COMPANY RESEARCH AND ANALYSIS REPORT

Miroku Jyoho Service Co., Ltd.

9928

Tokyo Stock Exchange Prime Market

20-Feb.-2025

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https://www.fisco.co.jp

Contents

Summary

Projects sustained sales and profit growth underpinned by robust sales of business systems for Leading Medium Enterprises and SMEs

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 Leading Medium Enterprises 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 SMEs and others*.

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

1. Summary of the 1H FY3/25 results

In the 1H FY3/25 consolidated results (April to September 2024), net sales increased 7.4% year on year (YoY) to ¥22,749mn and ordinary income rose 5.8% to ¥3,028mn, with sales and profit growth exceeding the Company's forecasts (net sales of ¥22,110mn, ordinary income of ¥2,870mn). The increase in net sales is attributable to substantial growth in software usage fee revenues associated with a shift to cloud subscriptions, in addition to the Company having maintained robust sales of various business systems for tax accountant and CPA firms as well as Leading Medium Enterprises and SMEs. On the profit front, the increase in net sales offset the rise in personnel expenses caused by the active recruitment of new graduates, salary adjustments, and higher procurement costs. Software usage fee revenues, including subscriptions for the Company's mainstay ERP product and IaaS* offerings, grew significantly by 39.0% YoY, driven by steady progress in transitioning from a one-off purchase model to a subscription model, primarily for enterprise systems.

* IaaS (Infrastructure as a Service) is a service providing only the infrastructure parts, such as hardware and networks, of cloud service.

2. Consolidated outlook for FY3/25

For the FY3/25 consolidated results, the Company maintained its initial forecasts with net sales up 3.5% YoY to ¥45,500mn and ordinary income up 7.0% to ¥6,750mn. Although transitioning to a subscription model will lead to a slightly lower revenue growth rate, the Company aims to build an earnings base that enables it to attain sustainable growth by amassing recurring income-type revenue. Despite higher personnel expenses, lower depreciation of software products in addition to the effects of higher sales will result in higher profit margins. In addition, the Company seeks to increase its ratio of mainstay ERP product subscription sales to the 20% range, up from 15.5% in FY3/24, and also targets growth of 28.5% YoY to 4,100 companies with subscription contracts at the end of FY3/25 along with ARR* growth of 31.0% to ¥3.6bn.

* ARR (Annual Recurring Revenue) represents the figure calculated by multiplying net sales generated in a given month by 12.

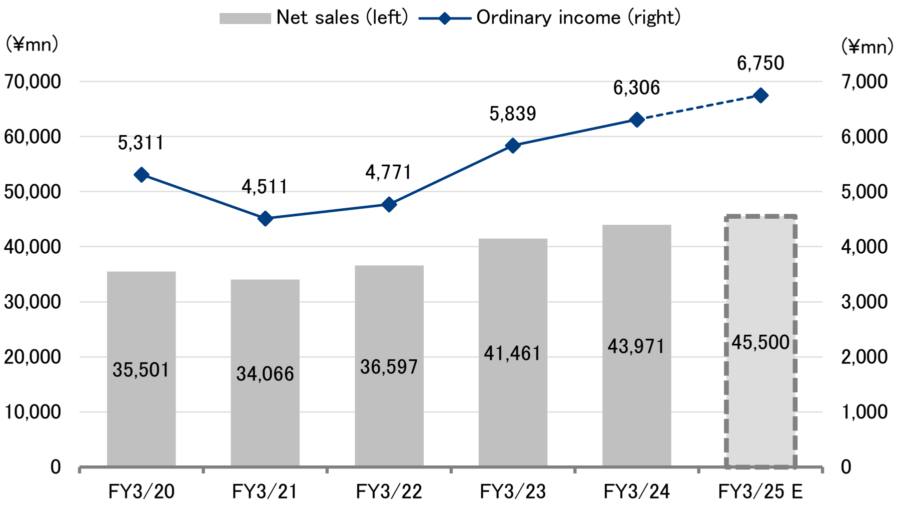
3. Status of progress on Medium-term Management Plan Vision 2028

At the beginning of the fiscal year, the Company announced its 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. The Company has been performing well in gaining new customers and intends to further strengthen consulting-based marketing encompassing its newly launched DX consulting services going forward. In its new Comprehensive DX Platform business, 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 SMEs. The Company is currently working to monetize the platform by encouraging the more than 34,000 free-plan users to switch over to its paid plans. 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 plans 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

- In 1H FY3/25, sales and profit exceeded the Company's forecast, driven by strong sales of ERP products
- The FY3/25 outlook expects continued sales and profit growth, supported by robust corporate investment in digital transformation (DX)
- Aiming for ordinary income of ¥12.0bn in FY3/29 in part by strengthening DX support for tax accountant and CPA firms and Leading Medium Enterprises and SMEs, as well as promoting the transition to the subscription model
- Plans to implement a progressive dividend targeting a dividend payout ratio of 30–40% and will consider acquiring treasury shares as necessary, depending on the circumstances

Consolidated financial results trends



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

Corporate overview

Leader in financial accounting systems experiencing growth with tax accountant and CPA firms, as well as Leading Medium Enterprises and SMEs, as target customers

1. Company history

Since its establishment in 1977, the Company has provided management systems and management information services focused on finance, accounting, and taxation. 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.

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 Developed and commenced sales for the specialist Miroku Ace Model Series for accounting
	1983	Entry into the market for clients advised by tax accountant and CPA firms Developed and commenced 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 Leading Medium Enterprises
	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 SMEs
	2004	Developed business information website "bizocean" targeting business people at SMEs 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 Leading Medium Enterprises
	2007	Developed and commenced sales of the MJSLINK II Series of package ERP systems for SMEs

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 Leading Medium Enterprises (February) Listed on the First Section of Tokyo Stock Exchange
	2013	Developed and commenced sales of MJSLINK NX-I ERP system for SMEs and small enterprises (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 SMEs (September)
	2015	Developed and commenced provision of My Number management system “MJS My Number” for tax accountant and CPA firms and Leading Medium Enterprises and SMEs (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 SMEs (August) Developed and commenced provision of the bizsky cloud platform for SMEs 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 SMEs (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 Leading Medium Enterprises (April) Developed and released the new ERP system for SMEs 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 enterprises (March) Developed and commenced provision of Kantan Cloud Kaikei and Kantan Cloud Kyuyo, new cloud services for SMEs and small enterprises and self-run businesses (April) Started provision of Cloud Service Hub for MJS, an accounting support solution developed jointly with Fuji Xerox Co., Ltd. (now FUJIFILM Business Innovation Corp.) 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 SMEs and small enterprises 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 Leading Medium Enterprises and SMEs (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 Leading 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 (now Edge Tracker 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 small enterprises (December) Started providing the new Fixed-term Contract Management optional service of the Galileopt DX Receivable Management ERP system for Leading Medium Enterprises (December)
	2024	Started providing MJS e-Document Cloud Alentry Cabinet, a cloud service for storing evidence documents (September)

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 Leading Medium Enterprise and SME clients. The number of tax accountant and CPA 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 Leading Medium Enterprises and SMEs, the Company has about 18,000 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 Leading Medium Enterprises and 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 small enterprises 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	Leading Medium Enterprises and 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%) • 32 sales and support branches nationwide
No. of users / market share	• 8,400 firms/market share of approx. 25%	• Approx. 18,000 companies (Leading Medium Enterprises and 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 September 2024, the Group companies consisted of nine consolidated subsidiaries and two equity-method affiliates. Consolidated subsidiaries include NTC Co., Ltd., and Lead Co., Ltd., which carry out the consigned development of business software, and seven companies that the Company established or acquired through M&A since 2014 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 two equity-method affiliates are Primal, Inc., which develops and sells systems for consolidated accounting, 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 September 30, 2024)

Company name	Ownership ratio	Main business
Consolidated subsidiaries		
NTC	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, DX 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
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 1H FY3/25 due to robust sales of ERP products

1. Summary of the 1H FY3/25 results

In the 1H FY3/25 consolidated results, net sales increased 7.4% YoY to ¥22,749mn, operating income increased 6.0% to ¥2,967mn, ordinary income increased 5.8% to ¥3,028mn, and net income attributable to owners of parent increased 12.5% to ¥2,059mn. All items exceeded the Company's forecasts with higher sales and profit YoY.

Consolidated results for 1H FY3/25

(¥mn)

	1H FY3/24		1H FY3/25				
	Results	% vs. net sales	Company forecast	Results	% vs. net sales	YoY	vs. forecast
Net sales	21,174	-	22,110	22,749	-	7.4%	2.9%
Gross profit	12,931	61.1%	14,030	13,791	60.6%	6.7%	-1.7%
SG&A expenses	10,131	47.8%	11,130	10,824	47.6%	6.8%	-2.7%
Operating income	2,799	13.2%	2,900	2,967	13.0%	6.0%	2.3%
Ordinary income	2,863	13.5%	2,870	3,028	13.3%	5.8%	5.5%
Extraordinary profits/losses	-6	-	-	232	-	-	-
Net income attributable to owners of parent	1,831	8.7%	1,920	2,059	9.1%	12.5%	7.3%

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

The Company has posted consecutive record-high net sales results. This is attributable to substantial growth in software usage fee revenues driven by the shift to the cloud subscription model, as well as strong net sales from system installation contracts with tax accountant and CPA firms as well as Leading Medium Enterprises and SMEs amid continued growth in investment in management DX. Although the gross profit margin declined 0.5 percentage points (pp) YoY due to an increase in the proportion of sales of PCs and other hardware products, gross profit increased 6.7% due to higher sales. SG&A expenses increased 6.8%, primarily due to personnel expenses incurred by the active recruitment of 71 new graduates as part of the Company's human capital management and implementation of salary adjustments. However, this increase was offset by a gain in gross profit, and operating income returned to growth for the first time in two fiscal years.

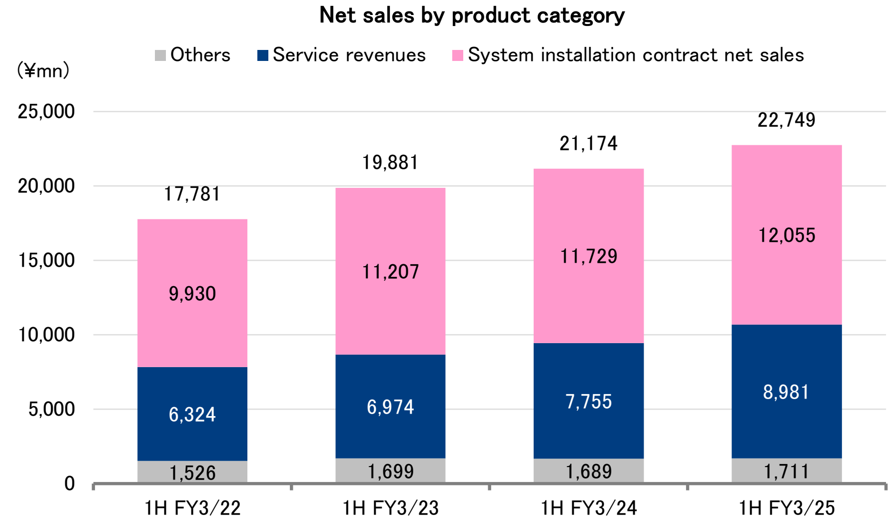
Net sales exceeded the Company's forecast by 2.9% due to stronger-than-anticipated growth in hardware products, but gross profit fell short of the forecast by 1.7% due to factors such as changes in the sales mix. Meanwhile, operating income exceeded the forecast by 2.3% as a result of the Company's efforts to control and reduce costs. KPIs associated with cloud subscriptions business for the Company's mainstay ERP products*1 showed steady growth. The number of companies with subscription contracts increased significantly by 47.1% YoY to 3,811 as of the end of September 2024, ARPU*2 rose 1.4% to ¥854,000, and ARR gained 49.2% to ¥3.25bn. The ratio of subscription sales*3 for the mainstay ERP products stood at 16.0%, up 0.7pp compared to 1H FY3/24. Although the rate of growth may appear moderate, the Company seems to be making steady progress in transitioning to cloud subscriptions, particularly among medium-sized and Leading Medium Enterprises. This moderate progress is attributable to factors such as mounting demand for one-off purchases of ACELINK NX-Pro ERP product for tax accountant and CPA firms, as well as favorable sales in one-off purchases of ACELINK NX-CE business systems for SMEs.

*1 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.
*2 Average revenue per user (ARPU) is the average revenue derived from billing software usage fees per customer (as of the end of September 2024) and is calculated by adding the sales of the MJS Zeimu series, MJS Cloud IaaS, MJS DX Cloud, MJS e-Document Cloud with sales of the products listed in the footnote*1, above. This also applies to annual recurring revenue (ARR).
*3 Comparison of system installation contracts software sales and subscription contract sales

Service revenues maintaining substantial growth, up 15.8% YoY

2. Sales trends by customer and product category

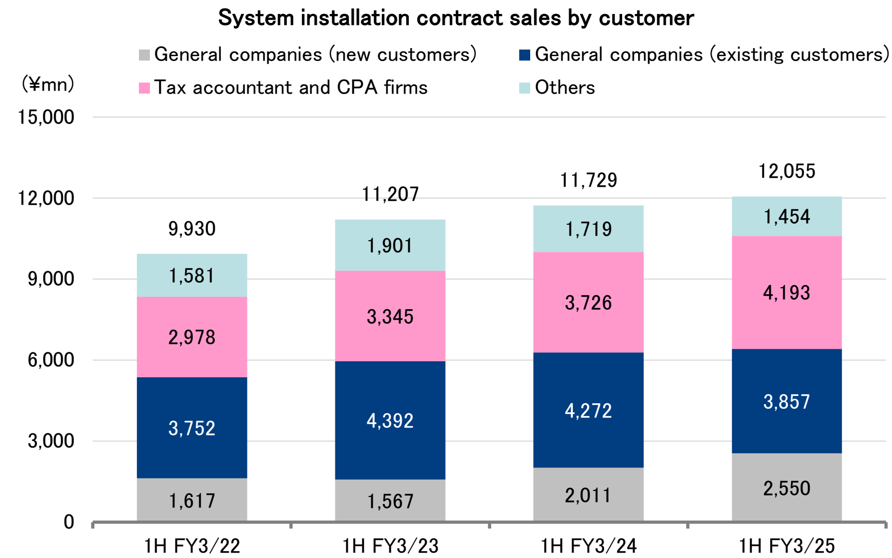
Looking at the breakdown of net sales, system installation contract net sales, which are flow-type revenues, increasing 2.8% YoY to ¥12,055mn, remaining strong amid the ongoing shift to cloud subscription services for mainstay ERP products. Services revenues, which are recurring-income type revenues, continued to be strong, increasing 15.8% to ¥8,981mn and others (mainly the sales at subsidiaries) increased 1.3% to ¥1,711mn, securing a slight increase in sales.



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 2.0% YoY to ¥6,408mn, to tax accountant and CPA firms, were up 12.5% to ¥4,193mn, and to others (which includes net sales from subsidiaries and to sales partners, etc.), were down 15.4% to ¥1,454mn.



Note: Others (sales by subsidiaries and the Head Office and sales to business partners)
Source: Prepared by FISCO from the Company's results briefing materials

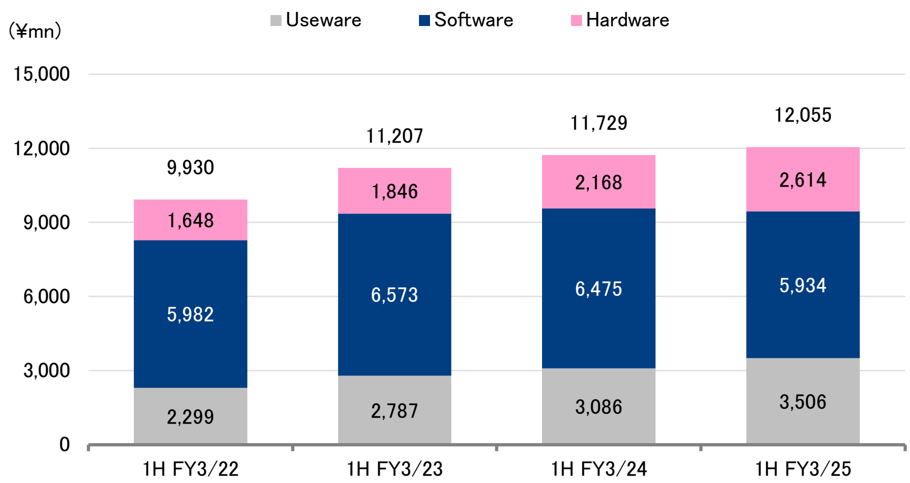
Net sales to general companies increased due to favorable performance in sales to new customers, which increased 26.8% YoY to ¥2,550mn, despite a continued downward trend in sales to existing customers, which decreased 9.7% to ¥3,857mn as a result of the transition to cloud subscriptions. Sales of ACELINK NX-CE to SMEs and small enterprises, which are the clients of tax accountant and CPA firms, were strong continuing from the previous fiscal year. Meanwhile, the Company has been acquiring new customers through consulting-based marketing efforts, which it has strengthened over the past few years as part of its sales strategies for corporate customers. Particularly, the Company's consulting-based marketing efforts, which offer optimal solutions to SMEs lagging behind in digital transformation (DX) of management due to a lack of IT professionals appear to be well-received. The Company encourages its employees to obtain IT coordinator* qualifications to promote its consulting-based marketing, and 63 employees acquired the certification as of September 2024, which amounts to approximately 12% of the Company's sales force.

* 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 from a managerial perspective.

Although sales of ERP products increased only marginally due to the current replacement cycle for products for tax accountant and CPA firms, demand for PC replacements drove the sales growth. This was fueled by the five-year lapse since the end of support for Windows 7 and the looming discontinuation of support for Windows 10. With regard to other net sales, sales through sales partners decreased, and subsidiary sales also underperformed.

Looking at system installation contract net sales by product category, net sales of software turned down for the second consecutive fiscal year by 8.3% YoY to ¥5,934mn, but were strong for hardware with 20.6% growth to ¥2,614mn and useware (installation support services) with 13.6% growth to ¥3,506mn. While the decrease in software sales is largely attributable to customers' transition to subscriptions, the Company achieved double-digit growth in net sales of useware, encompassing installation support services for customers with cloud subscription contracts. This indicates that the actual sales trajectory was favorable.

System installation contract net sales by product category

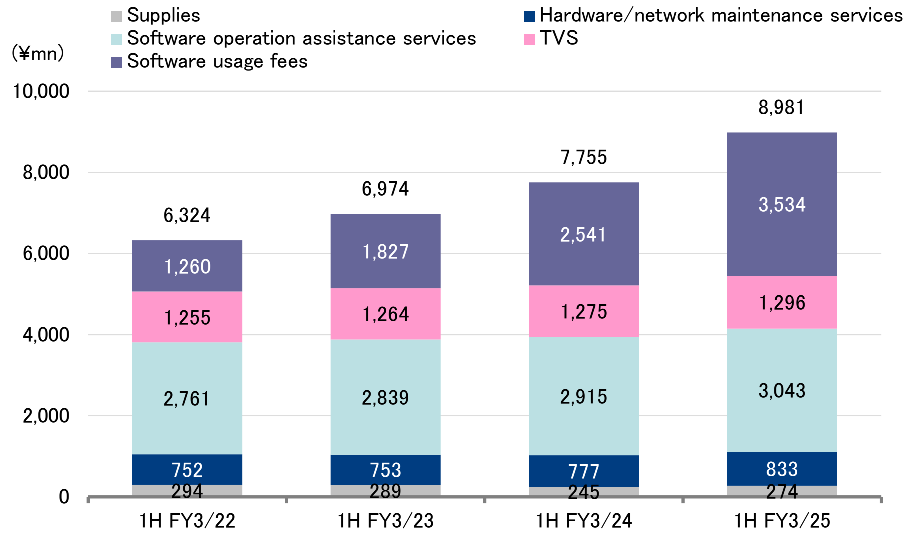


Source: Prepared by FISCO from the Company's results briefing materials

(2) Service revenues

Looking at the breakdown of service revenues, software operation assistance services (corporate software maintenance services) grew 4.4% to ¥3,043mn, TVS (a comprehensive maintenance service for tax accountant and CPA firms) increased 1.6% YoY to ¥1,296mn, software usage fees rose 39.0% to ¥3,534mn, hardware/network maintenance services up 7.2% to ¥833mn, and office supplies increased 11.8% to ¥274mn. Revenue increased across all service areas. Revenue from software usage fees rose significantly, driven by the provision of subscriptions and IaaS for the Company's mainstay ERP products. Meanwhile, the Company achieved positive results in TVS and software operation assistance services as a result of the acquisition of new customers.

Breakdown of service revenues

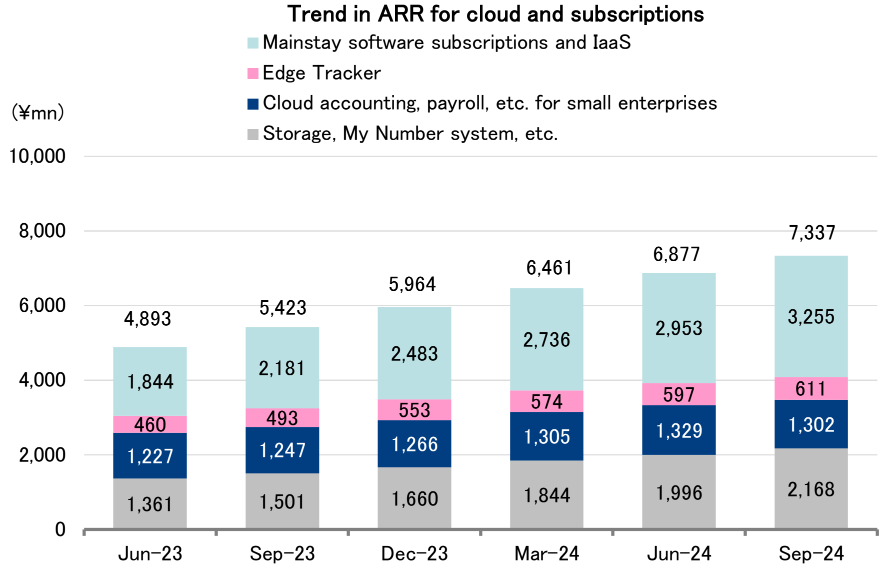


Note: TVS (a comprehensive maintenance service for tax accountant and CPA firms)
Source: Prepared by FISCO from the Company's results briefing materials

ARR, a KPI for cloud subscription revenue (software usage fees), rose 35.3% YoY to ¥7,337mn in September 2024 as growth continued. In particular, mainstay ERP product subscription and IaaS revenue rose 49.2% YoY to ¥3,255mn. The number of companies with subscription contracts rose 47.1% YoY to 3,811. This significant growth owes to new customer acquisitions, in addition to progress switching from one-off purchases to subscription and IaaS models among corporate customers. Also, ARPU rose 1.4% YoY to ¥854,000 because of an increase in customers signing up for various additional functions such as MJS e-Document Cloud. The subscriber retention rate for mainstay ERP products has continued to hold to the high level of 99.3% as a result of the Company providing high-quality services with respect to consulting upon installation of such products and customer success. The ratio of mainstay ERP product subscription sales increased 0.7pp to 16.0%. The ratio for corporate clients increased steadily to approximately 25%, while that for tax accountant and CPA firms remained largely unchanged at a range of 5% to 6%.

Also, ARR again rose by double digits for the Edge Tracker* comprehensive platform cloud service for companies, increasing 24.0% YoY to ¥611mn, as well as for services related to storage, the Social Security and Tax Number System (My Number system), other companies' cloud services, and so forth, which grew 44.4% to ¥2,168mn. Meanwhile, ARR for cloud accounting, payroll, and related services for small enterprises alone was limited to a 4.4% increase to ¥1,302mn.

* A cloud service for the employees of Leading Medium Enterprises and 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, workflow, and e-Invoice.



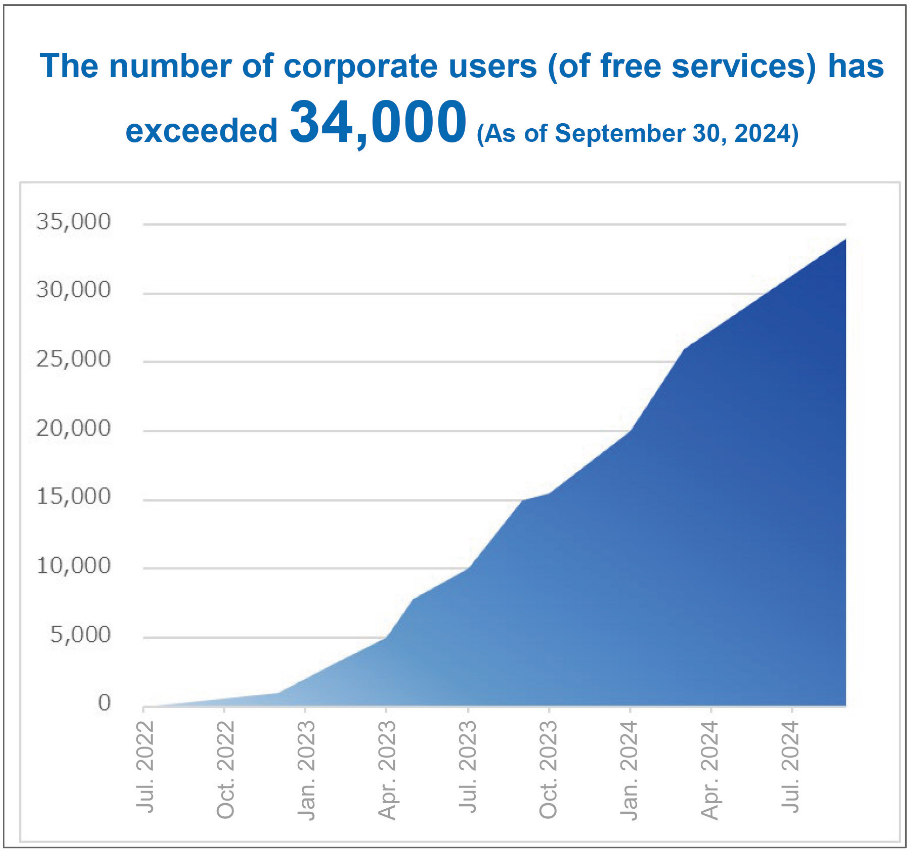
Source: Prepared by FISCO from the Company's results briefing materials

(3) Others

In others (mainly the business of the subsidiaries), net sales increased 1.3% YoY to ¥1,711mn. Looking at trends at major subsidiaries, Tribeck's net sales were slightly below the forecast, but its profits were largely in line with expectations. The Hirameki 7 DX platform for SMEs undergoing development is a platform service that facilitates digitalization across seven domains essential for management*. It surpassed the 34,000-user threshold (free of charge) over the course of approximately two years subsequent to launch of the service. In aiming to monetize the service, Tribeck has fully embarked on efforts to transition users to fee-based plans beginning in October 2024. HR consulting firm Transtructure achieved an increase in sales as a result of it having addressed the challenge of reinforcing its consultant personnel. M&A support services provider MJS M&A Partners appears to be making progress according to plan, though there have been no significant changes compared to 1H FY3/24.

* Under Hirameki 7, Tribeck provides functions across the seven domains of 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).

Trend in number of companies that have introduced Hirameki 7



Source: The Company's results briefing materials

Company remains financially sound with an equity ratio of over 50% and ample net cash of over ¥8.0bn

3. Financial status and management indicators

For the financial status at the end of 1H FY3/25, total assets decreased ¥791mn compared to the end of the previous fiscal year to ¥45,227mn. Looking at the main influencing factors in current assets, accounts receivable increased ¥195mn, while cash and deposits decreased ¥1,121mn and inventories decreased ¥102mn, respectively. In fixed assets, software assets (including development in progress) increased ¥1,027mn, while investment securities decreased ¥1,298mn. Software assets increased because costs for developing new ERP products were posted as assets.

Total liabilities decreased ¥1,064mn compared to the end of the previous fiscal year to ¥17,767mn. Interest-bearing debt declined ¥279mn and accounts payable - trade decreased ¥347mn. Total net assets increased ¥273mn to ¥27,459mn. The recording of ¥2,059mn in net income attributable to owners of parent and dividend payments of ¥1,494mn resulted in a ¥563mn increase in retained earnings. Meanwhile, accumulated other comprehensive income decreased by ¥289mn due in part to sales of shareholdings.

Looking at management indicators, the equity ratio rose from 58.0% at the end of the previous fiscal year to 59.7% due to a decrease in liabilities. Interest-bearing debt ratio declined from 34.3% to 33.0% due to a decrease in interest-bearing debt, and other safety indicators improved slightly. The Company maintained a sound financial position with ample net cash (cash and deposits + securities – interest-bearing debt) of over ¥8.0bn.

Consolidated balance sheet

(¥mn)

	FY3/24	1H FY3/25	Change	Factors
Current assets	26,668	25,834	-833	Cash and deposits -1,121, Accounts receivable +195, Inventories -102
Cash and deposits	18,888	17,766	-1,121	
Fixed assets	19,350	19,392	41	Software assets (including development in progress) +1,027, Investment securities -1,298
Total assets	46,018	45,227	-791	
Current liabilities	15,490	14,842	-648	Accounts payable - trade -347
Fixed liabilities	3,340	2,924	-416	Long-term borrowings -400
Total liabilities	18,831	17,767	-1,064	
Total net assets	27,186	27,459	273	Retained earnings +563, Accumulated other comprehensive income -289
Interest-bearing debt	9,332	9,052	-279	
Net cash	9,656	8,814	-841	(Cash and deposits + securities – interest-bearing debt)
<Management indicators>				
Equity ratio	58.0%	59.7%	1.7pp	
Interest-bearing debt ratio	34.3%	33.0%	-1.4pp	

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

Outlook

FY3/25 results outlook projects sustained sales and profit growth by robust corporate investment in digital transformation (DX)

1. Consolidated outlook for FY3/25

For the FY3/25 consolidated results, the Company forecasts further gains in sales and profit with net sales to increase 3.5% YoY to ¥45,500mn, operating income to increase 10.3% to ¥6,740mn, ordinary income to increase 7.0% to ¥6,750mn, and net income attributable to owners of parent to increase 4.7% to ¥4,440mn. The Company plans revenue growth of only 3.5%, considering the shift in ERP product sales from one-off purchases to subscriptions, while striving to build up recurring revenue.

The Company projects a gain of 3.1pp in gross profit margin compared to the previous fiscal year. This increase is partially attributable to a decrease in depreciation following the full amortization of MJSLINK DX, released in 2021, and to anticipated improvements in profitability of Group subsidiaries. However, as mentioned earlier in this report, growth in hardware product sales exceeded expectations in 1H. As a result, full-year net sales may slightly exceed the forecast, and the improvement in the gross profit margin may be relatively limited. While SG&A expenses are expected to rise by 8.1%, mainly due to higher personnel expenses, the Company is expected to continue its cost restraint efforts in 2H. The progress rates up through 1H FY3/25 were 50.0% for net sales and 44.0% for operating income. Although the progress rate in profit is somewhat low, we at FISCO believe that the Company's targets are entirely achievable given the likelihood of continued growth in software usage fees in 2H and beyond.

Consolidated outlook for FY3/25

(¥mn)

	FY3/24		FY3/25			1H Progress rate
	Results	% vs. net sales	Company forecast	% vs. net sales	YoY	
Net sales	43,971	-	45,500	-	3.5%	50.0%
Gross profit	26,800	60.9%	29,100	64.0%	8.6%	47.4%
SG&A expenses	20,689	47.1%	22,360	49.1%	8.1%	48.4%
Operating income	6,110	13.9%	6,740	14.8%	10.3%	44.0%
Ordinary income	6,306	14.3%	6,750	14.8%	7.0%	44.9%
Net income attributable to owners of parent	4,238	9.6%	4,440	9.8%	4.7%	46.4%
Earnings per share (EPS) (¥)	141.70		148.36			

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

Net sales by product category (consolidated basis)

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25 (E)	YoY	1H progress rate
System installation contract net sales	20,236	23,646	24,035	23,059	-4.1%	52.3%
Hardware	3,110	3,939	4,414	4,337	-1.8%	60.3%
Software	12,416	13,802	12,817	11,871	-7.4%	50.0%
Useware	4,709	5,904	6,802	6,849	0.7%	51.2%
Service revenues	13,004	14,255	16,259	18,456	13.5%	48.7%
TVS	2,517	2,534	2,564	2,570	0.3%	50.4%
Software usage fees	2,778	3,934	5,665	7,612	34.4%	46.4%
Software operation assistance services	5,596	5,684	5,945	6,033	1.5%	50.5%
Hardware/network maintenance	1,505	1,518	1,583	1,572	-0.7%	53.0%
Supplies/office supplies	606	582	499	666	33.4%	41.1%
Others	3,356	3,559	3,677	3,984	8.4%	43.0%
Total	36,597	41,461	43,971	45,500	3.5%	50.0%

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

(1) System installation contract net sales

The Company projects a decrease in system installation contract net sales by 4.1% YoY to ¥23,059mn due to an accelerated shift from one-off purchases to subscriptions. By customer category, the Company forecasts sales of ¥13,178mn to general companies for a 1.4% decrease, ¥6,342mn to tax accountant and CPA firms for a 13.5% decrease, and ¥3,537mn to others (which includes sales by subsidiaries and sales to business partners, etc.) for a 6.1% increase. However, the progress rate achieved in 1H as a percentage of the full-year forecast was high at 66.1% for sales to tax accountant and CPA firms, and it could exceed the forecast for the full year. On the other hand, sales in others category are poised to fall short of the forecast. As for its sales forecasts by product category, software sales are expected to decrease by 7.4% to ¥11,871mn due to the shift to the subscription model. Meanwhile, sales of useware, which reflect more directly the actual market conditions, are likely to remain steady, with a 0.7% increase to ¥6,849mn. Sales of hardware products are highly likely to exceed the target if demand for replacement of PCs and other items continues in 2H.

System installation contract sales by customer

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25 (E)	YoY	1H progress rate
Total	20,236	23,646	24,035	23,059	-4.1%	52.3%
General companies	10,577	13,003	13,368	13,178	-1.4%	48.6%
Tax accountant and CPA firms	5,984	6,679	7,332	6,342	-13.5%	66.1%
Others	3,674	3,963	3,334	3,537	6.1%	41.1%

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. While the progress rate of software usage fees in 1H FY3/25 was 46.4% of the full-year target, the target is entirely achievable given the progress in the shift to subscriptions for the Company's mainstay ERP products. 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. Given that the ratio of subscription sales depends on the sales trend of one-off purchases, it is uncertain whether the Company will achieve the target. As for other sales forecasts, the Company projects positive results from software operation assistance services, with an anticipated 1.5% increase to ¥6,033mn, and from TVS, with an anticipated 0.3% increase to ¥2,570mn.

KPI for mainstay ERP products provided by subscription

	FY3/24	1H FY3/25	YoY	FY3/25 (E)	YoY
Subscriptions to mainstay ERP products*1	3,190	3,811	47.1%	4,100	28.5%
ARPU for mainstay ERP products (¥1,000)*2	861	854	1.4%	878	2.0%
ARR for mainstay ERP products (¥100mn)	27.4	32.5	49.2%	36	31.0%
Subscriptions' share of mainstay ERP product sales in the period*3	15.5%	16.0%	0.7pp	20.0%	4.5pp
Mainstay ERP product subscriber retention rate	99.3%	99.3%	-	-	

*1: 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 (since FY3/24), which are calculated monthly, to the ERP products mentioned earlier.
*2 Average revenue per user (ARPU) is the average revenue derived from billing software usage fees per customer with respect to customers who use the Company's mainstay ERP products (as of the end of September 2024)
*3 Comparison of system installation contract software sales and subscription contract sales
Source: Prepared by FISCO from the Company's results briefing materials

Targeting ordinary income of ¥12.0bn in FY3/29

2. Medium-term Management Plan Vision 2028

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

In May 2024, the Company announced its five-year Medium-term Management Plan Vision 2028 extending from FY3/25 to FY3/29. With the theme of "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. This will be achieved by transforming its business model (shifting to a subscription model), expanding its customer base through new customer acquisitions, and maximizing customer lifetime value (LTV). 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

(¥mn)

	FY3/24	FY3/29 target	Change	CAGR
[MJS non-consolidated (ERP business)]				
Net sales	387	500	112	5.2%
Ordinary income	69	100	30	7.7%
[Group companies (excluding DX Platform business)]				
Net sales	70	90	19	5.0%
Ordinary income	3	10	6	22.7%
[Comprehensive DX Platform business]				
Net sales	0	25	25	-
Ordinary income	-7	10	17	-
[Total]				
Net sales	439	600	160	6.4%
Ordinary income	63	120	56	13.7%

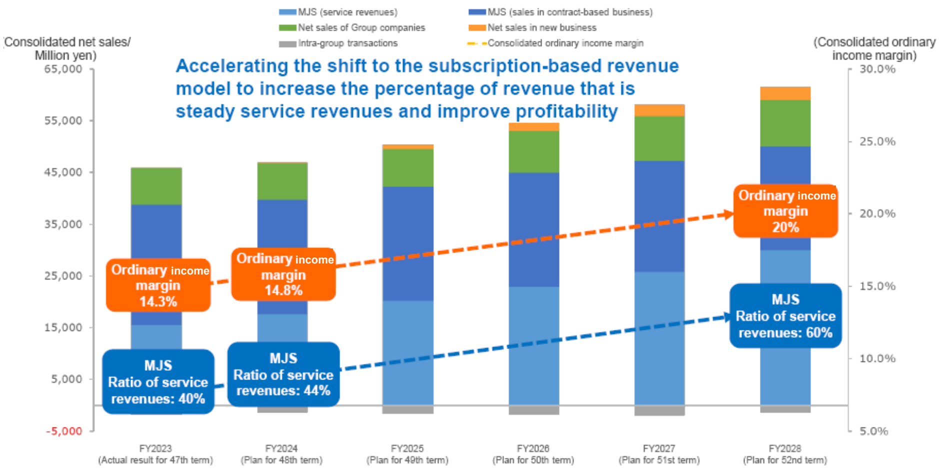
Source: Prepared by FISCO from the Company's medium-term management plan materials

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 aims to achieve these targets in part by expanding its customer base by acquiring new customers through 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) through 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 this end, the Company seeks to enhance the platform's competitive strengths by upgrading the content of its mainstay Hirameki 7 service and transitioning to fee-based plan contracts. It also seeks to expand partnerships with services from 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 structural enhancements, and following 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 this end, the Company seeks to enhance profitability and create Group synergies by reorganizing and strengthening the Group framework, including redefining the positioning and roles of Group companies. During FY3/25, the Company seeks to make progress in Group company reorganization, including divestiture.

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



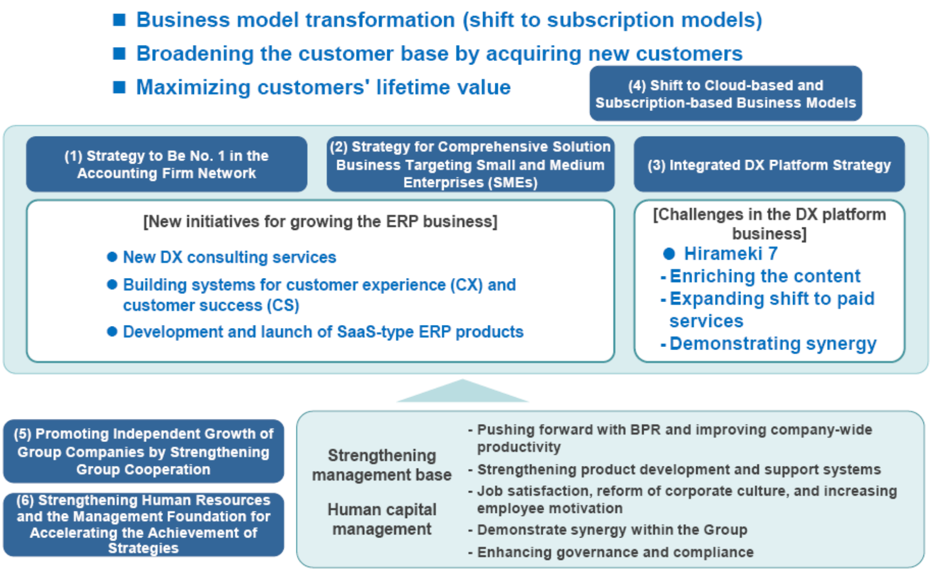
Source: Reprinted from the Company's medium-term management plan materials

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 tax accountant and CPA firms and SMEs, 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), and the Company is promoting the six objectives as follows.

Growth strategies common to the MJS Group



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

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) of tax accountant and CPA firms and their client companies through DX consulting services and its new SaaS business. Specifically, in the short term, the Company plans to streamline operations in tasks such as journal entry and checking of accounting records using its three proprietary AI solutions: AI-assisted journal entry, AI-OCR data entry, and AI-assisted auditing support. These measures aim to address challenges faced by tax accountant and CPA firms due to staff aging and labor shortages.

In October 2024, the Company launched its new Management Analysis Plus functionality, which links the ACELINK NX-Pro Kaikei Taisho ERP system for tax accountant and CPA firms with Hirameki 7. Simply by uploading client accounting data to Hirameki 7, tax accountant and CPA firms are able to visually render aspects of their client companies, such as management analysis, financial analysis, and status of financing, in preparing documents used for furnishing guidance on management. As such, Management Analysis Plus has been attracting attention not only because it enhances management support services of tax accountant and CPA firms, but also because it serves as a tool that promises to create synergies by extending the range of enterprises using Hirameki 7.

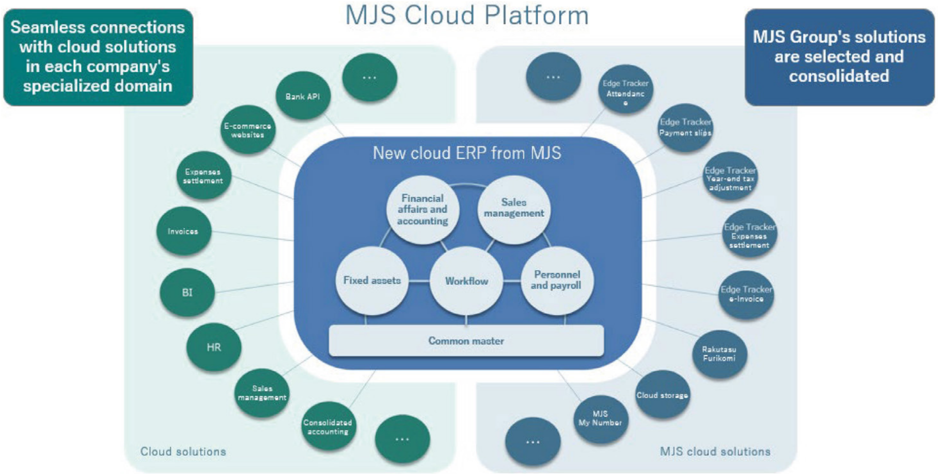
By promoting these initiatives, the Company aims to increase its share of the market for ERP products for tax accountant and CPA firms, which currently stands at approximately 25%. While the SaaS version of ACELINK currently under development is still some time away from release, the Company is making progress in fully utilizing big data and AI as well as developing groundbreaking new services. The SaaS version of ACELINK will enable tax accountant and CPA firms to connect with all of their clients through online services, facilitating real-time data collection and utilization to provide more sophisticated management support services.

b) "Comprehensive solutions and business strategy for Leading Medium Enterprises and SMEs"

Under its strategy for Leading Medium Enterprises and 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 maintain and enhance the competitive strengths of its existing products (on-premises and IaaS) by continuously upgrading them with AI functionality and adapting to legal revisions. Meanwhile, the Company intends to release SaaS products offering full API integration and equipped with new functions that use generative AI in the latter half of 2025. The Company will initially focus on products targeted at SMEs in gradually enhancing their functionality.

The Company will also launch a DX consulting services business. It plans to establish an SI services framework to provide one-stop solutions, from system installation assistance to support in proposing optimal systems that may include products from other vendors in addition to the Company's own ERP products for Leading Medium Enterprises and SMEs. To this end, the Company plans to increase the number of its IT coordinators skilled in DX consulting from the current approximately 60 to more than 100 in FY3/26, and then 200–300 over the medium term to develop locally based DX consulting services. Additionally, the Company will engage in DX consulting on a wider range of management issues by coordinating with Group companies and partner enterprises. We at FISCO believe there are substantial synergies, as Group companies offer services including digital marketing, organizational and HR consulting, and M&A and business succession consulting.

MJS Cloud Platform



Source: The Company's results briefing materials

c) "Comprehensive DX Platform strategy"

The Hirameki 7 platform service is a core component of the Comprehensive DX Platform business and provides seven services for promoting DX of SMEs and small enterprises, as mentioned earlier in this report. While the service has more than 34,000 corporate users, the majority of which are under free-plan contracts, the Company fully embarked on efforts to convert such users to fee-based plans in October 2024.

The Company had previously offered its Prime Plan, which provides access to all of the currently available functions as a fee-based plan (¥6,000 per month, excluding tax). Now it offers two plans*, the Single Plan, available to sole proprietors (¥800 per month per user, excluding tax), and the Group Plan, available for up to five users (¥3,200 per month for five users, excluding tax). The Company seeks to encourage users to transition to fee-based plans by significantly lowering prices. In terms of functionality, now the marketing functions have been enhanced with the addition of new business development and project management features, enabling subscribers to achieve digital transformation (DX) of corporate sales activities. On the sales front, the Company aims to achieve early monetization by leveraging Tribeck's digital marketing capabilities, as well as its more than 900 sales and support staff stationed at its business locations nationwide. 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.

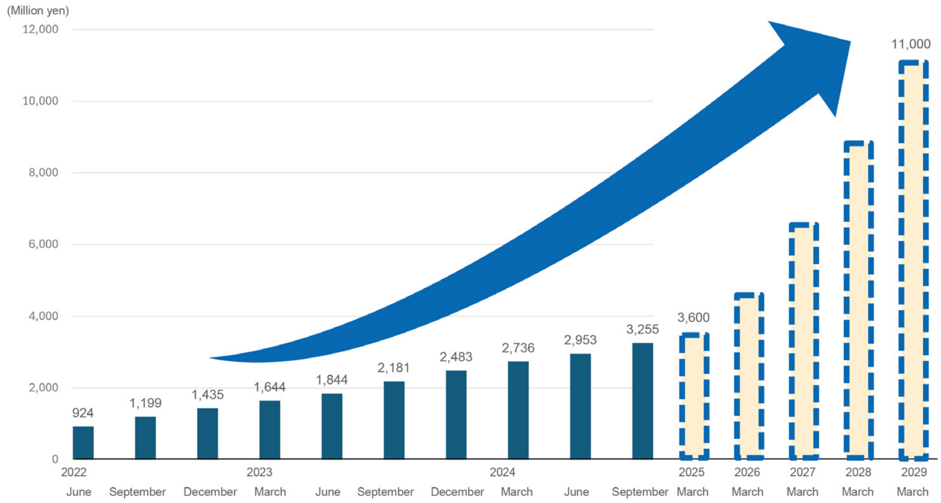
* Menu options are available for each of the features through payment of additional fees.

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 to set up and operate 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 concentrate operating resources on attracting new customers as a result of there being fewer work hours required in relation to replacements and also minimize costs of maintaining older versions of products given that the Company is able to continually provide the latest systems.

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 compared to FY3/24, ¥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. The Company plans significant growth in ARR in FY3/27 and beyond.

Major ERP products ARR



Source: The Company's results briefing materials

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

As of November 2024, the Group encompasses two 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 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 indicated its commitment to reorganizing and strengthening the Group by assigning priority to leveraging Group synergies and improving profitability.

As part of efforts by key subsidiaries, the two companies engaged in consigned systems development will work to strengthen the Group's development framework by improving development expertise and reducing costs through increasing the Group's rate of in-house production. They will also aim to standardize engineer training programs and evaluation criteria, enhance the skill level of engineers, and equalize technological capabilities.

Tribeck will prioritize the monetization of Hirameki 7, a core component of the Comprehensive DX Platform, while also working to enhance the Group's in-house production rate by supporting the Group's digital marketing efforts and improving the UI and UX of MJS products. Meanwhile, Transtructure will improve its earnings structure by providing HR services to customers of MJS products, enhancing 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 SMEs and promoting the streamlining of advisory services leveraging DX. 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 the 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. 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. It will furthermore promote diversity and inclusion initiatives that enable active participation of diverse human resources. Meanwhile, the Company plans to hire around 90 new graduates on a consolidated basis in spring 2025 (71 new graduates were hired in spring 2024).

Indicators for Sustainability 2030

	FY2023 Results	FY2025 Targets	FY2030 Targets
Ratio of women in management	12.0%	14.0%	21.0%*
Ratio of female hires	42.0%	45.0%	50.0%
Ratio of male employees taking childcare leave	36.0%	55.0%	85.0%
Engagement score	3.5pt	3.7pt	4.5pt
Wage gap between men and women	81.0%	82.0%	87.0%

* Personnel measures will be continued, with an aim to keep the percentage of women in management at 30% from FY2031 onward.
Source: Prepared by FISCO from the Company's results briefing materials

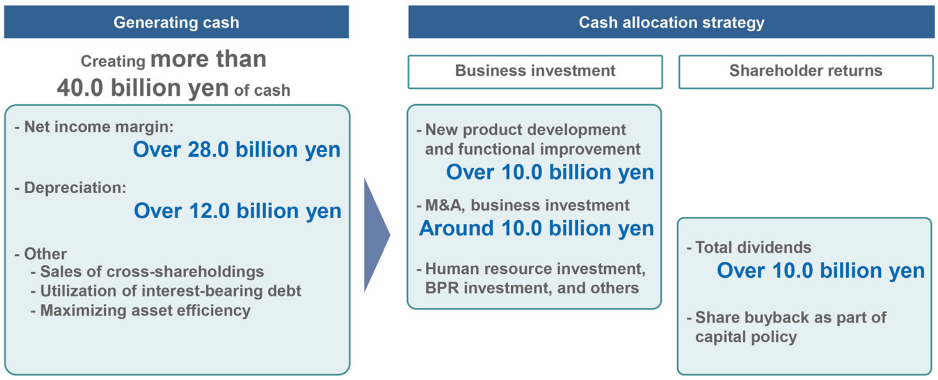
(3) Financial strategies and cash allocation

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 the 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.

Financial Strategies

[Cumulative total for the five years from FY2024 to FY2028]



Source: The Company's results briefing materials

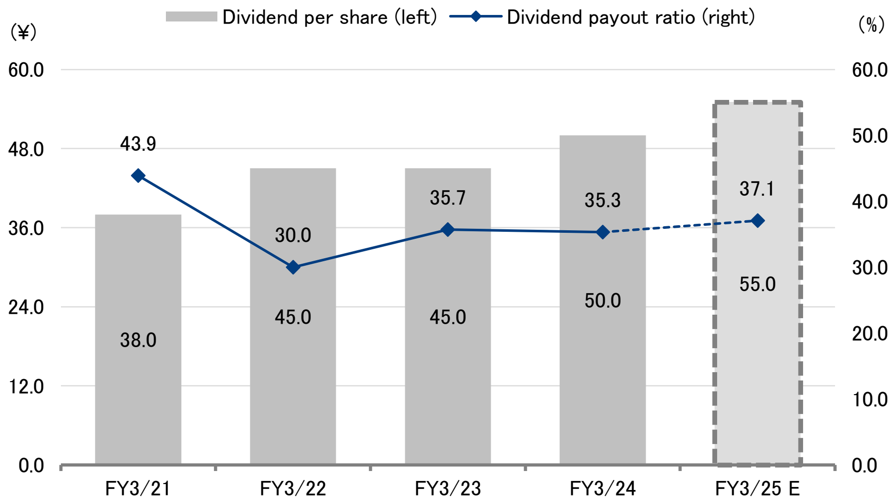
Shareholder return policy

Plans to implement a progressive dividend targeting a dividend payout ratio of 30–40% and will consider acquiring treasury shares as necessary, depending on the circumstances

● Shareholder return policy

As the dividend policy under its medium-term management plan starting from FY3/25, the Company has expressed its intention to implement a progressive dividend in line with profit growth, targeting a consolidated dividend payout ratio of 30% to 40%. Based on this policy, in FY3/25, the Company plans to raise its dividend for the second consecutive fiscal year by ¥5.0 to ¥55.0 (a 37.1% dividend payout ratio). Additionally, the Company has expressed its intention to take an agile approach to acquiring treasury shares, considering the share price level in seeking to improve capital efficiency. The Company's holdings of treasury shares have come to account for 14.0% of its outstanding shares most recently. In addition to using these shares for a restricted stock plan for its directors, the Company is considering various options going forward, such as granting stock options to its employees and utilizing share exchanges for M&A activities.

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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