehensive DX Platform business, the Company aims to achieve net sales of ¥2.5bn and ordinary income of ¥1.0bn in FY3/29. To such ends, the Company seeks to enhance the platform's competitive strengths in part by upgrading content of its mainstay Hirameki 7 service and achieving a higher percentage of fee-based plan contracts. It also seeks to expand partnerships with respect to services of other vendors above and beyond products and services of Group companies. Group companies other than those of the DX Platform business achieved net sales of ¥7.0bn and ordinary income of ¥300mn in FY3/24 as a result of efforts to bolster their workforces and other such structural enhancements, and despite having incurred persistently sluggish results since the outbreak of the COVID-19 pandemic. The Company has its sights set on boosting results attributable to such companies in targeting net sales of ¥9.0bn and ordinary income of ¥1.0bn in FY3/29. To such ends, the Company seeks to improve earnings structures and create Group synergies through initiatives that entail reorganizing and strengthening the Group framework by redefining the positioning and roles of such companies within the Group.

The Company envisions a scenario whereby its shift to the subscription-based revenue model culminates in an increase in the percentage of subscription contracts associated with its mainstay ERP products from 15.5% in FY3/24 to 60% in FY3/29. The Company contends that this will enable it to amass service revenues, with service revenues attributable to MJS (non-consolidated) increasing from 40% to 60% of total service revenues, which in turn will result in an increase in the ordinary income margin from 14.3% in FY3/24 to 20% in FY3/29.

Image of the earnings structure improvements under Medium-term Management Plan Vision 2028



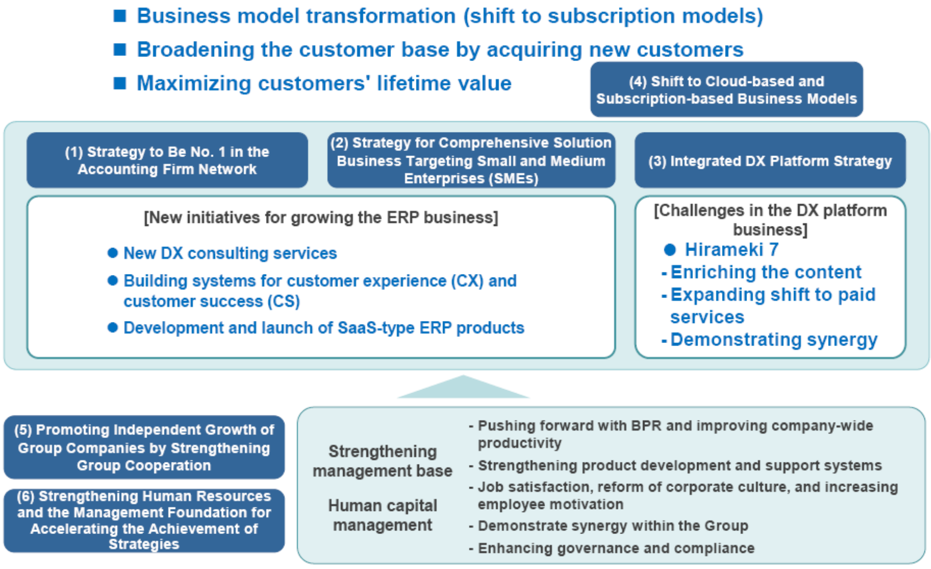
Source: Reprinted from the Company's medium-term management plan materials

In implementing the strategy set forth under its Medium-term Management Plan Vision 2028, the Company will seek to achieve objectives of its Sustainability 2030 vision ("value customers and make employees happy") drawn up at the same time as the plan, while also taking on materiality objectives identified as follows: 1) contributing to the global environment by promoting DX, 2) supporting business innovation, growth and development of accounting firms and small enterprises, 3) creating rewarding workplaces where diverse professionals thrive, and 4) strengthening governance for healthy growth.

(2) Basic strategy

Under its Medium-term Management Plan, the Company has set forth the following three growth strategies shared throughout the Group: 1) business model transformation (shift to subscription model), 2) broadening the customer base by acquiring new customers, and 3) maximizing lifetime value (LTV). Meanwhile, the more detailed basic strategy remains unchanged in terms of the Company promoting its six objectives as follows.

Growth strategies common to the MJS Group



Source: Reprinted from the Company's medium-term management plan material

a) "No. 1 tax accountant and CPA firm network strategy"

Under its "No. 1 tax accountant and CPA firm network strategy," the Company promotes digital transformation (DX) with respect to tax accountant and CPA firms and their client companies through DX consulting services and its new SaaS business. The Company seeks to increase its current market share of approximately 25% in the sector. This will entail furnishing robust support for operational streamlining by enhancing functions of its ACELINK NX-Pro ERP system for tax accountant and CPA firms (develop highly sophisticated AI-OCR, expand bookkeeping BPO services, receipt of data from client companies, streamlining and automation of accounting and tax filing processes, etc.). This will also entail providing new support services that will help tax accountant and CPA firms improve management support service capabilities offered to their clients (management analysis and advice, providing new services for facilitating the drafting of business plans and annual budgets, etc., assistance with business succession, enhancement of education and training for professional development, etc.). Whereas it will be some time before release of the SaaS version of ACELINK, which is currently under development, the Company is making progress in developing groundbreaking new services that make full use of big data and AI. Moreover, the SaaS version of ACELINK is also poised to encounter greater synergies with the DX Platform business through enhanced coordination with Hirameki 7. The SaaS version of ACELINK enables tax accountant and CPA firms to connect with all of their clients through online services, thereby giving rise to real-time data collection and utilization to make more sophisticated management support services possible.

In addition, the Company has plans for enabling tax accountant and CPA firms to work alongside their clients in providing them with support through DX consulting services. Amid a situation where many small enterprises are behind schedule in carrying out DX initiatives due to a lack of digital professionals, the Company will propose solutions to such enterprises involving optimal systems upon having extensively considered not only its own products but also those of other vendors. The Company will furthermore offer assistance for installing such systems where necessary and will follow up enlisting its customer success approach. In terms of contractual arrangements, the Company will initially build up a track record in starting out by entering into consulting service contracts directly with client companies through referrals from tax accountant and CPA firms. Subsequently, the Company intends to establish a framework for providing consulting services to greater numbers of clients upon having entered into subscription-based consulting contracts with tax accountant and CPA firms.

b) "Comprehensive solutions and business strategy for SMEs"

Under its strategy for SMEs, the Company will attract new customers by leveraging Group synergies in enhancing DX consulting, SaaS products, and system integration (SI) structure. In regard to its ERP products, the Company will provide functional enhancements to its existing products (on-premises and IaaS) and enhance individual customization capabilities. Meanwhile, the Company will provide full API integration with respect to its SaaS-based ERP slated for release in 2025 and will equip it with new functions such as generative AI. The Company is looking toward establishing an SI services framework that entails rolling out solutions enlisting proprietary SI models that combine its own products with those of other vendors, and also using cutting-edge ERP linked with products of other vendors by enhancing coordination with sales and implementation partners and consulting partners.

In its DX consulting services, the Company will provide one-stop solutions that entail devising DX strategies formulated based on interviews with SMEs, selecting optimal systems where necessary (including those of other vendors), and providing system installation assistance and support. The Company plans to increase its workforce of IT coordinators equipped with skills for engaging in DX consulting from approximately 60 IT coordinators currently to 200 such professionals one to two years from now. Additionally, the Company will engage in DX consulting related to a wider range of management issues by coordinating with Group companies and partner enterprises. We at FISCO believe there are substantial synergies in terms of Group companies offering services that include digital marketing, organizational and HR consulting, and M&A and business succession consulting.

c) "Comprehensive DX Platform strategy"

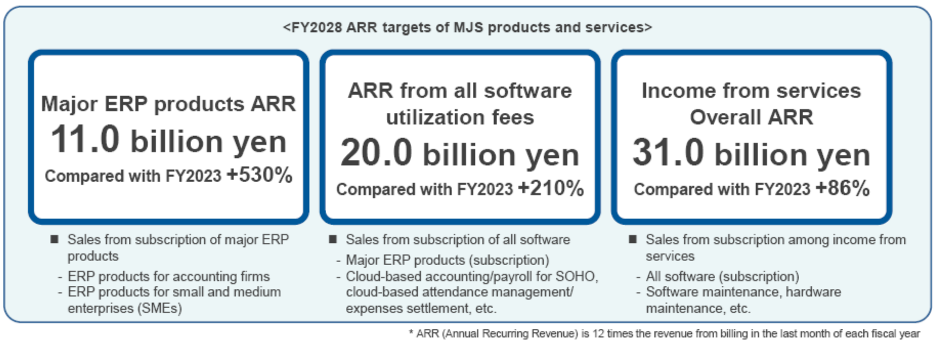
The Hirameki 7 platform service is a core component of the Comprehensive DX Platform business and involves providing seven services for promoting DX of small enterprises and microenterprises, as mentioned previously in this report. The service has been achieving steady expansion with the cumulative number of companies that have introduced it now topping 26,000 enterprises, the majority of which are under free-plan contracts. As such, the Company must contend with the issue of converting such users over to fee-based plans going forward. The Company will implement a strategy of guiding customers to fee-based plans in providing customers with convenience and proprietary solutions by combining new business development (sales list search, e-mail distribution) and project management functions, such that arise before and after use of the pre-existing marketing functions targeting business with existing customers. Additionally, the Company intends to make changes to its fee-based plan options, which will involve revising the Prime Plan that enables access to all of the currently available functions (¥6,000 per month, excluding tax), and also setting up new low-priced fee-based plans offering ease of access (starting at ¥800 per month, excluding tax). The Company will accordingly pursue a strategy of significantly lowering barriers to fee-based plan contracts while also increasing average revenue per user (ARPU) by encouraging users to gradually add features after subscription. On the sales front, the Company has its sights set on achieving monetization early on while also utilizing its more than 900 sales and support staff at its business locations nationwide, above and beyond turning to digital marketing efforts of Tribeck. As for FY3/29 KPIs, the Company aims to achieve net sales of ¥2.5bn and ordinary income of ¥1.0bn on the basis of a portfolio of approximately 80,000 client companies and ARPU of approximately ¥2,600 per month.

d) "Converting to a cloud subscriptions business model"

With respect to its approach to selling its mainstay ERP products, the Company is promoting a shift to a subscription-based model in transitioning from on-premise one-off purchases to cloud-based subscriptions. Cloud-based subscriptions benefit customers by lowering their initial installation costs, enabling them to contend with the lack of IT professionals by reducing the number of personnel needed to set up and operation in-house servers, and providing them with ongoing access to the latest service options. Meanwhile, advantages of cloud-based subscriptions from the perspective of the Company include the notion that they result in a greater number of subscription contracts, thereby giving rise to the likelihood of stable sales growth that is not susceptible to external factors. They also enable the Company to minimize costs of maintaining older versions of products in part given that it is possible for the Company to concentrate operating resources on attracting new customers as a result of there being fewer work hours required in relation to replacements, and also given that the Company is able to continually provide the latest systems. Additionally, the Company will further bolster customer success initiatives with the aims of enhancing customer satisfaction, increasing the subscriber retention rate, promoting upselling and cross-selling, and maximizing lifetime value (LTV).

The Company aims to achieve targets for FY3/29 that include 15,000 corporate subscriptions to mainstay ERP products for a 4.7-fold increase YoY, ¥11.0bn in ARR for mainstay ERP products for a 6.3-fold increase, ¥20.0bn in ARR from total software usage fees for a 3.1-fold increase, and ¥31.0bn in ARR from total service revenues for a 1.86-fold increase.

FY2028 ARR targets for MJS products and services



Source: Reprinted from the Company's medium-term management plan material

e) "Promoting the independent growth of Group companies through Group collaborations"

The Group encompasses three companies that carry out consigned systems development, two companies in the consulting field, three companies in the fintech field, and one company each in the business succession support and CRM fields. Although the Group companies encountered a persisting scenario of stagnant growth during the COVID-19 pandemic, the Company will articulate the position of each of the companies in alignment with the Group's growth strategies going forward. The Company has also accordingly indicated its commitment to reorganizing and strengthening the Group by assigning priority to leveraging Group synergies and improving profitability.

As part of the Company's initiatives undertaken by its major subsidiaries, the three companies that carry out consigned systems development seek to strengthen the Group's development system. To such ends, the three companies will strive to improve development expertise and lower costs by increasing the Group's rate of in-house production, and will also seek to standardize engineer training programs and evaluation criteria, improve the level of engineers, and equalize technological capabilities.

Tribeck will engage in initiatives that entail assigning top priority to monetizing Hirameki 7 of the Comprehensive DX Platform business, while also generating Group synergies by supporting the Group's digital marketing and facilitating improvement of UI and UX with respect to MJS products. Meanwhile, Transtructure will improve its earnings structure by providing HR services to customers of MJS products, engaging in cross-selling of MJS products to the Company's customers, developing personnel-related DX services, and facilitating DX of in-house operations. MJS M&A Partners will improve its earnings structure by effectively catering to business succession needs of tax accountant and CPA firms as well as small enterprises, and also by facilitating DX of in-house operations. It will also pursue collaborative relationships with industry peers to enhance its competitive strengths.

f) "Strengthening human resource capabilities and the management foundation to accelerate the realization of strategy"

In addition to accelerating business growth by actively investing in human resources, the Company will also accelerate and optimize management decision-making through renewal of in-house information systems currently under development. It will also work to enhance productivity of administrative operations. In regard to human resources investment, the Company will overhaul major programs associated with personnel strategy. Specifically, the Company will undertake reforms that include overhauling its remuneration and evaluation program to ensure that it encourages employees to take on challenges, redesigning its personnel system to ensure that aptitude and capabilities are taken into account, and developing a competitive remuneration program. The Company will furthermore enhance engagement by raising base pay, increasing its workforce of specialist employees, and developing a more expansive range of career paths. In addition, the Company will upgrade human resource training programs undertaken to strengthen its management capabilities and support careers of employees. It will furthermore engage in diversity and inclusion initiatives that involve developing workplace environments and organizational culture that enable active participation of diverse human resources, and promoting next-generation workstyle reforms.

(3) Financial strategies and cash allocation

With respect to its approach to cash allocation, the Company plans to appropriately allocate more than ¥40.0bn in cash it generates over a five-year period on a cumulative basis respectively to business investment and shareholder returns. The ¥40.0bn in cash generated consists of net income of more than ¥28.0bn, depreciation of more than ¥12.0bn and other (generated by selling cross-shareholdings, utilizing interest-bearing debt, and maximizing asset efficiency). The business investment consists of more than ¥10.0bn in new product development and functional improvement, around ¥10.0bn in M&A and business investment, and other (for investment in human resources, BPR, etc.). With respect to shareholder returns, the Company will furnish total dividends exceeding ¥10.0bn and it will call for acquisition of treasury shares under its capital policy. Dividends are likely to amount to more than ¥2.0bn annually, according to estimates. With the Company's ¥50.0 dividend per share for FY3/24 equating to a total dividend amount of approximately ¥1.5bn, the Company is likely to increase its dividend going forward under a scenario of steady profit growth.

In terms of its efforts to improve capital efficiency, the Company aims to achieve its ROE target of over 18% for FY3/29 (16.6% in FY3/24). The Company intends to achieve this objective largely by enhancing profitability through growth of the ERP business and by improving capital efficiency enlisting an agile approach to acquiring treasury shares. Shareholders' equity is also poised to increase amid an outlook envisioning a gain to more than ¥40.0bn from ¥26.0bn at the end of FY3/24.

Targeting sales and profit growth while shifting to subscription model again in FY3/25

2. Consolidated outlook for FY3/25

For the FY3/25 consolidated results, the Company forecasts further gains in sales and profit with net sales up 3.5% YoY to ¥45,500mn, operating income up 10.3% to ¥6,740mn, ordinary income up 7.0% to ¥6,750mn, and net income attributable to owners of parent up 4.7% to ¥4,440mn. The Company will strive to build up recurring income-type revenue amid a situation where it projects revenue growth of only 3.5% taking into account its shift from ERP product sales derived from one-off purchases to subscriptions. Additionally, it seems reasonable to assume that the Company will encounter a slower rate of revenue growth relative to that of the previous fiscal year, particularly when considering circumstances in the previous fiscal year during which there was an increase in new demand due to factors that included introduction of Japan's invoice system and the end of grace period measures associated with the revised Electronic Books Act.

Although the Company projects a gain of 3.1ppt in the gross profit margin relative to the previous fiscal year, the increase is partially attributable to a decrease in depreciation of approximately ¥800mn as a result of the Company having fully amortized MJSLINK DX, which was released in 2021, and also attributable to improvement in profitability of Group subsidiaries. Whereas SG&A expenses are expected to rise by 8.1%, accompanied by a 2.0ppt increase in the SG&A ratio, mainly due to higher personnel expenses attributable to further headcount and base pay increases, the operating margin is poised to rise by 0.9ppt due to improvement in the gross profit margin.

Consolidated outlook for FY3/25

(¥mn)

	FY3/24		FY3/25		
	Results	% vs. net sales	Company forecast	% vs. net sales	YoY
Net sales	43,971	-	45,500	-	3.5%
Gross profit	26,800	60.9%	29,100	64.0%	8.6%
SG&A expenses	20,689	47.1%	22,360	49.1%	8.1%
Operating income	6,110	13.9%	6,740	14.8%	10.3%
Ordinary income	6,306	14.3%	6,750	14.8%	7.0%
Net income attributable to owners of parent	4,238	9.6%	4,440	9.8%	4.7%
Earnings per share (EPS) (¥)	141.70		148.40		

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

Net sales by product category (consolidated basis)

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25	YoY
System installation contract net sales	20,236	23,646	24,035	23,059	-4.1%
Hardware	3,110	3,939	4,414	4,337	-1.8%
Software	12,416	13,802	12,817	11,871	-7.4%
Useware	4,709	5,904	6,802	6,849	0.7%
Service revenues	13,004	14,255	16,259	18,456	13.5%
TVS	2,517	2,534	2,564	2,570	0.3%
Software usage fees	2,778	3,934	5,665	7,612	34.4%
Software operation assistance services	5,596	5,684	5,945	6,033	1.5%
Hardware/network maintenance	1,505	1,518	1,583	1,572	-0.7%
Supplies	606	582	499	666	33.4%
Others	3,356	3,559	3,677	3,984	8.4%
Total	36,597	41,461	43,971	45,500	3.5%

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

(1) System installation contract net sales

The Company forecasts that system installation contract net sales will decrease by 4.1% YoY to ¥23,059mn due to acceleration of the shift from one-off purchases to subscriptions. This amount encompasses the likelihood of the Company incurring only a marginal decline in system installation contract net sales to corporations, down by 1.4% to ¥13,178mn, as a result of it actively engaging in DX consulting and other such solution-based marketing. Meanwhile, the amount also encompasses the likelihood of such sales to tax accountant and CPA firms decreasing by double-digits to ¥6,342mn, down by 13.5%, given tapering off of replacement demand among tax accountant and CPA firms for products sold on a one-off purchase basis. In addition, the Company forecasts that other revenue (which includes sales by subsidiaries and sales to business partners, etc.) will increase to ¥3,538mn, up by 6.1%, due to brisk momentum particularly with respect to subsidiaries carrying out consigned development and sales to business partners. As for its sales forecasts by product category, whereas software sales are expected to decrease by 7.4% to ¥11,871mn due to the shift to the subscription model, sales of practical useware are likely to remain steady with a projected increase of 0.7% to ¥6,849mn.

System installation contract sales by customer

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25 (E)	YoY
Total	20,236	23,646	24,035	23,059	-4.1%
General companies	10,577	13,003	13,368	13,178	-1.4%
Tax accountant and CPA firms	5,984	6,679	7,332	6,342	-13.5%
Others	3,674	3,963	3,334	3,538	6.1%

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

(2) Service revenues

Service revenues are poised to once again achieve double-digit growth overall with a projected increase of 13.5% YoY to ¥18,456mn. The shift of mainstay ERP products to a subscription model will serve as a driver of growth with a projected increase of 34.4% to ¥7,612mn in software usage fees. Additionally, sales associated with software operation assistance services are expected to increase by 1.5% to ¥6,033mn, and those of TVS by 0.3% to ¥2,570mn, mainly due to steady performance with existing customers. Looking at KPIs associated with its mainstay ERP products, the Company targets growth of 28.5% YoY to 4,100 companies with subscription contracts, along with ARPU growth of 2.0% to ¥878,000, ARR growth of 31.0% to ¥3.6bn as of FY3/25, and a ratio of subscription sales in the 20% range, up from 15.5% in the previous fiscal year.

KPI for mainstay ERP products provided by subscription

	FY3/23	FY3/24	FY3/25 (E)	Growth rate
Subscriptions to mainstay ERP products	2,059	3,190	4,100	28.5%
ARPU for mainstay ERP products (¥1,000)	768	861	878	2.0%
ARR for software usage fees (¥100mn)	45.4	64.6		

Note: Subscription contract users of Galileopt series, MJSLINK series, ACELINK NX-Pro and ACELINK NX-CE. ARPU and ARR are calculated by adding the net sales of the MJS Zeimu series, MJS Cloud IaaS, MJS DX Cloud, MJS e-Document Cloud and MJS e-Invoice (now Edge Tracker e-invoice), which are calculated monthly.
Source: Prepared by FISCO from the Company's results briefing materials

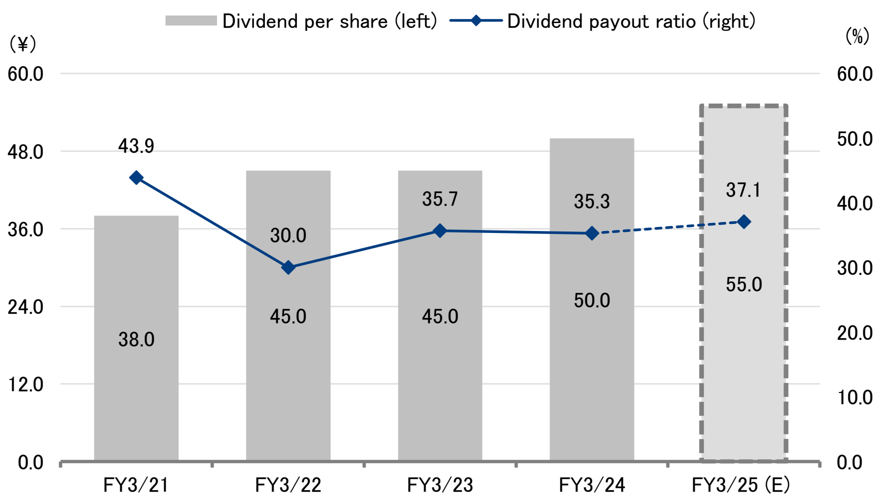
Shareholder return policy

Dividend payout ratio raised from around 30% to between 30% and 40% and possibility of acquiring treasury shares to be reviewed as necessary while monitoring circumstances

● Shareholder return policy

Whereas the Company's basic policy for returning profits to shareholders is to continue to stably pay a dividend over the long term, targeting a dividend payout ratio at a level of 30.0%, the Company has expressed its commitment to furnishing a progressive dividend aligned with profit growth in raising the target dividend payout ratio to between 30% and 40% under its medium-term management plan. The Company paid a dividend of ¥50.0 per share in FY3/24 (35.3% dividend payout ratio), an increase of ¥5.0 YoY partially due to the Company having achieved favorable results. In FY3/25, the Company plans to raise its dividend for the second consecutive fiscal year to ¥55.0 (37.1% dividend payout ratio), an increase of ¥5.0. Also, the Company has expressed its intention to take an agile approach to acquiring treasury shares in a manner that takes into account the share price level in seeking to improve capital efficiency. Whereas the Company's holdings of treasury shares have come to account for 14.0% of its outstanding shares most recently, the Company has adopted a restricted stock plan for its directors and will consider different options going forward for making use of its treasury shares such that include granting stock options to its employees and engaging in M&A through exchange of shares.

Dividend per share and dividend payout ratio



Note: FY3/22 includes a special dividend of ¥5.0
Source: Prepared by FISCO from the Company's financial results

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