

MIROKU JYOHU SERVICE

9928 Tokyo Stock Exchange
First Section

27-Jan.-15

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at the end of this document.

FISCO Ltd. Analyst
Yuzuru Sato

■ Sustainable Growth and Establishment of a New Earnings Foundation Drive Record Earnings

Miroku Jyoho Service Co., Ltd. <9928> (hereafter “MJS”) is a market leader in developing and providing Enterprise Resource Planning (ERP) systems including financial accounting and tax systems for tax accountant and CPA firms and small/mid-sized companies.

During 1H FY3/15 (April – September 2014), MJS reached record high 1H earnings for a fourth consecutive year. Net sales were up 6.1% year on year (YoY) to ¥11,263mn, ordinary income was up 13.4% YoY to ¥1,339mn. Sales of products and services for small/mid-sized companies benefitted from replacement demand among existing customers as well as efforts to develop new customers, increasing by a double-digit rate to drive overall performance. Furthermore, sales of products for tax accountant and CPA firms were flat YoY. Demand for the products among existing customers is in a declining trend.

MJS’ s consolidated FY3/15 business forecasts were left unchanged from the initial plan with net sales forecast to increase 2.3% YoY to ¥22,590mn, and operating income up 4.9% YoY to ¥2,540mn. The rate of progress on these targets during 1H was 49.9% for net sales and 52.7% for ordinary income, with both figures above their recent three-year averages (net sales 48.5%, ordinary income 47.5%). Recent orders have also been at a healthy level, and we believe there is a high likelihood that the company will exceed its targets.

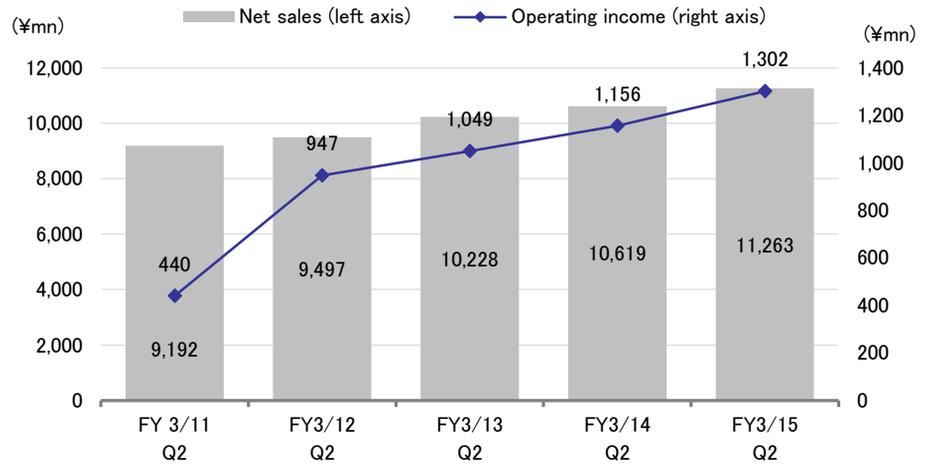
The 3rd Medium-Term Management Plan (three-year plan) that started from FY3/15 has management targets of net sales of ¥26,000mn and ordinary income of ¥4,000mn for FY3/17, the final year of the plan. MJS strives to reach its targets by sustainable growth in its existing businesses, expanding its sales force, building an earnings foundation, and developing and offering new products and services to create new customers.

In new businesses, MJS has newly established the subsidiary MJS M&A Partners Co., Ltd. The subsidiary will go into new businesses that support business succession and revitalisation of small/mid-sized companies. Moreover, the company is also focusing on achieving further profitability in its Internet business, primarily through the business information website, bizocean, which has some 1.3 million members. Meanwhile, MJS concluded a capital and business alliance with the South Korean IT company Webcash Co., Ltd. in October, 2014, and established a joint venture. MJS will change the specifications of the financial management and asset management services of Webcash to meet the needs of Japanese small/mid-sized companies and will also promote joint development of new services. With these three new businesses, the company is aiming to achieve net sales in FY3/17 of ¥2,500mn and an ordinary income margin of 30%, and development will be a focus going forward.

■ Check Point

- Fourth consecutive period of higher sales and profits on a half-yearly basis, achieving record earnings.
- Aims for net sales of ¥26.0bn and ordinary income of ¥4.0bn in FY3/17.
- Low PER/PBR and high ROA/dividend yield compared to competitors.

Consolidated Earnings for 1H



Source: Prepared by FISCO from company materials

■ Corporate Overview

Long-Established Innovator of Financial and Accounting Systems for Tax accountant and CPA Firms and Small/mid-sized Companies

(1) Corporate History

Since its establishment in 1977, MJS has been providing management systems and management information services, primarily for finance and accounting, and changing its business model in step with the times. The company previously focused on providing data processing services at processing centers, and developing and selling office PCs. Now, MJS develops and provides package software and management information services. It has built up a long-established position in the Japanese market as an innovator in developing and providing management systems. Currently, MJS concentrates on developing services compatible with cloud computing and multi-devices, which are a new wave in technology.



MIROKU JYOHO SERVICE

9928 Tokyo Stock Exchange
First Section

27-Jan.-15

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 computing development and sales business Development and commencement of sales for the specialist MicroAce Model Series for accounting
	1983	Entry into the market for clients advised by tax accountant and CPA firms Development and commencement of sales for the specialist Pro Office Computing [Accounts] aimed at tax accountant and CPA firm clients
	1988	Re-established the MJS logo, unified corporate naming under MJS
Shift to Open Systems (Package Software)	1990	Developed and commenced sales for package software for PC installation "SI Financial Chief", "SI Sales Chief" and "SI Salary Chief"
	1992	Became a listed enterprise by an OTC listing on the Japan Securities Dealers Association (currently 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
	1996	Commenced construction on the Shinshaya Building. Shifted Head Office to Yotsuya, Shinjuku-Ku, Tokyo Established a customer service center to improve customer service
	1997	Listed on the TSE Second Section
	1998	Commenced sales of the MICSNET Series ERP systems compatible with Windows NT® for medium-sized companies
	2001	Commenced sales of the ACELINK Series of network solution systems for tax accountant and CPA firms
	2002	Commenced sales of the MJSLINK Series of operations and comprehensive information systems for small and medium-sized companies
	2004	Developed business information system bizocean targeting businesspeople at small and medium-sized companies and venture companies
	2005	Developed and commenced sales of the ACELINK Navi Series of network solution systems for tax accountant and CPA firms Developed and commenced sales of the MJS i-Series of web-based operations systems for small/mid-sized companies Developed and commenced sales of the Galileopt package ERP systems for medium-sized enterprises
	Shift to Service Provider	2007
2011		Commenced sales the ACELINK NX-Pro ERP system for tax accountant and CPA firms (April)
2012		Commenced sales of the Galileopt NX-I ERP system for medium-sized companies (February) Listed on First Section of Tokyo Stock Exchange
2013		Commenced sales of MJSLINK NX-I ERP system for small and medium-sized companies (April) Started providing three free multi-device compatible applications in the Money Tracker Series (September) Investment in consolidated accounting systems company Primal, Inc. (33.9%) and conversion into a consolidated affiliate (October)

Source: Prepared by FISCO from company materials

Business Model Leveraging Strong Trust Relationship with Accounting firms

(2) Operational overview

MJS's current business model, includes development and sale of ERP (comprehensive operations management) systems for tax accountant and CPA firms, small/mid-sized companies, as well as provision of services associated with system installation such as instruction on system settings and operation, and network development, as well as operations, maintenance, call centers and other support services.



**MIROKU JYOHO
SERVICE**

9928 Tokyo Stock Exchange
First Section

27-Jan.-15

MJS’s main customers are tax accountant and CPA firms and their clients, small/mid-sized companies. In its business for tax accountant and CPA firms, MJS has around 8,400 user firms, representing a share of approximately 25% of the industry. In its business for small/mid-sized companies, there are nearly 17,000 companies that use MJS software. Moreover, MJS also provides simplified accounting software for small businesses via tax accountant and CPA firms, with over 30,000 users. If we consider that the number of small and medium-sized clients of these accounting firms is in the order of 500,000, there is still significant room to exploit this market.

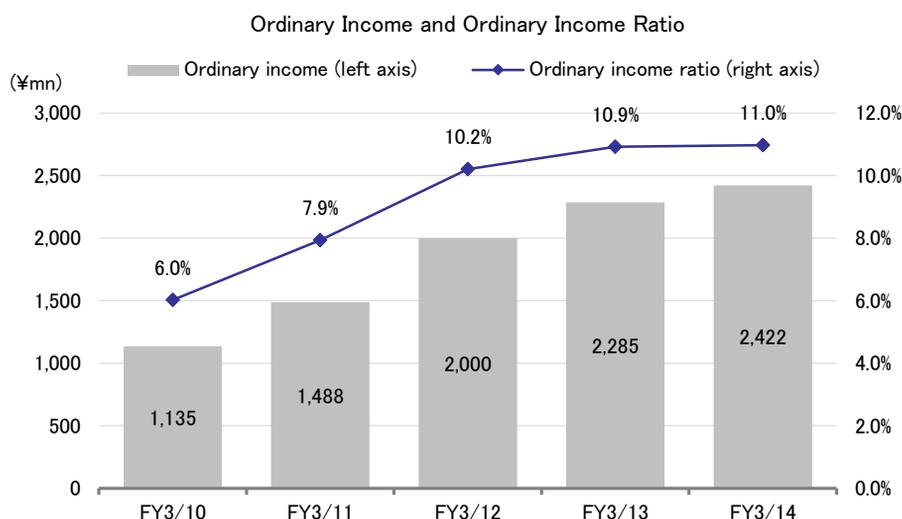
MJS Operational Overview

Customers	Tax accountant and CPA firms	Small/mid-sized companies (Most of them are clients of tax accountant and CPA firms)
Systems (developed by MJS)	<ul style="list-style-type: none"> Financial and accounting systems Tax reporting systems, etc. 	<ul style="list-style-type: none"> ERP systems centered on financial and accounting systems (accounting, payroll, sales management)
Services	<ul style="list-style-type: none"> System installation support services Various maintenance services Training and information services, etc. 	<ul style="list-style-type: none"> System integration Various maintenance services Training and information services, etc.
Marketing methods / Customer support	Almost 100% direct sales 31 sales and support offices nationwide	Direct sales (95%, includes sales through tax accountant and CPA firms) Agency sales (5%) 31 sales and support offices nationwide
No. of users/ Market share	8,400 firms/market share 25%	17,000 companies

Expanded Recurring Earnings from Established Customer Base by Strengthening After-Sales Services

(3) Business Trends

In the last few years, MJS has focused simultaneously on new customer acquisition, achieving earnings growth from stock-type management that flows from after-sales services such as software, hardware and network maintenance services, and its call center, which operates 24 hours a day 365 days a year. As a result, earnings continue to grow while profitability increases, and have more than doubled over the past five years on an ordinary income basis.



■ Financial Result Trends

Half-Year Sales and Profits Increased for a Fourth Consecutive Half-Year Period, Reaching Record Highs

(1) Consolidated Financial Results for 1H FY3/15

Consolidated financial results for 1H FY3/15 (April to September, 2014), announced on October 31, 2014, showed an increase in both sales and profits for a fourth consecutive half-year period, reaching record highs. Net sales were up 6.1% YoY to ¥11,263mn, operating income up 12.6% YoY to ¥1,302mn, ordinary income up 13.4% YoY to ¥1,339mn, and net income up 20.6% YoY to ¥813mn. Furthermore, both sales and profits exceeded the company's target.

Factors behind the increases were brisk sales of ERP systems and various services for small/mid-sized companies, as well as solid performance in sales of products for tax accountant and CPA firms, which outperformed initial expectations for a decline due to demand from existing customers being in a declining trend. Furthermore, the operating income ratio increased 0.7 of a percentage point YoY to 11.6%, and looking at the breakdown of the change, the main factors were a rise in the gross profit margin by 0.1 of a percentage point and an improvement in the SG&A expenses ratio by 0.6 of a percentage point. In SG&A expenses there were increases in personnel and advertising expenses, however efforts to decrease other expenses and the effect of higher earnings contributed to the overall improvement.

Consolidated Operating Results for 1H FY3/15

(unit: ¥mn)

	1H FY3/14		Initial target	1H FY3/15			
	Result	Ratio		Result	Ratio	YoY	Change from target
Net sales	10,619	–	11,160	11,263	–	6.1%	0.9%
Gross profit	6,758	63.6%	–	7,174	63.7%	6.2%	–
SG&A expenses	5,601	52.7%	–	5,872	52.1%	4.8%	–
Operating income	1,156	10.9%	1,170	1,302	11.6%	12.6%	11.4%
Ordinary income	1,180	11.1%	1,190	1,339	11.9%	13.4%	12.5%
Net income	674	6.4%	700	813	7.2%	20.6%	16.2%

Source: Prepared by FISCO from company materials

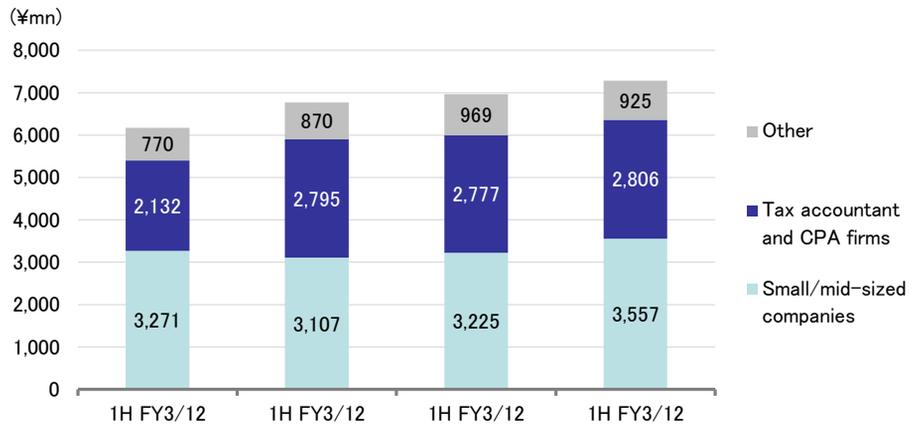
○System Installation Contract Revenues by Customer

System installation contract revenues (total of hardware, software, and useware sales) increased 4.5% YoY to ¥7,288mn overall. By customer type, growth in sales to small/mid-sized companies was a major factor in the increase. Sales to small/mid-sized companies increased 10.3% YoY to ¥3,557mn while sales to tax accountant and CPA firms increased 1.0% YoY to ¥2,806mn. Moreover, order backlog of sales as of September 30, 2014 grew steadily on a non-consolidated basis to 4.01 month's worth, up 0.2 month's worth YoY.

Strong sales of MJSLINK NX-I, a system for SMEs (launched in April 2013), continued to benefit from brisk replacement demand from existing customers, as well as steady progress in development of new customers, which has been bolstered over the past few years. Sales to new customers were up 20.3% YoY to ¥984mn, representing 27.7% of system installation contract revenues from sales to companies (up 2.3 percentage points YoY). Moreover, Galileopt NX-I, a system for mid-sized companies (launched in February 2012), saw only a slight growth in sales.

Meanwhile, the lifecycle of major products is around five years, and the ACELINK NX-Pro for tax accountant and CPA firms is about to enter the fourth year since its launch (April 2011). The company had therefore factored in a slight decline in sales due to a fall in replacement demand, however, sales were firm, rising 1.0% YoY. The main factor in the rise was continued replacement demand.

System Installation Contract Revenues (by customer)



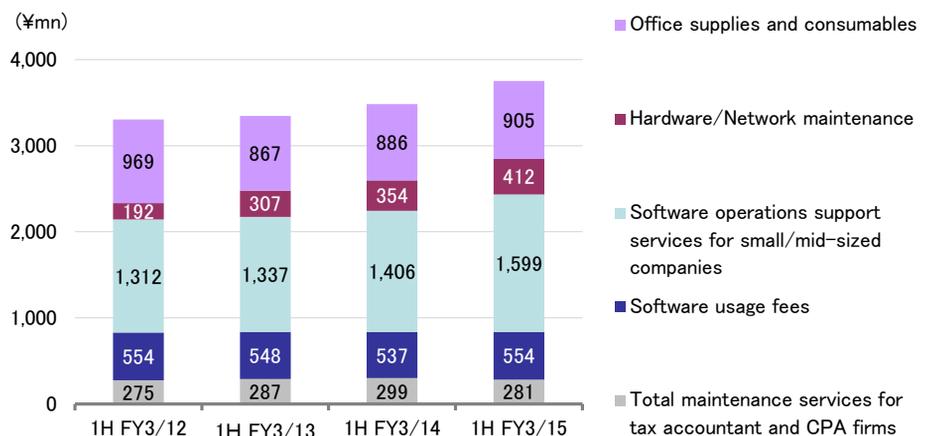
Note: Other (sales to partners, subsidiaries, and head office)

Source: Prepared by FISCO from company materials

○ Service revenues

Service revenues increased steadily, with sales rising 7.7% YoY to ¥3,752mn. Service revenues has become a recurring income-type business that earns stable monthly income, and therefore contributes to increased stability of the company's revenues. Looking at the breakdown of service revenues, all services for small/mid-sized companies outperformed initial plans. Software operations support services for small/mid-sized companies (maintenance services) grew 13.7% YoY to ¥1,599mn due to an increase in new customers. Software usage fees for the small businesses (iCompass NX and ACELINK NX, etc.), which are supplied to client corporations of tax accountant and CPA firms, also grew 16.3% YoY to ¥412mn atop an expansion in the number of contracted companies (approximately 35,000 companies). Meanwhile, the total maintenance service for tax accountant and CPA firms, TVS, also performed strongly, with sales rising 2.1% YoY to ¥905mn.

Breakdown of Service revenues

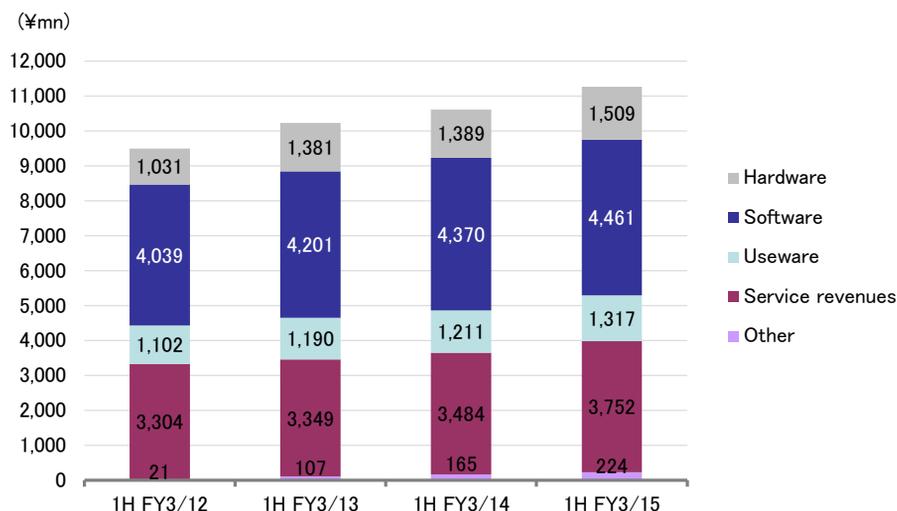


Source: Prepared by FISCO from company materials

○ Sales Trends by Product Category

Looking at sales trends by product category, sales of major software products grew 2.1% YoY to ¥4,461mn while service revenues rose 7.7% YoY to ¥3,752mn, driving higher earnings. Others sales increased 36.5% YoY to ¥222mn, continuing a high level of growth that has continued for the past few years. This was mainly attributable to the popularity of the business information website, bizocean, which achieved over 1.3 million registered members, with an attendant rise in advertising revenues from the website. MJS operates bizocean for employees and employers in small- and mid-sized companies and business people.

Sales Trends by Product Category (consolidated basis)



Improving Financial Status by Reducing Interest-bearing Debt

(2) Financial Status

Looking at the company's financial status at the end of 1H FY3/15, total assets had declined ¥1,039mn from the end of FY3/14 to ¥18,344mn. The change reflected an increase in cash and deposits of ¥501mn due to an increase in profits, while in negative factors investment securities declined by ¥1,064mn, inventory by ¥154mn, and software assets by ¥163mn.

In particular, the decline in investment securities was caused by a decline in the price of shares held in one of the company's business partners. The company in question was listed in January 2014, and the valuation amount of its available-for-sale securities had increased significantly as of March 31. Subsequently, however, the share price fell, and the valuation amount was written down. This was the main factor in the decline in investment securities. Incidentally, the valuation difference on the available-for-sale securities included in net assets as of Q3 FY3/14 was ¥146mn, rising to ¥1,807mn as of the end of FY3/14 and ¥1,009mn as of 1H FY3/15. Furthermore, the current share price is at a higher level than at the time of investment, and there is very little risk of MJS recording a loss on sale going forward.

Meanwhile, looking at liabilities, total liabilities declined by ¥872mn in total to ¥6,126mn. Interest-bearing debt, both short- and long-term, has declined by ¥310mn since the end of FY3/14, while trade payables, etc., income taxes payable, and others also declined. In net assets, total net assets decline by ¥166mn to ¥12,218mn, mainly due to the abovementioned decline in valuation difference on available-for-sale securities (-¥798mn), which outweighed increases in capital surplus of ¥338mn, as well as a decline in treasury shares following the exercise of stock options (+¥309mn).

Over the last several years, strong earnings growth along with the reduction of interest-bearing debt expanded net cash flow (cash on hand + short-term investment securities - interest-bearing debt) as of the end of 1H 3/15 to over ¥3,000mn. Moreover, the equity ratio has also been rising steadily, increasing from 55.8% as of the end of FY3/12 to 66.4% as of the end of 1H FY3/15, showing that the company's financial structure has been improving in line with its profit growth.

**MIROKU JYOHO
SERVICE**

9928 Tokyo Stock Exchange
First Section

27-Jan.-15

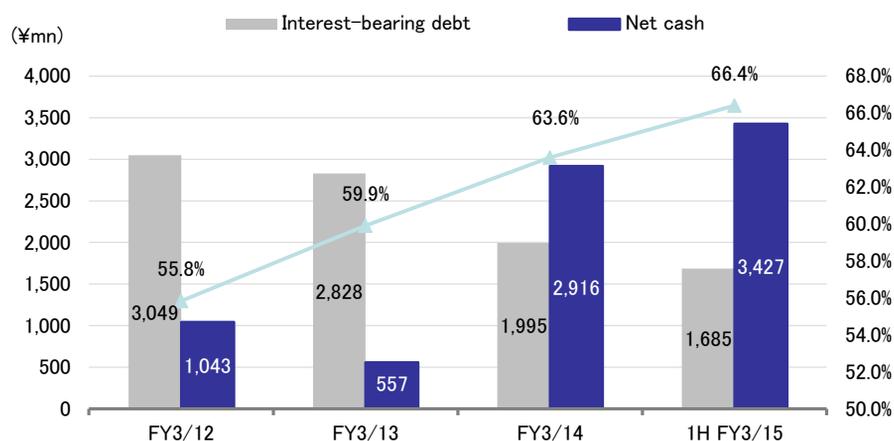
Consolidated Balance Sheet

(unit: ¥mn)

	FY3/13	FY3/14	FY3/15 2Q	Change	Factors
Current assets	8,003	9,299	9,422	123	Trade receivables, etc. (+55),
(Cash and deposits)	3,285	4,311	4,812	501	inventory (-154), other
Fixed assets	7,859	10,085	8,922	-1,163	current assets (+20)
(Tangible fixed assets)	4,020	4,017	4,030	13	
(Intangible fixed assets)	1,861	1,516	1,353	-163	Software related (-163)
(Investments & other assets)	1,976	4,551	3,538	-1,013	Investment securities (-1,064)
Total assets	15,862	19,384	18,344	-1,040	
Current liabilities	5,326	5,160	4,995	-165	Trade payables, etc. (-123),
					income taxes payable
					(-183), short-term debt and
					corporate bonds (-45)
Fixed liabilities	996	1,838	1,130	-708	Long-term debt (-265)
Total liabilities	6,323	6,998	6,126	-872	
Net assets	9,539	12,385	12,218	-167	Capital surplus (+338), equity
Total liabilities & net assets	15,862	19,384	18,344	-1,040	(+309), valuation difference on
					available-for-sale securities
					(-798)
Interest-bearing debt	2,828	1,995	1,685	-310	
Net cash	557	2,916	3,427	511	(Cash on hand + available-
Management Indicators					for-sale securities - interest-
					bearing debt)
Current ratio (%)	150.3	180.2	188.6	8.4	
Shareholders' equity ratio (%)	59.9	63.6	66.4	2.8	

Source: Created by FISCO from company materials

Interest-Bearing Debt, Net Cash and Shareholders' Equity Ratio



Source: Prepared by FISCO from company materials

Higher Sales and Profits Expected for FY3/15 by Developing New Customers

(3) Business Outlook for FY3/15

The FY3/15 consolidated business outlook is net sales up 2.3% to ¥22,590mn, operating income up 5.4% to ¥2,520mn, ordinary income up 4.9% to ¥2,540mn, and net profit up 8.7% to ¥1,510mn, for the fourth consecutive fiscal year of sales and profits increases. MJS is also aiming for an even more profitable structure, with an operating income ratio of 11.2%.

The company has left its initial forecasts unchanged; however, looking at the progress rate through to end of 1H, net sales are at 49.9% and ordinary income at 52.7%, both higher than the averages for the past three years (net sales 48.5%, ordinary income 47.5%). Order backlog of sales of system installation contracts is 4.01 months on a parent basis (+0.2 months compared with the end of last fiscal year). We therefore believe that there is a high likelihood that the company will exceed its targets.

Consolidated Operating Performance Outlook for FY3/15

(unit: ¥mn)

	FY3/14		FY3/15		
	Result	Ratio	Company target	Ratio	YoY
Net sales	22,077	–	22,590	–	2.3%
Gross profit	13,714	62.1%	14,540	64.4%	6.0%
SG&A expenses	11,324	51.3%	12,020	53.2%	6.1%
Operating income	2,390	10.8%	2,520	11.2%	5.4%
Ordinary income	2,422	11.0%	2,540	11.2%	4.9%
Net income	1,389	6.3%	1,510	6.7%	8.7%

Source: Prepared by FISCO from company materials

Consolidated Revenue by Product

(unit: ¥mn)

Business segment	FY3/13	FY3/14	FY3/15	Growth	Progress rate
System installation contract sales	13,891	14,541	14,697	1.1%	49.6%
Hardware	2,621	2,717	2,762	1.7%	54.6%
Software	8,605	9,176	9,417	2.6%	47.4%
Useware	2,664	2,646	2,518	–4.8%	52.3%
Service revenues	6,783	7,173	7,384	2.9%	50.8%
Other	246	362	509	40.6%	43.8%
Consolidated total	20,922	22,077	22,590	2.3%	49.9%

Source: Prepared by FISCO from the company's financial report and other materials

Looking at system installation contract sales by customer, we expect sales to tax accountant and CPA firms to decline in 2H as replacement demand declines. For sales of ERP systems for small/mid-sized companies, we expect further increases in sales as sales promotions for acquiring new customers to take effect. Efforts to develop new customers include the launch of a new TV commercial campaign from July, and other efforts to increase recognition, as well as the opening of a new office in Otemachi, Tokyo in August to further strengthen sales activities in the central Tokyo area. We believe these sales measures will begin to bear fruit from 2H. Furthermore, in service revenues, which is a business based on recurring income from an established customer base, MJS is expecting to continue expanding its customer base through further development of new customers.

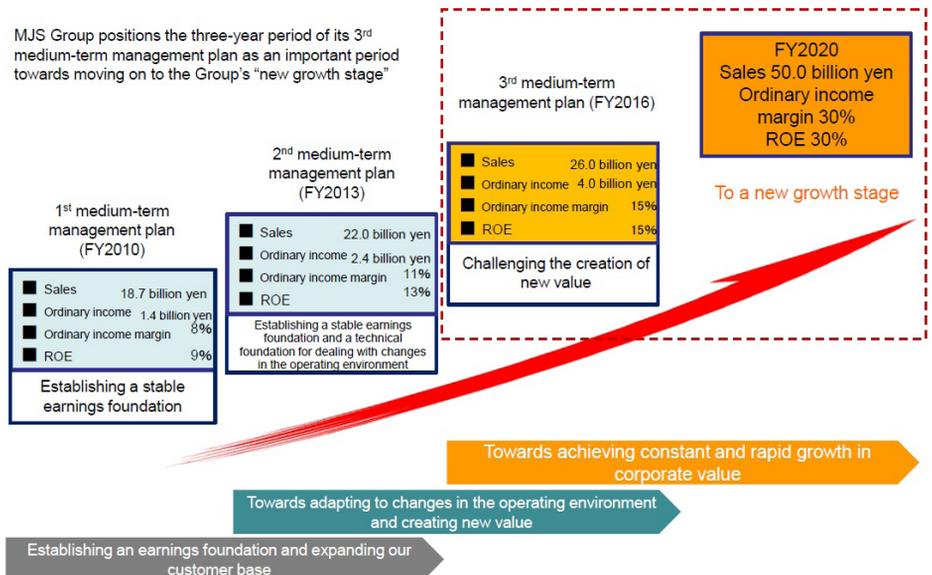
■ 3rd Medium-term Management Plan

Aiming for Net Sales of ¥26,000mn and Ordinary Income of ¥4,000mn in FY3/17

In May 2014, MJS announced its 3rd Medium-term Management Plan, which started from FY3/15. Under the management vision of “challenging the creation of new value,” the company has positioned the next three years as a startup period to a new growth stage.

MJS’s management targets for FY3/17, the final fiscal year of the plan, are net sales of ¥26,000mn, ordinary income of ¥4,000mn, net income of ¥2,450mn, ROE of 15%, and an ordinary income margin of 15%. As such, the company’s policy is to promote growth strategies. That’s a compound average annual growth rate (CAGR) over the next three years of 5.6% for net sales, 18.2% for ordinary income, and 20.8% for net income. It is nearly the same CAGR achieved during the Second Medium-term Management Plan (5.6% for net sales, 17.6% for ordinary income, and 25.4% for net income).

Positioning of the 3rd Medium-term Management Plan and Future Management Targets



Source: Company materials

MJS has three basic policies for the 3rd Medium-Term management plan: 1. Enlarge the customer base by strengthening sales activities and expanding sales channels, 2. Develop and offer new products and services to create new customers, and 3. Build a new foundation for earnings by new businesses. With regard to its policies of “Develop and offer new products and services to create new customers,” and “Build a new foundation for earnings by new businesses,” the company has started three new businesses, whose status is discussed below.



MIROKU JYOHO SERVICE

9928 Tokyo Stock Exchange First Section

27-Jan.-15

Focus on Creating New Profitable Businesses by Utilizing the Existing Customer Base

(1) Going into new businesses that support business succession and revitalization of small and medium-sized companies

MJS decided to go into business supporting business succession and revitalization of small and medium-sized companies, and established MJS M&A Partners as a wholly-owned subsidiary in September 2014. The new company will start its business activities in early 2015. MJS already offers a service supporting business succession for tax accountant and CPA firms, and now plans to use its accumulated experience and expertise to offer business succession and revitalization of small and medium-sized companies and to develop advisory services from the perspective of such companies. To this end, the company aims to become Japan's largest sell-side platform company, basically standing on the sell-side in M&A negotiations and negotiating conditions with buyers such as financial institutions or M&A operators to conclude a contract.

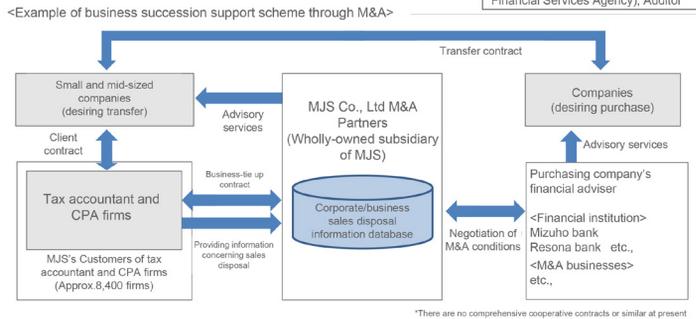
As a business scheme, the company will conclude a service provision agreement and receive introductions from tax accounting offices and CPA firms to client companies who need to cede their businesses or divest them. The company will then make an advisory agreement with the client company and begin negotiations with the buy-side company. MJS has around 8,400 customers among tax accounting offices and CPA firms offering advisory services to around 500,000 small- and medium-sized client companies. If 20% of these were target users for the service, the market would be approximately 100,000 companies, so there is plenty of latent growth potential.

Build a new foundation for earnings by new businesses

Going into new businesses that support business succession and revitalisation of small/mid-sized companies

- * Establishing 'MJS M&A Partners' wholly-owned subsidiary
- * Utilizing the expertise of business succession support for tax accountant and CPA firms
- * Advisory services from the point of small/mid-sized companies

【List of directors for 'MJS M&A Partners'】
 Toshimitsu Yui (Managing Director of MJS), President and CEO
 Kenji Kasai (Managing Executive Officer of MJS), Director
 Masanori Suzuki (Adviser of MJS and Former Administrator of Small and Medium Enterprise Agency), Outside Director
 Hirofumi Gomi (Auditor of MJS and Former Administrator of Financial Services Agency), Auditor



Source: Company materials

Initially the subsidiary started with a staff of around 5 and plan for these personnel to coordinate with the nearly 500 sales and support personnel in MJS. This is the reason why the president and director of the subsidiary will be concurrent positions occupied by the general manager and assistant manager of MJS's sales division. Moreover, as an outside director, the subsidiary has appointed Mr. Suzuki, a former administrator of the Small and Medium Enterprise Agency. Mr. Suzuki's extensive knowledge and network are expected to help drive business expansion. The current net sales target for the subsidiary for FY3/17 is ¥1,000mn.



MIROKU JYOH
SERVICE

9928 Tokyo Stock Exchange
First Section

27-Jan.-15

Aiming to Establish a New Foundation for Earnings through Content and Apps

(2) Aggressively expanding the Internet business

MJS has been strengthening the Internet business as a second business in its efforts to “build a new foundation for earnings by new businesses.” Advertising revenues from the company’s business information website, bizocean, have expanded to around ¥400mn per year, and the company plans to focus on achieving even greater profitability for bizocean by providing fee-paying services. The website provides various document templates for free download, primarily for use by corporations in their business operations. It also features a large volume of essential content for business people. Free registration members have now reached around 1.3 million, and the website continues to increase its following by around 1,000 members a day. Looking ahead, the company expects to increase the website’s contribution to earnings with the future development of fee-paying contents.

In an effort to gain access to the consumer market, the company developed and launched a free money management app, Money Tracker, in 2013. However, although downloads have now exceeded 200,000, they are currently struggling to grow further. The company is therefore aiming to achieve 1 million downloads through function enhancement and overseas development of the app, among other measures, in an effort to evolve it into a service that can be monetized. Including bizocean, the new Internet businesses are aiming to achieve net sales of ¥1,000mn in FY3/17.

Laying the Foundations for New Customer Development through a Capital and Business Alliance with a South Korean Company

(3) Capital and Business Alliance with Webcash of South Korea

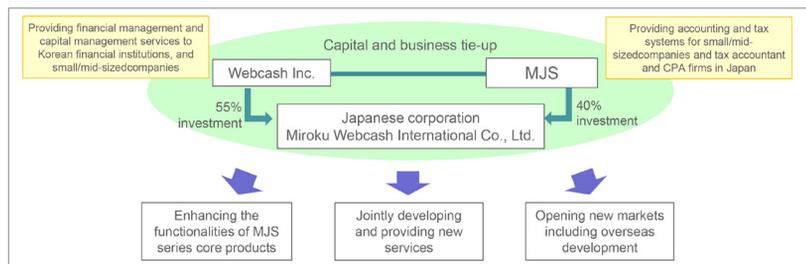
As one of its initiatives to “Develop and offer new products and services to create new customers,” the company concluded a capital and business alliance in October 2014 with Webcash, a top-class South Korean IT company in e-finance technology. The alliance will bring together the technologies and expertise of both partners to help them break into new markets and expand their business activities by jointly developing new cloud services, such as various business software and financial management and capital management services.

Develop and offer new products and services to create new customers

Capital and business tie-up with Korean company ‘Webcash Inc.’

- Capital and business tie-up with top-class Korean IT company in e-finance technology
- Investment of approximately ¥250 million to acquire 5% of shares outstanding.
- Establishment of ‘Miroku Webcash International Co., Ltd.’

Starting from tie-ups with a variety of business software and financial management and capital management services, plan to pioneer new markets with joint development of new cloud services



Source: Company materials

Through this alliance, MJS acquired 5% of the outstanding shares of Webcash, and has established a joint venture in Japan, Miroku Webcash International Co., Ltd. (40% investment). The joint venture will modify the business software and financial management and capital management cloud services developed by Webcash to suit Japanese specifications and sell them in the Japanese market.

Webcash corporate cash management services are currently used by 50% of South Korea's more than 10,000 large and mid-sized companies and more than 50,000 of the country's small and medium-sized companies.

In developing cloud services going forward, MJS will develop new services that incorporate Webcash's technology and will also be looking to move into new markets in the future, including overseas development. In the cloud business centered on this alliance MJS is targeting net sales of ¥500mn in FY3/17.

For the three new businesses mentioned above, MJS will target total net sales of ¥2,500mn in FY3/17, with an ordinary income margin at the 30% level.

■ Comparative Share Price Valuation

Low PER/PBR and High Dividend yield Compared to Industry Peers

We conducted a comparison with respect to MJS's share price valuation against 12 corporate peers that provide financial and accounting systems in addition to ERP system vendors. The company's share price has risen over the past six months from the ¥400 level to the late ¥600 level, however expected PER, actual PBR and ROE were all lower than the 12-peer average, and indicators such as ROA and dividend yield were all at high levels. Notably, compared to major ERP system vendors, the levels of the company's earnings indicators such as ROE and ROA compared favorably, but PER and PBR were low.

MJS' operating results are on track to set record high profits, and we feel there are many points on which the company should be positively evaluated, such as projections for sustained growth, maintaining an ROE of 10% or higher, which is viewed as a key investment criteria going forward, and expectations for growth in new businesses such as business revitalization support services.

Comparative Share Price Valuation

Code	Name	Listed	Period	Share price (¥)	Market capital (¥mn)	PER (times)	PBR (times)	ROE (%)	ROA (%)	Dividend yield (%)
4716	Oracle Japan	TSE 1st	May	4,780	608,107	21.0	6.3	29.7%	28.2%	1.90%
4768	Otsuka Corporation	TSE 1st	Dec.	3,685	350,078	15.9	2.3	14.2%	13.1%	2.17%
4684	OBIC	TSE 1st	Mar.	3,865	384,954	21.5	2.7	12.6%	16.7%	1.55%
9719	SCSK	TSE 1st	Mar.	3,040	328,278	14.9	2.6	17.3%	8.9%	1.64%
4733	OBC	TSE 1st	Mar.	3,295	132,959	20.3	1.5	7.5%	10.3%	1.70%
9746	TKC	TSE 1st	Sep.	1,979	52,900	13.2	0.9	6.8%	8.5%	2.32%
6935	JDL	TSE 1st	Mar.	1,584	53,780	10.9	0.7	6.2%	7.2%	2.53%
9928	MIROKU JYOHU SERVICE	TSE 1st	Mar.	602	20,953	13.9	1.7	12.4%	13.8%	2.49%
3763	Pro-Ship	JQ	Mar.	2,890	10,857	13.2	2.0	15.0%	20.0%	2.42%
9629	PCA	TSE 2nd	Mar.	1,938	14,922	52.7	1.3	2.5%	3.2%	1.60%
4828	Toyo Business Engineering	TSE 1st	Mar.	1,348	8,088	115.5	2.7	2.3%	3.5%	1.04%
3836	Avant	JQ	Jun.	1,245	5,844	13.4	2.4	18.0%	15.2%	1.12%
Total, mean value for 12 companies					1,971,720	18.0	2.5	14.0%	13.3%	1.87%

- Notes: 1. Expected PER and dividend yield are estimates for this period. Actual PBR was calculated based on the immediately preceding quarter. ROE and ROA are calculated by dividing expected net income and ordinary income for the current period into the previous quarter's shareholders' equity and total assets
 2. Share prices are the closing prices for Jan. 8, 2015
 3. JQ under "Listed" stands for TSE JASDAQ

Income Statement

(unit: ¥mn)

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15 E
Net sales	18,750	19,595	20,922	22,077	22,590
COGS	6,442	6,853	7,436	8,363	8,050
Gross profit	12,308	12,741	13,485	13,714	14,540
(SG&A expenses)	10,801	10,718	11,210	11,324	12,020
Operating income	1,506	2,023	2,275	2,390	2,520
(Non-operating income)	68	49	71	76	–
(Non-operating expenses)	86	73	61	43	–
Ordinary income	1,488	2,000	2,285	2,422	2,540
(Extraordinary income)	67	16	0	2	–
(Extraordinary loss)	175	12	533	4	–
EBIT	1,381	2,003	1,752	2,420	–
(Corporate income tax)	675	945	564	1,031	–
Net income	705	1,058	1,187	1,389	1,510
Per Share					
Net income	22.97	34.53	38.73	45.29	49.23
Net assets	258.21	280.54	310.05	402.29	–
Dividend	12.00	12.00	12.00	15.00	15.00
YoY Change					
Net sales	–0.5	4.5	6.8	5.5	2.3
Operating income	28.8	34.4	12.4	5.1	5.4
Ordinary income	31.1	34.4	14.3	6.0	4.9
Net income	26.3	50.1	12.2	17.0	8.7

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