Miroku Jyoho Service Co., Ltd.

9928

Tokyo Stock Exchange Prime Market

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Contents

Summary

Continuing to achieve revenue and profit growth while fostering new businesses and transitioning to a subscription-based model

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 small enterprises.

1. Summary of the FY3/25 results

In the FY3/25 consolidated results, net sales increased 5.0% year on year (YoY) to ¥46,160mn and ordinary income rose 1.3% to ¥6,390mn, marking the fourth consecutive year of revenue and profit growth. While the shift from a one-off purchase to a subscription model progressed, system installation contract sales declined 0.2% YoY. This decline was offset by strong 13.5% growth in service revenue, mainly from subscription-based and IaaS*1-based offerings of core ERP products, which drove the overall increase in sales. On the profit front, the Company absorbed higher personnel expenses caused by workforce expansion and wage revisions, higher procurement costs, and approximately ¥580mn in losses from upfront investments in the DX Platform business (Hirameki 7 business) through the positive impact of increased sales to secure profit growth. As of the fiscal year-end, the number of subscription contracts for core ERP products rose 48.6% YoY to 4,740 companies, while ARR*2 expanded steadily, up 40.6% YoY to ¥3.84bn.

*1 IaaS (Infrastructure as a Service) is a service providing only the infrastructure parts, such as hardware and networks, of cloud service.
*2 ARR (Annual Recurring Revenue) represents the figure calculated by multiplying net sales generated in a given month by 12.

2. Consolidated outlook for FY3/26

For the FY3/26 consolidated results, the Company maintained its initial forecasts with net sales up 6.2% YoY to ¥49,000mn and ordinary income up 6.4% YoY to ¥6,800mn with expectations of continued revenue and profit growth. System installation contract sales are projected to remain at around the same level as the previous fiscal year, while service revenue is expected to rise 13.2% YoY, driving overall sales growth. On the profit front, in addition to the positive impact of increased sales, factors such as reduced amortization costs for software products will contribute to profit growth. The number of subscription contracts for core ERP products is projected to increase 64.2%* YoY to 7,000 companies, and ARR is expected to rise 45.4% to ¥5.59bn. Growth is expected to accelerate as the Company fully transitions its ACELINK NX-CE ERP product for SMEs to a subscription model starting in FY3/26.

* From FY3/26, the Company revised its method of counting to treat multiple contracts from the same customer as one. YoY figures were also calculated based on this new method.

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

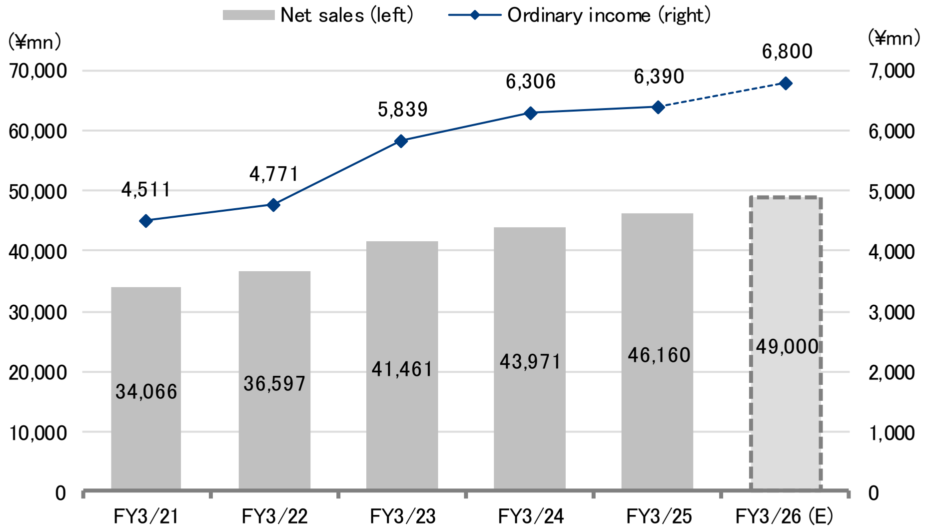
In May 2024, the Company announced its Medium-term Management Plan Vision 2028 with FY3/29 as its final fiscal year. Quantitative targets of the plan to be achieved in its final fiscal year consist of net sales of ¥60.0bn (average annual growth of 6.4%), ordinary income of ¥12.0bn (average annual growth of 13.7%), and return on equity (ROE) of 18% (vs. 15.6% in FY3/25 results). 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 results 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 increase the number of 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 for a 3.1-fold increase. Leveraging its strength in operating a nationwide sales network and having an established customer support system, the Company will work to acquire new customers. As for the Hirameki 7 management support platform for SMEs and small enterprises that serves as the core of its new Comprehensive DX Platform business, the Company plans to begin full-scale direct sales in FY3/26, in addition to sales through its subsidiary Tribeck Inc. In May 2025, the Company added an AI Report function to Management Analysis Plus*, an optional service for tax accountant and CPA firms. This function uses generative AI to greatly improve efficiency in management analysis and the preparation of monthly and annual financial reports for client companies. The Company plans to expand sales of this service to tax accountant and CPA firms, where it holds a 25% market share. In its Comprehensive DX Platform business, the Company aims to record profit of ¥1.0bn in the final fiscal year of the plan. Advances in adoption among tax accountant and CPA firms through these initiatives is expected to be a key factor in achieving this target. 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%. In FY3/25, the Company paid an annual dividend of ¥55.0 per share (dividend payout ratio of 37.6%), for an increase of ¥5.0 per share. For FY3/26, it plans to raise the dividend by another ¥5.0 to ¥60.0 (payout ratio: 36.7%), marking the third consecutive year of dividend increases. Under its capital policy, the Company will also consider acquiring treasury shares as appropriate.

* Management Analysis Plus is an optional feature for ACELINK NX-Pro users that links ACELINK NX-Pro with Hirameki 7. By simply uploading a client's accounting data to Hirameki 7, it visualizes the client company's management analysis, financial analysis, and cash flow status, and creates materials that can be used for management guidance. The monthly usage fee for Management Analysis Plus starts from ¥1,800 (excluding tax).

Key Points

- Sales and profit grew in FY3/25, driven by an increase in service revenue
- FY3/26 is also expected to deliver continued sales and profit growth as the shift to a subscription model progresses
- Sales of Hirameki 7 to tax accountant and CPA firms should expand due to new generative AI features
- The Company plans to implement a progressive dividend payout ratio of 30 to 40% and will consider acquiring treasury shares as appropriate

Consolidated financial results trends



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

Corporate overview

A leading provider of financial accounting systems for tax accountant and CPA firms, as well as Leading Medium Enterprises and SMEs

1. Business description and the Company's strengths

The Company's current main business is its ERP business, with finance and accounting at its core (development and sales of ERP systems, installation support services, and various maintenance services). The ERP business accounts for approximately 90% of net sales. The remainder comes from business domains operated by subsidiaries such as Tribeck, MJS M&A Partners, and Transtructure.

Main customers in the ERP business are tax accountant and CPA firms (the main purchasers of ACELINK NX-Pro) and mostly their Leading Medium Enterprise and SME clients. Having been refined for over 45 years since the Company's establishment by incorporating feedback from its customer base of tax accountants and certified public accountants, the Company's ERP systems are not only feature-rich but also highly user-friendly. The number of tax accountant and CPA firm users is approximately 8,400 and the Company holds a roughly 25% industry share, placing it among the industry leaders. Direct sales account for almost 100% of sales, with contracts primarily based on a one-off purchase model. Competitors include TKC Corporation <9746> and Japan Digital Laboratory Co., Ltd., with little change in market share. In recent years, new entrants such as Money Forward, Inc. <3994> have emerged, but the Company's strengths lie in its rich functionality and ease of use, a 24/7/365 in-house customer support system, and the development and improvement of new functions based on requests from ACELINK NX-Pro users through the voluntary Miroku Accounting Professionals Association. The Company also offers detailed support services that assist customers in their daily operations, such as by providing the latest information on changes in accounting and tax regulations through the MJS Tax & Accounting System Research Institute*, and organizing training sessions and seminars. FISCO believes these advantages will enable the Company to maintain its edge over competitors.

* Established in 1999 as an in-house organization with the aim of promptly providing various information and services in response to tax reforms, amendments to the Companies Act, and changes in accounting and other systems. Its wide-ranging activities include publishing monthly magazines and research reports and hosting training sessions and seminars.

Meanwhile, the Company has around 18,000 users for its ERP products for Leading Medium Enterprises and SMEs, which include systems for financial accounting, human resources and payroll, and sales management. Its product lineup is tailored to company size: Galileopt DX for Leading Medium Enterprises, MJSLINK DX for Leading Medium Enterprises and SMEs, and ACELINK NX-CE for SMEs. Looking at distribution channels, direct sales account for nearly 90% of sales and the remainder (slightly over 10%) is through sales agencies. Competitors include OBIC Business Consultants <4733>, Otsuka Corporation <4768>, OBIC Co., Ltd. <4684>, Money Forward, Inc., Freee K.K. <4478> and many other companies. There appear to be few differences in functionality or pricing, making the ability to understand client needs and propose optimal systems an important factor. Especially in recent years, as many SaaS offerings (including those with generative AI functionality) have been developed and provided, consulting capabilities that support business digital transformation (DX), including integration with other companies' systems, have become increasingly important. The Company is focusing on training DX consultants. Its strengths include stationing these consultants at branch offices across the country and providing highly integrated development, sales, and support services, including through customer support centers and MJS Tax & Accounting System Research Institute—all of which contribute to a high level of customer satisfaction. We at FISCO 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. In addition, the Company offers simplified SaaS-based accounting software and other services for small enterprises via tax accountant and CPA firms and the web, with around 80,000 companies or individuals using these services.

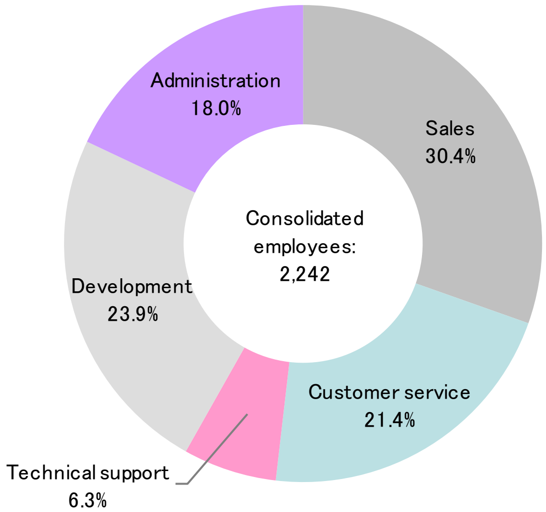
Overview of ERP business

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 • 33 sales and support branches nationwide	• Direct sales (90%, includes sales through tax accountant and CPA firms) • Agency sales (10%) • 33 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

As of the end of March 2025, the Company had 2,242 consolidated employees. By organization, there were 682 in sales (30.4% of the total), 622 in customer service and technical support (27.7%), 535 in development (23.9%), and 403 in administration (18.0%). A notable characteristic is that support personnel account for more than one-quarter of the total workforce. Customer service refers to on-site assistance provided when issues arise in system operations at client locations, with staff dispatched to resolve the problem. Technical support refers to remote support services provided via telephone or the internet by specialized staff well-versed in the Company's products.

Personnel composition by organization (as of the end of March 2025)



Source: Prepared by FISCO from the Company's website

2. Subsidiaries and affiliates

As of the end of March 2025, the Group companies consisted of eight 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 six companies that the Company established or acquired through M&A since 2014 to develop businesses in areas such as consulting and fintech. Among these six companies, the largest subsidiary in terms of sales is Tribeck, with annual sales of just under ¥3.0bn, followed by Transtructure with annual sales of just under ¥1.0bn. MJS Finance & Technology Co., Ltd. was absorbed by the Company effective April 1, 2025.

The Company's two equity-method affiliates are Primal Inc., which develops and sells systems for consolidated accounting, and KACHIEL Co., Ltd., which provides services such as hosting seminars and distributing videos for tax accountant and CPA firms.

Business trends

FY3/25 saw revenue and profit growth driven by an increase in service revenue

1. Summary of the FY3/25 results

In the FY3/25 consolidated results, net sales increased 5.0% YoY to ¥46,160mn, operating income increased 2.9% to ¥6,287mn, ordinary income increased 1.3% to ¥6,390mn, and net income attributable to owners of parent increased 3.4% to ¥4,381mn. Net sales, operating income, and ordinary income all reached record highs.

Consolidated results for FY3/25

(¥mn)

	FY3/24		FY3/25				
	Results	% vs. net sales	Company forecast	Results	% vs. net sales	YoY	vs. forecast
Net sales	43,971	-	45,500	46,160	-	5.0%	1.5%
Gross profit	26,800	60.9%	29,100	27,876	60.4%	4.0%	-4.2%
SG&A expenses	20,689	47.1%	22,360	21,589	46.8%	4.4%	-3.4%
Operating income	6,110	13.9%	6,740	6,287	13.6%	2.9%	-6.7%
Ordinary income	6,306	14.3%	6,750	6,390	13.8%	1.3%	-5.3%
Extraordinary profits/losses	-235	-	-	173	-	-	-
Net income attributable to owners of parent	4,238	9.6%	4,440	4,381	9.5%	3.4%	-1.3%

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

Customer appetite for DX investment remained strong, and sales of various business systems for tax accountant and CPA firms as well as Leading Medium Enterprises and SMEs performed well. As the shift to the cloud subscription model progressed, system installation contract sales edged down 0.2% YoY, remaining at about the same level as the previous year. However, the expansion of cloud and subscription usage drove a 13.5% YoY increase in service revenue, which contributed to overall sales growth.

On the profit side, SG&A expenses increased ¥900mn YoY primarily due to personnel expenses incurred by the active recruitment of 71 new graduates and implementation of salary increases for the third consecutive year. Although the gross profit margin declined 0.5 percentage points (pp) YoY, the positive impact of higher sales offset these factors, resulting in an increase of ¥176mn in operating income. The drop in gross profit margin was due to a higher sales ratio of hardware products such as PCs, which are purchased for resale. In terms of extraordinary items, the Company recorded extraordinary income, including ¥358mn in gains on sales of investment securities and ¥31mn in gains on sales of shares of affiliates, while also recording extraordinary losses, including ¥182mn in losses on sales of cryptocurrencies and ¥54mn in impairment losses.

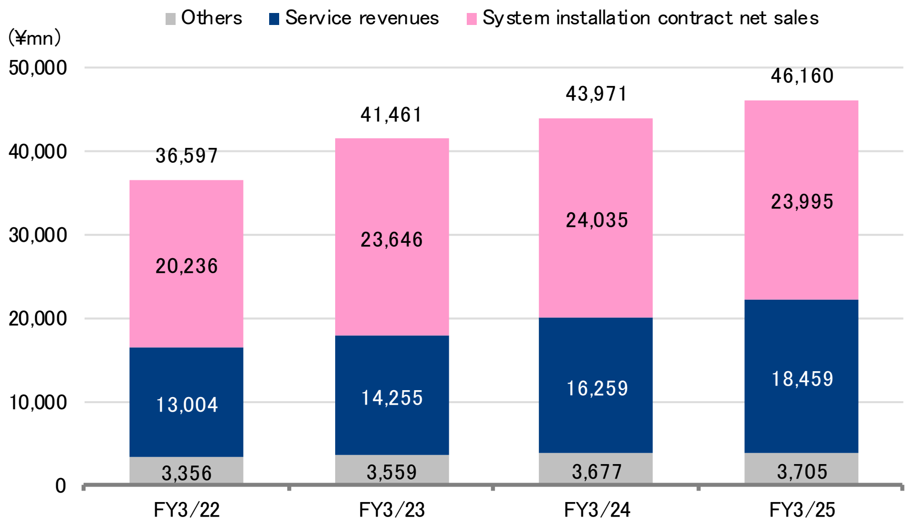
Net sales exceeded the Company forecasts by 1.5%, but operating income fell short by 6.7%, or ¥452mn in monetary terms. Standalone operating income was ¥174mn above projections, with the shortfall attributable to deteriorating earnings at subsidiaries. The main factors were the loss of a large project expected in the second half at a subsidiary and the decision at MJS Finance & Technology to discontinue development of a new service, resulting in the early amortization of development assets and other measures. For Tribeck's DX Platform business (Hirameki 7 business), the Company recorded an operating loss of approximately ¥580mn due to upfront investments in line with the plan.

ARR for the core ERP products' subscription and IaaS offerings rose a significant 40.6% 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, remained flat with a decline of 0.2% YoY to ¥23,995mn. Meanwhile, with the progressing shift of the Company's core ERP products to the cloud subscription model, stock-type service revenue grew 13.5% to ¥18,459mn, continuing its double-digit growth. Other sales (mainly from subsidiaries) increased 0.8% to ¥3,705mn.

Net sales by product category

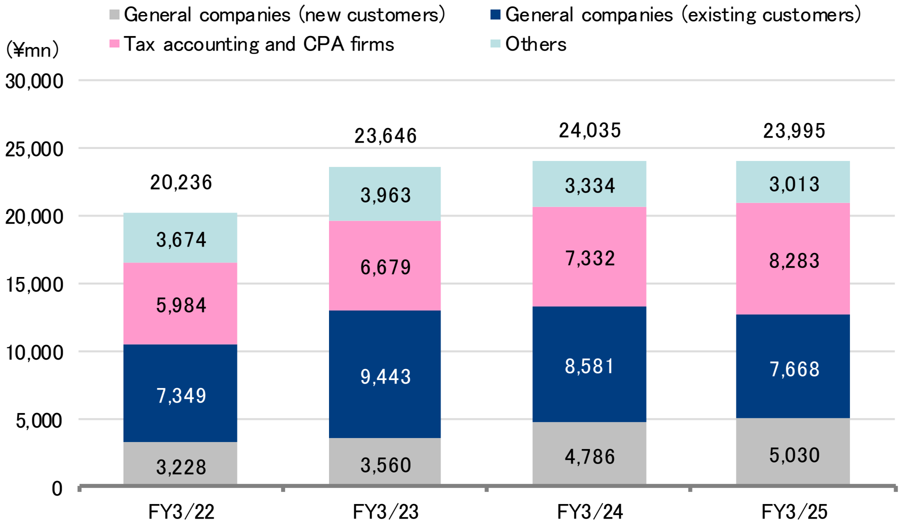


Source: Prepared by FISCO from the Company's results briefing materials

(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 declined 5.0% YoY to ¥12,699mn, sales to tax accountant and CPA firms were up 13.0% to ¥8,283mn, and sales to others (including net sales from subsidiaries and the Head Office and sales to business partners, etc.) were down 9.6% to ¥3,013mn.

System installation contract sales by customer



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

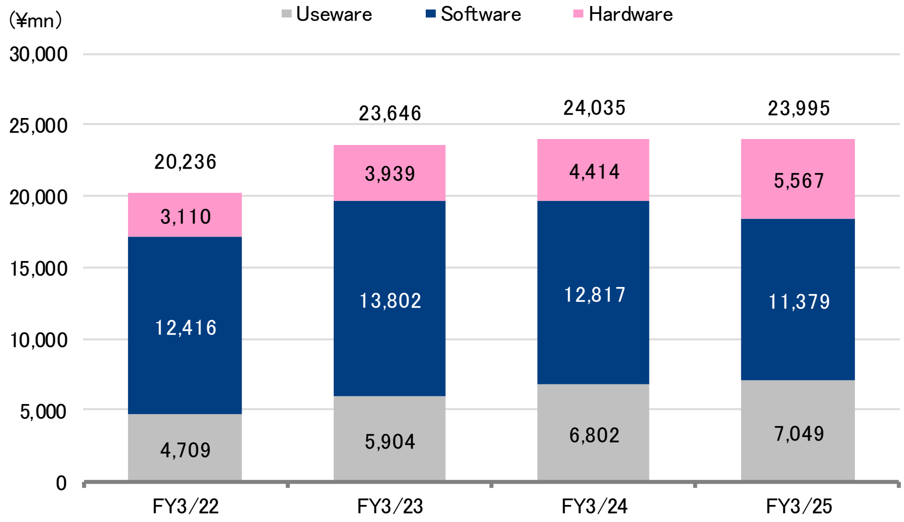
For corporate customers, sales to new customers increased 5.1% YoY to ¥5,030mn, continuing their growth trend, while sales to existing customers fell 10.6% YoY to ¥7,668mn for the second consecutive year of decline, due to progress in the shift to the cloud subscription model. By product, sales of ACELINK NX-CE to SMEs and small enterprises, many of which are the clients of tax accountant and CPA firms, performed strongly. For SMEs where business DX is lagging due to a shortage of IT personnel, the Company's consulting-based marketing efforts, which offer optimal solution proposals, has contributed to increased sales to new customers. To promote its consulting-based marketing, the Company encourages its employees to obtain IT coordinator* qualifications. As of March 2025, the number of certified employees had grown to about 130 (compared with 63 as of September 2024), accounting for just under 20% of the Company's sales force.

* IT coordinator: A certification program promoted by Japan's Ministry of Economy, Trade and Industry (METI) since 2001 as a national initiative to develop 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. The certification is obtained by passing an examination and completing case study training.

For tax accountant and CPA firms, demand for system replacements peaked. ERP products performed steadily, and demand for PC replacements increased ahead of the end of Windows 10 support, driving revenue growth. As for other sales, subsidiary sales remained at about the same level, but sales through partners declined.

Looking at system installation contract sales by product category, net sales of software fell 11.2% YoY to ¥11,379mn, marking the second consecutive fiscal year of decline, while hardware sales rose 26.1% to ¥5,567mn and useware (installation support services) increased 3.6% to ¥7,049mn, both continuing their upward trend. While the decrease in software sales is largely attributable to customers' transition to subscriptions, the Company achieved growth in net sales of useware, encompassing installation support services for customers with cloud subscription contracts. This indicates that actual sales performance can be regarded as steady.

System installation contract net sales by product category

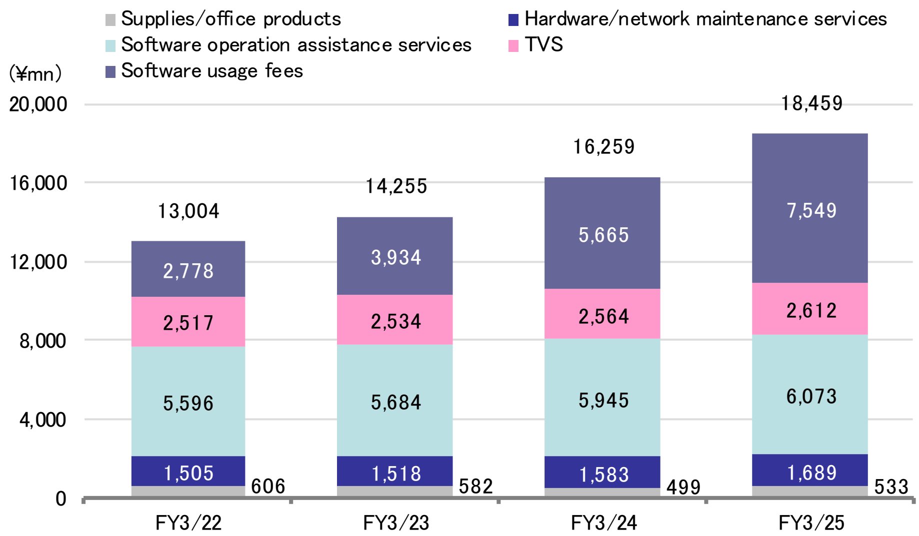


Source: Prepared by FISCO from the Company's results briefing materials

(2) Service revenues

Looking at the breakdown of service revenues, software operation assistance services (corporate software maintenance services) grew 2.1% YoY to ¥6,073mn, TVS (a comprehensive maintenance service for tax accountant and CPA firms) increased 1.9% to ¥2,612mn, software usage fees rose 33.3% to ¥7,549mn, hardware/network maintenance services climbed 6.7% to ¥1,689mn, and office supplies increased 6.8% to ¥533mn. Revenue increased across all service areas. In particular, 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

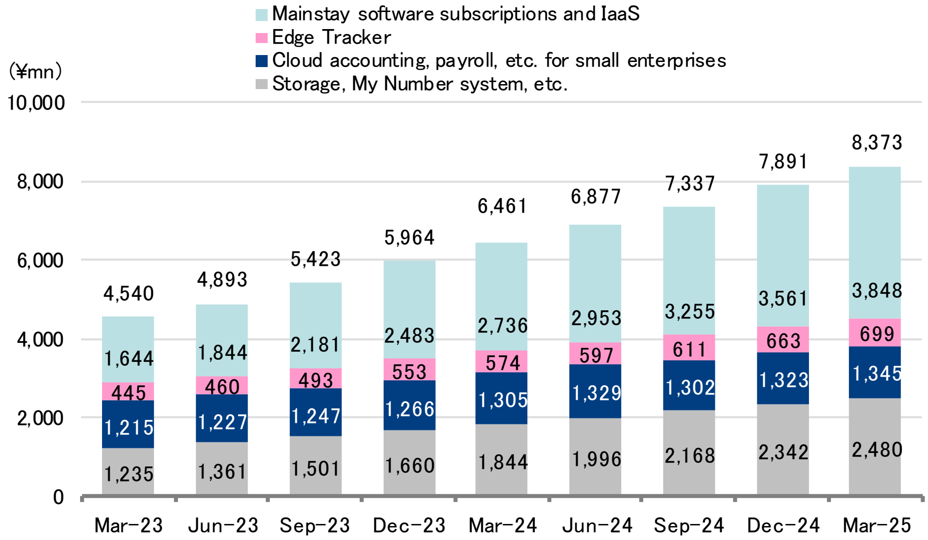


Note: TVS (a comprehensive maintenance service for tax accountant and CPA firms)
Source: Prepared by FISCO from the Company's results briefing materials

ARR, a KPI for cloud subscription revenue (software usage fees), rose 29.6% YoY to ¥8,373mn in March 2025 as high growth continued. In particular, mainstay ERP product*1 subscription and IaaS revenue rose 40.6% to ¥3,848mn. Cloud accounting, payroll, and related services for small enterprises (such as Kantan Cloud and iCompass) rose 3.1% to ¥1,345mn, showing single-digit growth. But the Edge Tracker*2 comprehensive platform cloud service for companies increased 21.7% to ¥699mn. Storage, the Social Security and Tax Number System (My Number system), other companies' cloud services and so forth grew 34.5% to ¥2,480mn, with each category maintaining double-digit growth. Overall, the shift to the cloud subscription model is progressing smoothly.

*1 ARR and ARPU for the Company's core ERP products are the total of subscription sales from the Galileopt series, MJSLINK series, ACELINK NX-Pro, and ACELINK NX-CE, plus monthly subscription sales from the MJS Tax series, MJS Cloud IaaS, MJS DX Cloud, and MJS e-Document Cloud.
*2 A cloud service for employees of Leading Medium Enterprises and SMEs 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.

Trend in ARR for cloud and subscriptions



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

The number of subscription contracts for the Company's core ERP products increased 48.6% YoY to 4,740, significantly exceeding the Company's forecast of 4,100. The main factor was stronger-than-expected growth in contracts for ACELINK NX-CE. Although ARPU* fell 5.4% YoY to ¥812,000 due to a higher proportion of ERP products with relatively lower usage fees, the increase in contract volume pushed the ARR for core ERP products above the Company's forecast of ¥3.6bn. By providing high-quality services for implementation consulting and customer success, the Company maintained a high contract renewal rate for core ERP products at 99.4%. The subscription ratio for core ERP products also rose from 15.5% in the previous fiscal year to 20.2%. This was driven by steady growth in the corporate customer segment to 25 to 30%, while the tax accountant and CPA firm segment remained at just under 10%. For tax accountant and CPA firms, the Company anticipates that one-off purchase contracts will continue to be the main model in line with client needs.

* Average revenue per user (ARPU) is the average revenue derived from billing software usage fees per customer

KPIs for subscription-based offering of core ERP products

	FY3/24	FY3/25	YoY change
Number of subscription contracts for core ERP products*1	3,190	4,740	48.6%
Core ERP product ARPU (¥1,000)*2	861	812	-5.4%
Core ERP product ARR (¥100mn)	27.4	38.4	40.6%
Subscription ratio for core ERP products in net sales for the period*3	15.5%	20.2%	4.7pp
Core ERP product contract renewal rate	99.3%	99.4%	

*1 Subscription contract users for the Galileopt series, MJSLINK series, ACELINK NX-Pro, and ACELINK NX-CE. ARPU and ARR figures include sales from the above ERP products plus monthly subscription sales from the MJS Tax series, MJS Cloud IaaS, MJS DX Cloud, and MJS e-Document Cloud (from FY3/24 onward).
*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 March 2025).
*3 Comparison of software sales from system installation contracts and subscription contract sales for these products.
Source: Prepared by FISCO from the Company's results briefing materials

With an equity ratio of over 60% and net cash exceeding ¥10bn, the Company maintains a sound financial position

3. Financial status and management indicators

As of the end of March 2025, total assets stood at ¥45,331mn, down ¥686mn from the end of the previous fiscal year. Looking at the main influencing factors in current assets, accounts receivable increased ¥425mn, while cash and deposits decreased ¥2,165mn and inventories fell ¥361mn. In fixed assets, software assets (including development in progress) rose ¥1,879mn, while investment securities decreased ¥1,224mn. Software assets increased because costs for developing new ERP products were posted as assets.

Total liabilities decreased ¥3,137mn compared to the end of the previous fiscal year to ¥15,693mn. While income taxes payable rose ¥736mn, interest-bearing debt fell ¥2,945mn and accounts payable decreased ¥385mn. Total net assets increased ¥2,451mn to ¥29,637mn. This was due to a ¥160mn decrease in retained earnings (reflecting the recording of ¥4,381mn in net income attributable to owners of parent and dividend payments of ¥1,495mn, the retirement of ¥3,016mn in treasury shares), and a ¥3,040mn decrease in treasury shares, among other factors.

Looking at management indicators, the equity ratio rose from 58.0% at the end of the previous fiscal year to 64.6% due to a decrease in liabilities. The interest-bearing debt ratio declined from 34.3% to 21.5% due to a decrease in interest-bearing debt, indicating an improvement in financial soundness. The Company maintained a sound financial position with ample net cash (cash and deposits + securities – interest-bearing debt) of over ¥10bn.

Consolidated balance sheet

(¥mn)

	FY3/24	FY3/25	Change	Factors
Current assets	26,668	24,629	-2,038	Cash and deposits-2,165, Notes and accounts receivable+425, Inventories-361
Cash and deposits	18,888	16,722	-2,165	
Fixed assets	19,350	20,702	1,352	Software assets (including development in progress)+1,879, Investment securities-1,224
Total assets	46,018	45,331	-686	
Current liabilities	15,490	13,173	-2,317	Short-term borrowings-2,126, Income taxes payable+736, Accounts payable-385
Fixed liabilities	3,340	2,520	-820	Long-term borrowings-800
Total liabilities	18,831	15,693	-3,137	
Total net assets	27,186	29,637	2,451	Retained earnings-160, Treasury shares+3,040, Accumulated other comprehensive income-283
Interest-bearing debt	9,332	6,386	-2,945	
Net cash	9,656	10,335	679	(cash and deposits + marketable securities – interest-bearing debt)
<Management indicators>				
Equity ratio	58.0%	64.6%	6.6pp	
Interest-bearing debt ratio	34.3%	21.5%	-12.8pp	
ROE	16.6%	15.6%	-1.0pp	

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

Outlook

Continued revenue and profit growth expected in FY3/26 amid ongoing shift to subscription model

1. Consolidated outlook for FY3/26

For the FY3/26, consolidated results, the Company forecasts further gains in sales and profit with net sales to increase 6.2% YoY to ¥49,000mn, operating income to increase 6.6% to ¥6,700mn, ordinary income to increase 6.4% to ¥6,800mn, and net income attributable to owners of parent to increase 11.8% to ¥4,900mn. While the shift in ERP product sales from one-off purchases to subscriptions is expected to keep system installation contract net sales at around the same level as the previous year, the Company projects double-digit service revenue growth of 13.2% YoY to drive overall performance.

Consolidated outlook for FY3/26

(¥mn)

	FY3/25		FY3/26		
	Results	% vs. net sales	Company forecast	% vs. net sales	YoY
Net sales	46,160	-	49,000	-	6.2%
Gross profit	27,876	60.4%	30,200	61.6%	8.3%
SG&A expenses	21,589	46.8%	23,500	48.0%	8.8%
Operating income	6,287	13.6%	6,700	13.7%	6.6%
Ordinary income	6,390	13.8%	6,800	13.9%	6.4%
Net income attributable to owners of parent	4,381	9.5%	4,900	10.0%	11.8%
Net income per share (EPS) (¥)	146.40		163.71		

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

The Company projects gain of 1.2pp in gross profit margin compared to the previous fiscal year, driven by reduced amortization costs for software assets and anticipated improvements in the profitability of Group subsidiaries. While SG&A expenses are expected to rise by 8.8%, mainly due to active hiring of new graduates (91 employees) and a fourth consecutive year of base salary increases, these costs are expected to be absorbed through higher sales and an improved gross profit margin, resulting in profit growth at all levels. Net income attributable to owners of parent is forecast to reach a new record high for the first time in four years.

Net sales by product category (consolidated basis)

(¥mn)

	FY3/23	FY3/24	FY3/25	FY3/26 (E)	YoY
System installation contract net sales	23,646	24,035	23,995	23,990	0.0%
Hardware	3,939	4,414	5,567	5,419	-2.6%
Software	13,802	12,817	11,379	11,159	-1.9%
Useware	5,904	6,802	7,049	7,411	5.1%
Service revenue	14,255	16,259	18,459	20,901	13.2%
TVS	2,534	2,564	2,612	2,631	0.7%
Software usage fees	3,934	5,665	7,549	9,846	30.4%
Software operation assistance services	5,684	5,945	6,073	6,231	2.6%
Hardware / network maintenance	1,518	1,583	1,689	1,654	-2.1%
Supplies / office supplies	582	499	533	538	0.8%
Others	3,559	3,677	3,705	4,107	10.9%
Total	41,461	43,971	46,160	49,000	6.2%

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

(1) System installation contract net sales

The Company projects that system installation contract sales will remain flat YoY at ¥23,990mn. By product category, software sales are expected to decrease by 1.9% to ¥11,159mn, continuing a gradual downtrend as the shift from one-off sales to the subscription-based models accelerates. Hardware sales are projected to fall 2.6% to ¥5,419mn, reflecting a reactionary drop following the surge in replacement demand for PCs at tax accountant and CPA firms in the previous year. On the other hand, sales of useware, which includes implementation support services for customers under subscription contracts, are expected to continue rising, up 5.1%.

By customer segment, sales to corporate clients are projected to rise 9.6% YoY to ¥13,915mn, sales to tax accountant and CPA firms are expected to fall 19.0% to ¥6,707mn, and sales to others (which includes sales by subsidiaries and sales to business partners, etc.) are forecast to increase 11.8% to ¥3,368mn. For corporate clients, the Company plans to establish one new solution branch dedicated to ERP system sales for Leading Medium Enterprises and SMEs, bringing the total to 19 solution branches. The Company will also aim to increase revenue by making product enhancements tailored to customer needs and strengthening integration with third-party products. While the target may appear somewhat ambitious given the full transition of ACELINK NX-CE to a subscription model from FY3/26, the goal could be achievable if the Company succeeds in expanding sales to Leading Medium Enterprises, which typically have higher unit prices, through enhanced DX consulting-based sales. Meanwhile, sales to tax accountant and CPA firms are projected to decline as replacement demand peaks. However, given the Company's tendency to set conservative forecasts, we at FISCO believe there is potential for upside.

(2) Service revenues

Total service revenues are projected to grow 13.2% YoY to ¥20,901mn, maintaining double-digit growth. The shift of core ERP products to the subscription model will drive a 30.4% increase in software usage fees to ¥9,846mn, serving as the main growth driver. For maintenance services under one-off contracts, software operation support services for corporate clients are forecast to rise 2.6% to ¥6,231mn, while TVS for tax accountant and CPA firms is projected to edge up 0.7% to ¥2,631mn, with both expected to perform steadily on the back of a slight increase in customer numbers.

The Company's KPI, the number of subscription contracts for core ERP products, is expected to surge 64.2% YoY to 7,000, driven by the full transition of the ACELINK NX-CE for SMEs to subscription-based contracts. As a result, ARPU is projected to decline 11.5% to ¥799 thousand, but the increase in contract numbers is expected to lift ARR for core ERP products by 45.4% to ¥5.59bn, sustaining high growth. The subscription sales ratio for core ERP products is targeted to rise from 20.2% in the previous year to the 30% range. The timing for the full subscription transition of the MJSLINK and Galileopt series has not yet been determined, with the Company planning a gradual increase.

KPIs for mainstay ERP products provided by subscription

	FY3/25	FY3/26 (E)	YoY
Subscriptions to mainstay ERP products*	4,262	7,000	64.2%
ARPU for mainstay ERP products (¥1,000)*	903	799	-11.5%
ARR for mainstay ERP products (¥100mn)	38.4	55.9	45.4%
Subscriptions' share of mainstay ERP product sales in the period	20.2%	30% range	-
Mainstay ERP product subscriber retention rate	99.4%	-	-

* From FY3/26, the Company revised its method of counting to treat multiple contracts from the same customer as one. Figures for the number of subscription contracts for core ERP products, ARPU, and YoY change for FY3/25 were also calculated based on this new method.
Source: Prepared by FISCO from the Company's results briefing materials

Hirameki 7 to promote expanded sales to tax accountant and CPA firms with new generative AI-powered features

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

(1) Overview of 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

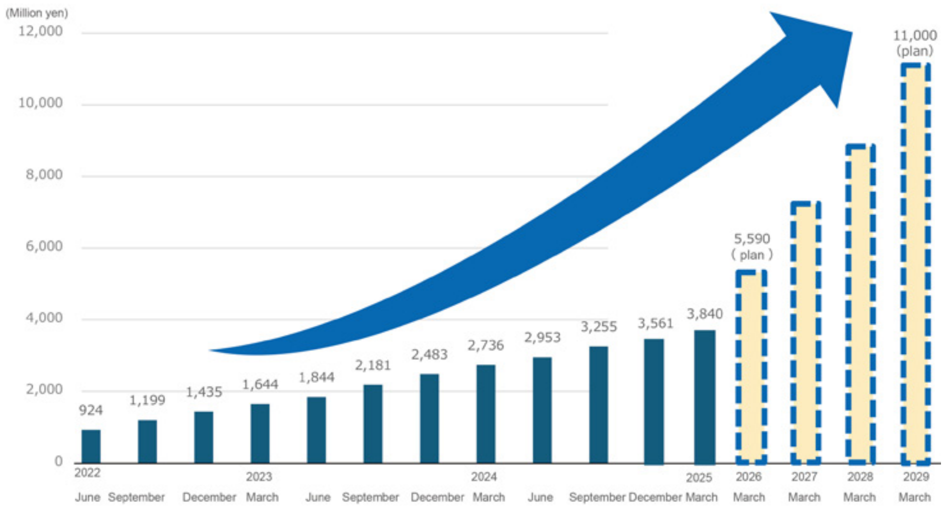
(¥bn)

	FY3/24	FY3/29 target	Change	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 materials

With respect to the standalone ERP business, the Company aims to achieve steady growth with targets for FY3/29 of net sales of ¥50.0bn and ordinary income of ¥10.0bn, representing average annual growth rates of 5.2% and 7.7%, respectively. To drive ERP business growth, the Company has identified three priority measures: launching new DX consulting services, building a customer experience (CX) and customer success (CS) framework, and developing and introducing SaaS-based ERP products. By executing these initiatives, it aims to maximize LTV and achieve its targets. In FY3/25, the Company posted net sales of ¥41.2bn (+6.3% YoY) and ordinary profit of ¥7.1bn (+3.1%), slightly exceeding its plan. In FY3/26, it expects further growth, with net sales projected to rise 5.4% and ordinary profit 1.0%, indicating steady progress. Looking ahead, as the subscription adoption rate for core ERP products increases, profit growth is expected to accelerate. The Company plans to lift the subscription ratio for its core ERP products from 15.5% in FY3/24 to 60% in FY3/29, with ARR projected to grow at an annual rate of 32% to reach ¥11.0bn in FY3/29. The higher proportion of service revenue (service revenue ratio for MJS standalone rising from 40% to 60%) is also expected to lift the ordinary profit margin from 14.3% in FY3/24 to 20% in FY3/29.

Major ERP products ARR



Source: The Company's results briefing materials

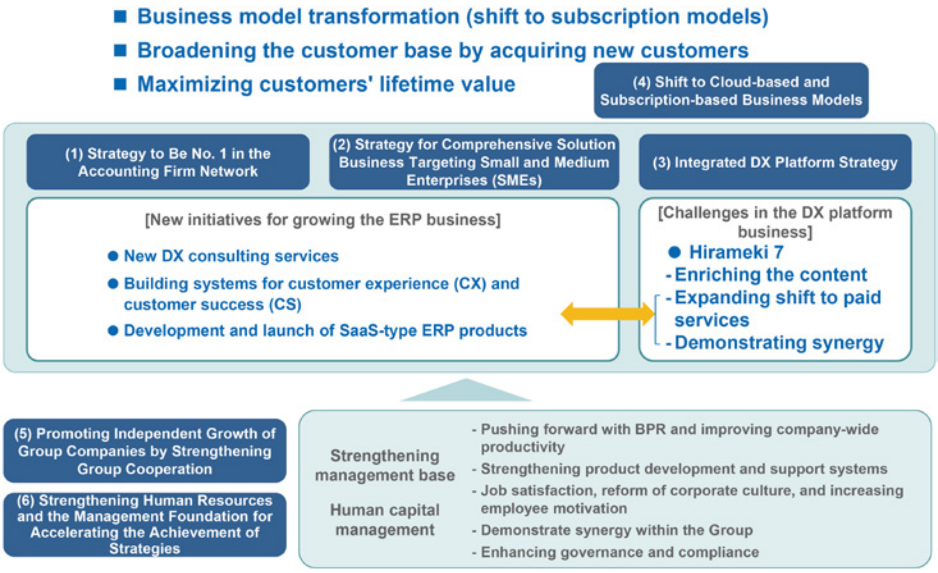
For the Comprehensive DX Platform business, the Company aims to enhance the functionality of its core service, Hirameki 7, and promote migration to paid plans. It will also seek to improve the platform's competitiveness by expanding linkages not only with group company products and services but also with third-party offerings. Through these initiatives, the Company targets net sales of ¥2.5bn and ordinary profit of ¥1.0bn in FY3/29. Currently, the shift to paid plans has been slower than expected, and from FY3/26, the Company itself will begin full-scale efforts, focusing on expanding sales to tax accountant and CPA firms. Successful penetration into tax accountant and CPA firms is expected to accelerate adoption among their client companies, making future developments in this area worth watching closely.

For group companies outside of the DX Platform business, the Company aims to increase net sales from ¥7.0bn and ordinary profit from ¥0.3bn in FY3/24 to ¥9.0bn and ¥1.0bn, respectively, in FY3/29. Although performance took a step back in FY3/25, partly due to the sluggish results of Tribeck, profitability is expected to improve from FY3/26 onward as unprofitable operations are wound down. The Company also plans to enhance group collaboration and improve profitability by streamlining operations through the introduction of generative AI and RPA, while continuing to explore potential M&A opportunities.

(2) Basic strategy

Under its Medium-term Management Plan Vision 2028, the Group has identified three shared growth strategies: transforming its business model (shifting to a subscription-based model), expanding its customer base by acquiring new clients, and maximizing LTV. To achieve these, it is implementing the following six basic strategies.

Growth strategies of the Group



Source: The Company's results briefing materials

a) Strategy to become the No. 1 accounting firm network

Under its Strategy to Become the No. 1 Accounting Firm Network, the Company aims to promote DX for tax accountant and CPA firms and their client companies through DX consulting services and new SaaS businesses. In the short term, as a concrete measure, it will address the aging of accounting firm personnel and labor shortages by offering proprietary AI solutions (AI-assisted journal entry, AI-OCR data entry, and AI audit support) to help improve efficiency in tasks such as journal entry processing and ledger review.

In October 2024, as a tool for tax accountant and CPA firms to provide management consulting to their client companies, the Company released Management Analysis Plus, an optional service available on Hirameki 7. In May 2025, it launched a new feature for Management Analysis Plus called AI Report. Leveraging generative AI, AI Report automatically creates monthly and yearly reports with AI-generated analytical comments based on a client company's accounting data and seven types of official statistics* by simply uploading the accounting data to Hirameki 7. The feature can efficiently produce financial presentation materials, including graphs, helping tax accountant and CPA firms improve operational efficiency and increase client satisfaction. The AI Report function is available free of charge to tax accountant and CPA firm users who subscribe to both Hirameki 7 and Management Analysis Plus.

* Examples include the Economy Watchers Survey and National Accounts (GDP Statistics).

b) Comprehensive solution business strategy for Leading Medium Enterprises and SMEs

As part of its growth strategy for Leading Medium Enterprises and SMEs, the Company will work to enhance its existing ERP products (on-premises and IaaS) by leveraging AI capabilities, such as expanding AI journal entry integration, while continuing to ensure compliance with legal and regulatory changes* to maintain and strengthen competitiveness. For its SaaS offerings, the Company plans to launch the Kantan Cloud Sales system, a sales management solution for SMEs and small enterprises, in July 2025, and aims to release a new SaaS-based ERP product in FY3/26. The new ERP will feature expanded API integration and new functions powered by generative AI, with capabilities to be enhanced in stages.

* The Company plans to ensure compliance with new accounting standards for educational institutions (effective April 2025) and new lease accounting standards (effective April 2027).

In addition, the Company has launched MJS DX Consulting with a view toward developing it into a full-fledged DX consulting business. This consulting service is led mainly by MJS employees who hold IT coordinator certifications, and provides comprehensive support to SMEs by working closely with them to identify management issues, formulate digital strategies, and improve business processes. The service includes proposing optimal solutions, not limited to the Company's own products, to support corporate growth in collaboration with clients. It will also provide support to tax accountant and CPA firms' client companies in cooperation with those firms. The Company plans to establish the structure for this service in FY3/26 and fully roll it out in FY3/27. To that end, it intends to expand the number of IT coordinators from the current approximately 130 to 200–300 in the medium term, developing a regionally focused DX consulting service. In addition, it will collaborate with group companies and partner firms to provide DX consulting on a wider range of management issues. Within the Group, Tribeck provides digital marketing, Transtructure offers organizational and HR consulting, and MJS M&A Partners handles M&A and business succession consulting. We at FISCO believe that the Company will generate group synergies through such collaboration, thereby expanding the earnings of its subsidiaries.

c) Comprehensive DX Platform strategy

At the core of the Comprehensive DX Platform business, Hirameki 7 provides services that promote DX for SMEs and small enterprises. In addition to web marketing by Tribeck, the Company has launched full-scale sales activities targeting tax accountant and CPA firms and is pursuing a strategy to promote adoption among their client companies as well.

For client companies, the Company emphasizes that it offers (at a one-stop and affordable price*) the functions necessary for acquiring new customers, such as business card management, sales list search, email distribution, and project management. As KPIs for FY3/29, it aims for net sales of ¥2.5bn and ordinary profit of ¥1.0bn, assuming approximately 80,000 customers and ARPU of around ¥2,600 per month. While these targets appear challenging from the current standpoint, the Company plans to strengthen integration with its ERP products and promote adoption by proposing the service as one of the offerings in its DX consulting services. Initially, the focus will be on introducing the service to tax accountant and CPA firms, and we at FISCO will be watching future developments closely.

* The pricing plans consist of two options: a Single Plan, available for sole proprietors, at ¥800 per person per month (excluding tax), and a Group Plan, allowing up to five users, at ¥3,200 per month for five users (excluding tax). Optional add-on menus are also available.

Hirameki 7 sales DX

Source: The Company's results briefing materials

d) Shift to a cloud subscription-based business model

For its core ERP products, the Company is advancing the shift from an on-premises, license-based sales model to a cloud-based subscription model. Benefits for customers of adopting the cloud subscription model include reduced initial implementation costs, alleviating the shortage of IT personnel needed to build and operate in-house servers, and the ability to always receive the latest services. For the Company, an increase in subscription contracts is expected to generate stable revenue growth that is less susceptible to external factors. It also reduces the sales workload at the time of replacements, enabling sales resources to be focused on acquiring new customers, and allows the continuous provision of the latest systems, minimizing maintenance costs for older product versions.

For the fiscal year ending March 2029, the Company aims to increase the number of subscription contracts for its core ERP products by 4.7-fold compared with FY3/24, raise ARR for its core ERP products by 6.3-fold to ¥11.0bn, boost total ARR for software usage fees by 3.1-fold to ¥20.0bn, and expand total ARR for service revenue by 1.86-fold to ¥31.0bn. ARR growth is expected to accelerate particularly from FY3/27 onward. If progress is made as planned, profit growth (which in recent years had remained in the single-digit range due to the impact of the cloud subscription shift) is also projected to accelerate.

e) Strengthening group collaboration to promote independent growth of group companies

Regarding the Group strategy, the Company plans to improve the profitability of its subsidiaries by optimizing intra-group transactions to reduce overall Group costs, as well as to strengthen the Group's human capital through the standardization of evaluation and training processes. The Company also intends to consider M&A opportunities aimed at enhancing its sales network, product capabilities, and technological capabilities.

f) Strengthening human resources and management foundation to accelerate strategy execution

The Company aims to accelerate business growth through proactive investment in human resources, while also reviewing key systems in alignment with its HR strategy, enhancing employee training initiatives, and creating an attractive work environment.

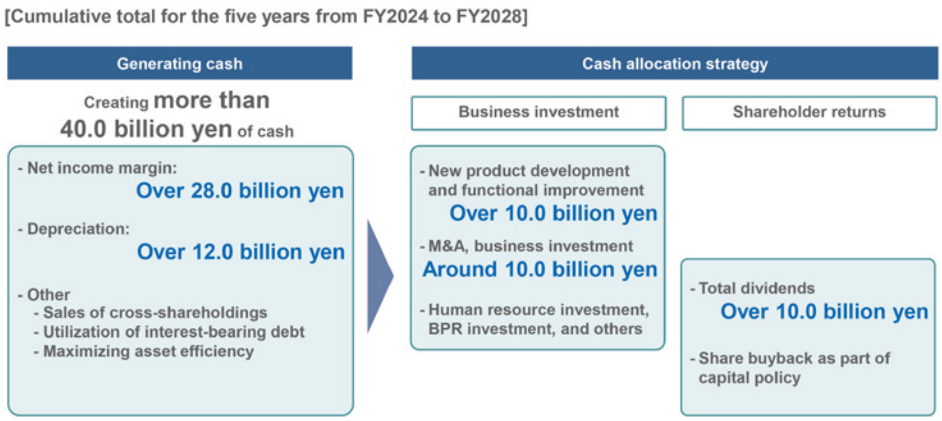
In addition, once the ongoing renewal of the Company's internal information systems is completed, profitability management by business segment and product will be made visible with greater precision, enabling faster and more optimized decision-making. Enhanced information security and new business workflows are also expected to improve the productivity and digitization of administrative operations, thereby contributing to higher profitability.

(3) Financial strategy and cash allocation

Regarding its approach to cash allocation, the Company plans to generate over ¥40.0bn in cumulative cash over five years (comprising over ¥28.0bn in net income, over ¥12.0bn in depreciation, and other sources such as the sale of cross-shareholdings, utilization of interest-bearing debt, and maximization of asset efficiency). This will be appropriately allocated between business investment, including over ¥10.0bn for new product development and functional enhancements, approximately ¥10.0bn for M&A and other business investments, and other uses such as human resource investment and BPR investment, and shareholder returns, including over ¥10.0bn in total dividends and share repurchases as part of its capital policy. Annual dividends are expected to exceed ¥2.0bn, with the FY3/25 dividend amounting to ¥55.0 per share, for a total of ¥1.6bn.

Regarding capital efficiency, the Company aims to achieve an ROE of over 18% in FY3/29 (compared with 15.6% in FY3/25). It intends to accomplish this primarily through improved profitability driven by the growth of the ERP business and by enhancing capital efficiency via agile share repurchases. Shareholders' equity is projected to expand from ¥28.9bn at the end of FY3/25 to over ¥40.0bn.

Financial strategies



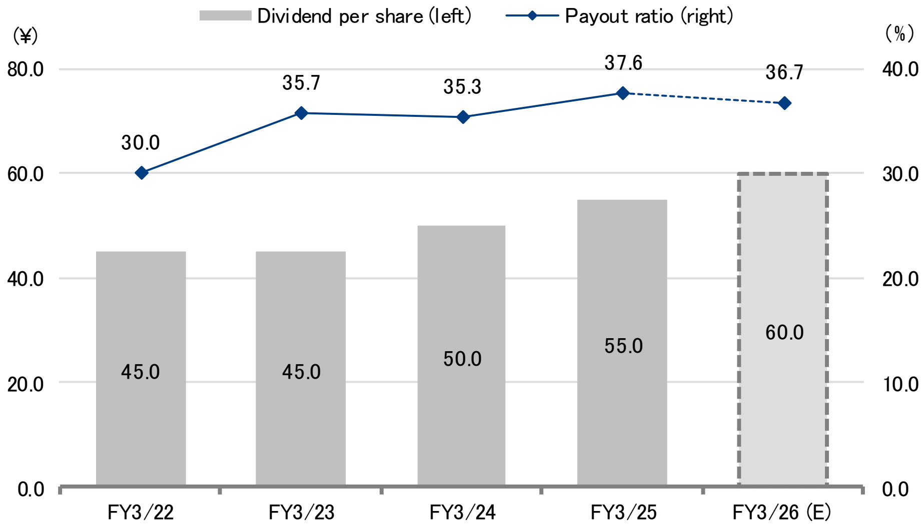
Source: The Company's results briefing materials

Shareholder return policy

The Company aims to maintain a consolidated dividend payout ratio of 30 to 40% as a benchmark and implement a progressive dividend policy, while also considering share repurchases as appropriate

The Company has set its dividend policy for the period of the medium-term management plan, which began in FY3/25, to implement a progressive dividend in line with profit growth, with a consolidated dividend payout ratio of 30 to 40% as a benchmark. Based on this policy, the annual dividend per share for FY3/25 was raised by ¥5.0 YoY to ¥55.0 (payout ratio of 37.6%), and for FY3/26, a further ¥5.0 increase to ¥60.0 (payout ratio of 36.7%) is planned. In addition, to improve capital efficiency, the Company intends to carry out share repurchases flexibly, taking into account share price levels and other factors. Currently, treasury shares account for about 7% of the total number of shares issued, and while these are being used for the restricted stock compensation plan for directors, the Company is also considering other uses, such as granting stock options to employees and using shares in stock-for-stock M&A transactions.

Dividend per share and 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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