COMPANY RESEARCH AND ANALYSIS REPORT

# Miroku Jyoho Service Co., Ltd.

## 9928

Tokyo Stock Exchange Prime Market

26-Aug.-2022

FISCO Ltd. Analyst

**Yuzuru Sato**

FISCO Ltd.

https://www.fisco.co.jp

# Index

# Summary

## Making steady progress in transitioning to a subscription model, earnings likely to enter a robust growth stage from FY3/24

Miroku Jyoho Service Co., Ltd. <9928> (hereafter, "MJS" and "the Company") is an industry leader in developing and selling enterprise resource planning (ERP) systems, primarily financial accounting and tax systems, for tax accountant and CPA firms and small and medium enterprises (SMEs). Spurred-on by the novel coronavirus (hereafter, COVID-19) pandemic, digitalization is progressing rapidly in society as a whole. In this situation, the Company is promoting the Comprehensive DX Platform business as a new business to support the management of SMEs* and others, while it is also working to strengthen the platform infrastructure through actively conducting an M&A and alliance strategy.

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

### 1. Summary of the FY3/22 results

In the FY3/22 consolidated results, net sales increased 7.4% year on year (YoY) to ¥36,597mn and operating income increased 5.8% YoY to ¥4,789mn, returning to sales and profit increases for the first time in two fiscal years*1. The main drivers were firm IT investment demand for DX by SMEs, despite the COVID-19 pandemic, and a resulting 7.9% YoY rise in system installation contract sales for companies and a steady 6.8% increase in recurring income-type service revenues aided by promotion of a subscription model. At the end of the FY3/22, outstanding orders (stand-alone) for system installation contract sales*2, an important indicator for the Company, rose by 0.95 of a month on the start of the period to 6.45 months, while the ARR*3 of cloud subscriptions (software usage fees) in March 2022 increased 35.8% YoY, reflecting steady conversion to a subscription model. In earnings, contributions from higher sales offset an increase in the depreciation of software assets following the launch of a new product and a rise in personnel expenses due to an increase in the number of personnel.

*1 From FY3/22, the Company has adopted the Accounting Standard for Revenue Recognition, etc., and the effects of this change were a decrease of ¥382mn in net sales and a decrease of ¥13mn in operating income. Due to the impact of transitioning the provision format for ERP products from a sell-out model to a subscription model, sales decreased by just over ¥0.8bn. We at FISCO estimates that sales and profits would have increased in the 10% range excluding these impacts.
*2 System installation contract sales = total sales of hardware, software, and useware.
*3 ARR (Annual Recurring Revenue) is the figure obtained by multiplying net sales obtained in the relevant month by 12.

### 2. FY3/23 forecast

In FY3/23, the Company forecasts net sales to increase 6.0% YoY to ¥38,800mn and operating income to increase 0.2% to ¥4,800mn. While non-consolidated sales are expected to increase only slightly by 2.9% YoY due to the impact of transitioning the provision format for ERP products to a subscription model, the Company expects sales at subsidiaries, which were weak in the previous fiscal year, to increase. Profit is expected to increase by only a small amount. This is mainly due to factors such as an increase in the depreciation of software assets and a temporary slowdown in earnings growth accompanying the transition to a subscription model, in addition to scheduled promotion of the Comprehensive DX Platform business, which will fully launch paid services in October 2022, from 2Q onward. The Company expects to deliver various services connected to management support at accounting firms and their small business clients over the platform. While the Company projects a loss of a few hundred million yen in FY3/23 (upfront investments), it is targeting 35,000 user companies, net sales of ¥5.0bn, and ordinary income of ¥2.5bn in FY3/26.

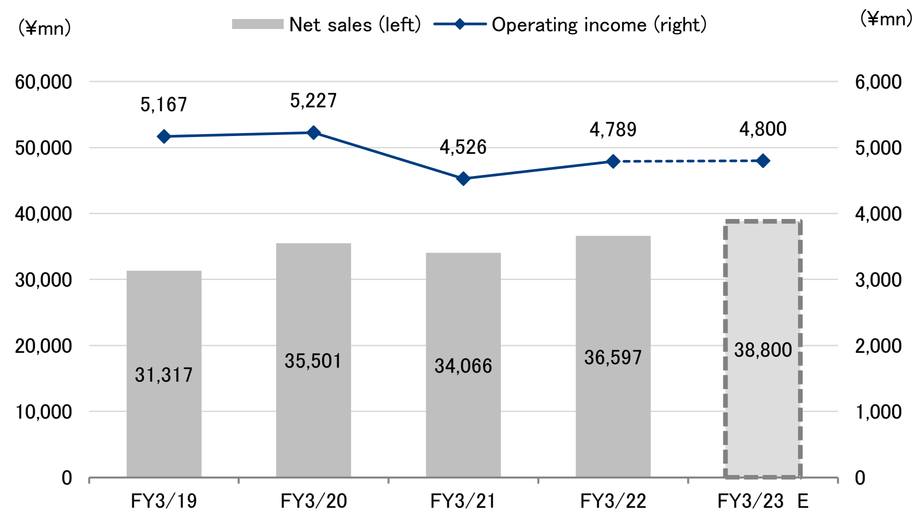
### 3. Summary of Medium-term Management Plan Vision2025

The two basic policies in Medium-term Management Plan Vision2025 announced in May 2021 are to evolve functions in the existing ERP business and advance the transition to a subscription model in order to stabilize the earnings foundation and realize sustainable growth and to build the Comprehensive DX Platform as a new business. The results goals for FY3/26, the plan's final fiscal year, are net sales of ¥55.0bn and ordinary income of ¥12.5bn. Looking at the breakdown of ordinary income, the Company's stand-alone results will provide ¥7.5bn (¥5.0bn in FY3/22), mainly from the ERP businesses, Group companies will provide ¥2.5bn (¥0.5bn), and the new Comprehensive DX Platform business will provide ¥2.5bn. The ERP business is transitioning to a subscription model, so profit growth will accelerate from FY3/24. In addition, the Company plans to provide services conducted by its Group companies which have become its subsidiaries since 2020 (such as digital marketing and human resource solutions) on the Comprehensive DX Platform, and this is likely to create synergies. It aims to improve performance at three subsidiaries in the SI business, which has been experiencing a sluggish earnings growth trend, by strengthening its sales force that had been an issue. Earnings growth of subsidiaries and growth of the Comprehensive DX Platform business are seen as keys to achieving the targets in the medium-term management plan. We at FISCO would like to closely monitor future trends.

**Key Points**

- Achieved sales and profit increases for the first time in two fiscal years in FY3/22 thanks to upbeat sales of corporate ERP products
- FY3/23 will be an investment phase, and earnings growth is forecast to accelerate from FY3/24 onward
- Aiming for ordinary income of ¥12.5bn in FY3/26 by converting to a subscription model, building the Comprehensive DX Platform business, and realizing synergies within the Group

**Consolidated financial results trends**




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

# Corporate overview

## Leading supplier of financial accounting systems promoting growth with tax accountant and CPA firms and SMEs as target customers

### 1. Corporate history

Since its establishment in 1977, the Company has been supplying management systems and management information services focused on finance and accounting. Its services have evolved in step with developments in IT. Initially, the Company processed data for other companies at a processing center. It then entered the office computer business and shifted to development and sales of packaged software for personal computers. Recently, it has offered cloud computing services developed for marketing. In order to expand its business areas, the Company established MJS M&A Partners Co., Ltd. (hereafter, mmap), a subsidiary that provides business succession assistance and other services to SMEs in 2014. The Company has actively progressed an M&A strategy over the last few years. In April 2018, it acquired Adtop Co., Ltd., which conducts an advertising agency business specializing in the hiring and referrals of personnel. In April 2020, it made a subsidiary of Transtructure, which is independent and one of Japan's largest organizations and HR consulting firms, and then in December 2020, made a subsidiary of Tribeck, which conducts digital marketing support and marketing platform businesses.

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<br>Online terminal MJS800 developed and sales and online service commenced |
| Office Computing | 1980 | Shift from data processing to office computer development and sales business<br>Development and commencement of sales for the specialist Miroku Ace Model Series for accounting |
| | 1983 | Entry into the market for clients advised by tax accountant and CPA firms<br>Development and commencement of sales for the specialist Pro Office computer [Keiri] aimed at clients of tax accountant and CPA firm |
| Shift to open systems (package software) | 1990 | Developed and commenced sales for package software for PC installation “SI Zaimu Taisho,” “SI Hanbai Taisho,” and “SI Kyuyo Taisho” |
| | 1992 | Became a listed enterprise by an OTC listing on the Japan Securities Dealers Association (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 |
| | 1997 | Listed on the Second Section of Tokyo Stock Exchange |
| | 1998 | Developed and commenced sales of the MICSNET Series ERP system compatible with Windows NT® for medium-sized companies |
| | 2001 | Developed and commenced sales of the ACELINK Series of network solution systems for tax accountant and CPA firms |
| | 2002 | Developed and commenced sales of the MJSLINK Series of operations and comprehensive information systems for small/medium-sized companies |
| | 2004 | Developed business information website “bizocean” targeting business people at small/medium-sized companies and venture companies |
| | 2005 | Developed and commenced sales of the ACELINK Navi Series of network solution systems for tax accountant and CPA firms<br>Developed and commenced sales of the Galileopt package ERP systems for medium-sized enterprises |
| | 2007 | Developed and commenced sales of the MJSLINK II Series of package ERP systems for small/medium-sized companies |
| Shift to service provider | 2011 | Developed and commenced sales of the ACELINK NX-Pro ERP system for tax accountant and CPA firms (April) |
| | 2012 | Developed and commenced sales of the Galileopt NX-I ERP system for medium-sized companies (February)<br>Listed on the First Section of Tokyo Stock Exchange |
| | 2013 | Developed and commenced sales of MJSLINK NX-I ERP system for small/medium-sized companies (April)<br>Investment in consolidated accounting systems company Primal, Inc. (33.3%) and conversion into a consolidate affiliate (October) |
| | 2014 | Established MJS M&A Partners Co., Ltd. that provides services supporting the business succession and revitalization of small/medium-sized companies (September) |
| | 2015 | Developed and commenced provision of My Number management system “MJS My Number” for tax accountant and CPA firms and small/medium-sized companies (September)<br>Made Miroku Webcash International a subsidiary (December)<br>Made Cloud Invoice a subsidiary. This subsidiary offers bookkeeping services. (December) |
| | 2016 | Took a 48.8% stake in BlueTable Co., Ltd., which sells food to Asian countries through an e-commerce service. BlueTable becomes an affiliate. (February)<br>Transferred the bizocean business to a new subsidiary, bizocean Co., Ltd. (April)<br>Started the Marunage Kichodaiko bookkeeping support service for tax accountant and CPA firms (July)<br>Developed and commenced provision of the MJSLINK NX-I for IaaS ERP cloud service for small/medium-sized companies (August)<br>Developed and commenced provision of the bizsky cloud platform for small/medium-sized companies and the Rakutasu Money Transfer service over this platform (September)<br>Opened Japan’s first marketplace for business templates through the bizocean business information site (October) |
| | 2017 | Developed and commenced provision of offering the Rakutasu Kyuyo Money Transfer service through the bizsky cloud platform for small/medium-sized companies (January)<br>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)<br>Developed and commenced sales of the Galileopt NX-Plus ERP solution for medium-sized companies (April)<br>Developed and released the new ERP system for small/medium-sized companies MJSLINK NX-Plus (October)<br>Developed and commenced provision of Edge Tracker, a cloud service for employees supporting multi-device use (October) |
| | 2018 | Developed and commenced provision of MJS Okane No Kanri, a cloud service for small sized companies (March)<br>Developed and commenced provision of Kantan Cloud Kaikei and Kantan Cloud Kyuyo, new cloud services for small/medium-sized companies and self-run businesses (April)<br>Started provision of Cloud Service Hub for MJS, an accounting support solution developed jointly with Fuji Xerox Co., Ltd. and giving greater efficiency to digitalizing and migrating paper documentation to the cloud. (April)<br>Started provision of the new Workflow function on Edge Tracker, a cloud service promoting operational efficiency through real-time, time-saving, visualizing operations. (June)<br>Developed and released MJS Zeimu NX-Plus, a new tax affair system (July)<br>Developed and commenced provision of Kantan Cloud Kaikei Plus and Kantan Cloud Kyuyo Plus, cloud services for small/medium-sized companies and self-run businesses (November) |
| | 2019 | Developed and started provision of collection agent service Rakutasu Kaishu (July)<br>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)<br>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)<br>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)<br>Made a subsidiary of Tribeck Inc., which conducts digital marketing support and marketing platform businesses (December) |
| | 2021 | Developed and started providing MJSLINK DX, which is a cloud-based ERP system for small/medium-sized companies (March)<br>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)<br>MJS AI Audit Support, a journal and balance check system that utilizes AI, was made cloud compliant (June)<br>Capital and business partnership with KACHIEL Co., Ltd., which holds seminars, provides video distribution services, etc., for tax accountant and CPA firms (June)<br>Capital and business partnership with SecondXight Analytica, Inc., which conducts analytics and AI development (September)<br>Started providing MJS DX Workflow, a cloud-based workflow system that enables electronic applications and approvals from smartphones (September) |
| | 2022 | Developed and commenced provision of a cloud-type ERP system for medium enterprises “Galileopt DX” (April)<br>Transitioned to the Prime Market, a new market segment of the Tokyo Stock Exchange (April) |

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 new businesses conducted by subsidiaries, including mmap, Transtructure, and Tribeck.

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

**Overview of ERP business**

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

Source: Prepared by FISCO from the Company's materials

### 3. Subsidiaries and affiliates

At the end of March 2022, the Group companies consisted of 10 consolidated subsidiaries and three equity-method affiliates. Since 2002, three consolidated subsidiaries, NTC Co., Ltd, MSI Co., Ltd., and Lead Co., Ltd., have carried out the consigned development of business software. Since 2014, the Company has established or acquired by M&A seven companies to develop businesses in new areas. Of these seven companies, it seems that Tribeck is the subsidiary with the largest sales scale with annual sales of almost ¥2.0bn, followed by Transtructure with around ¥1.0bn. In April 2021, Tribeck conducted an absorption merger of bizocean Co., Ltd., which managed the bizocean business information website.

The Company's three equity-method affiliates are Primal, Inc., which develops and sells systems for consolidated accounting; NFC (Korea) Co., Ltd., which develops and sells payment services using near-field communications (NFC); and KACHIEL Co., Ltd., with which it entered into a capital and business partnership in June 2021. KACHIEL provides video content services, including on taxation and accounting, and management support services such as holding seminars to its monthly subscription members, made up of approximately 2,000 tax accountant and CPA firms.

The Company's subsidiaries and affiliates

| Company name | Ownership ratio | Main business |
|---|---|---|
| Consolidated subsidiaries | | |
| NTC | 100.0% | Software development, sales, installation, and operational support services, hardware sales |
| MSI | 100.0% | Software development, sales, installation, and operational support services, hardware sales |
| Lead | 100.0% | Software development, sales, installation, and operational support services |
| MJS M&A Partners | 100.0% | Business succession support services, etc. utilizing M&A |
| MJS Finance & Technology | 100.0% | Provision of payment services, finance services, and other services |
| Miroku Webcash International | 66.6% | Develop and sell software and content for business finance and asset management |
| Adtop | 99.1% | Advertising agency business specializing in personnel hiring |
| Transtructure | 100.0% | Consulting services, specializing in the organization and personnel fields |
| Spice | 100.0% | Manages in-store cash, improves distribution efficiency, etc. |
| Tribeck | 71.2% | Digital marketing support, marketing platform service, management of business information site "bizocean," etc. |
| Equity-method affiliates | | |
| Primal | 33.3% | Software development, sales, installation, and operational support services |
| NFC (Korea) | 21.9% | Development and sales of payment services using near-field communications (NFC) |
| KACHIEL | 33.5% | Holds seminars, provides video distribution services, etc. for tax accountant and CPA firms |

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

# Business trends

## Restored sales and profit increases for the first time in two fiscal years in FY3/22 thanks to upbeat sales of corporate ERP products

### 1. FY3/22 Consolidated results

In the FY3/22 consolidated results, net sales increased 7.4% YoY to ¥36,597mn, operating income increased 5.8% to ¥4,789mn, ordinary income increased 5.8% to ¥4,771mn, and net income attributable to owners of parent rose 70.2% to ¥4,517mn. Net sales were slightly below the initial forecast due to the continuing slump in subsidiaries caused by the impact of the COVID-19 pandemic, but consolidated profits were ¥0.7bn higher than their respective forecasts as the stand-alone profits exceeded their forecasts by nearly ¥1.0bn. From FY3/22, the Company has adopted the Accounting Standard for Recognizing Revenue, etc., which was the primary factor behind a decrease of ¥382mn in net sales and a decrease of ¥13mn in operating income and ordinary income. In the YoY comparisons in this section, simple calculations of the values using the former and new standards are shown for reference purposes.

Consolidated results for FY3/22

(¥mn)

| | FY3/21 | | FY3/22 | | | | |
|---|---|---|---|---|---|---|---|
| | Results | Ratio | Company forecast | Results | Ratio | YoY | vs. forecast |
| Net sales | 34,066 | - | 37,400 | 36,597 | - | 7.4% | -2.1% |
| Gross profit | 21,149 | 62.1% | - | 22,607 | 61.8% | 6.9% | - |
| SG&A expenses | 16,623 | 48.8% | - | 17,818 | 48.7% | 7.2% | - |
| Operating income | 4,526 | 13.3% | 4,030 | 4,789 | 13.1% | 5.8% | 18.8% |
| Ordinary income | 4,511 | 13.2% | 4,000 | 4,771 | 13.0% | 5.8% | 19.3% |
| Extraordinary profits and losses | -199 | -0.6% | - | 2,048 | 5.6% | - | - |
| Net income attributable to owners of parent | 2,654 | 7.8% | 3,810 | 4,517 | 12.3% | 70.2% | 18.6% |
| EBITDA | 5,805 | 17.0% | - | 7,090 | 19.4% | 22.1% | - |

Note 1: EBITDA = Operating income + depreciation + amortization of goodwill
Note 2: From FY3/22, the Company has adopted the Accounting Standard for Recognizing Revenue, etc. The YoY comparisons are simple calculations of the values using the former and new standards
Source: Prepared by FISCO from the Company's financial results

For net sales, progress was made in acquiring new customers for ERP products for general companies, while sales of cloud subscriptions (software usage fees) continued to be strong. In addition, the sales of Tribeck, which was added to the scope of consolidation from the 4Q of FY3/21, contributed, so net sales increased for the first time in two periods. The Company also made progress in transitioning the provision format for ERP products from a sell-out model to a subscription model, and estimates that the temporary negative impact on net sales that resulted from this initiative was just over ¥0.8bn. If the impact from the change in accounting standards were also taken into account, sales and profits would have actually increased in the 10% range. At the end of FY3/22, outstanding orders (stand-alone) for system installation contract sales, an important indicator for the Company, rose by 0.95 of a month on the start of the period to 6.45 months, while ARR of cloud subscriptions (software usage fees) in March 2022 increased 35.8% compared to the same month in the previous fiscal year. It can be considered that the Company is making steady progress in expanding the customer base and the foundation for recurring income-type revenues, with both growing steadily.

The gross profit margin declined from 62.1% in the previous fiscal year to 61.8%. This was mainly because depreciation of software assets increased ¥967mn YoY following the launch of MJSLINK DX, a cloud-based ERP system for SMEs in March 2021*. The effects of the higher sales have caused the SG&A expenses ratio to slightly decline from 48.8% in the previous fiscal year to 48.7%. The increase was ¥1,194mn with ¥822mn in rise in personnel expenses due to an increase in the number of personnel and increase in reserve for bonus for employees as the main factors (fiscal year-end number of employees was up by 44 from the end of the previous period to 1,935). While operating margin modestly declined from 13.3% in the previous fiscal year to 13.1%, EBITDA margin before depreciation improved from 17.0% in the previous fiscal year to 19.4%. This indicates a rise in actual profitability.

* MJSLINK DX software assets are depreciated on a straight-line basis over three years

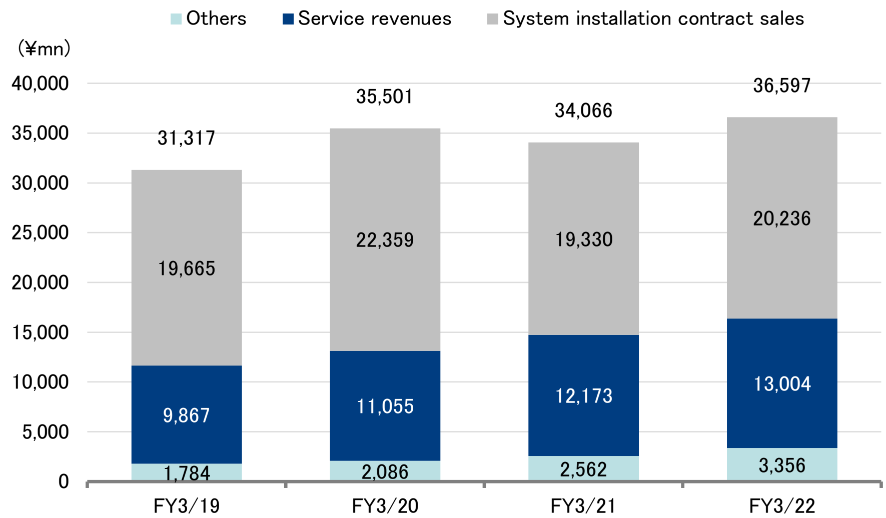
In extraordinary income, all shares of equity-method affiliate pring Inc. were sold in September 2021, and a gain on the sale of shares of an affiliate of ¥2,087mn was recorded. The Company had entered into a capital and business partnership with pring in September 2020, and intends to carry on initiatives, such as developing new finance-related services, even after the sale of shares.

## Steady growth of corporate ERP product sales and recurring income-type services revenue

### 2. Sales trends by customer and product category

Looking at the breakdown of net sales, system installation contract sales, which are flow-type revenues, increased 4.7% YoY to ¥20,236mn, restoring a gain for the first time in two years, and services revenues, which are recurring-income type revenues, sustained an upward trend with a 6.8% increase to ¥13,004mn. Others (mainly the sales at subsidiaries) increased 31.0% to ¥3,356mn on a full-year contribution of sales at Tribeck. Compared to initial forecast services revenues overshot by 5.5%, while system installation contract sales were lower by 1.0% and others were lower by 27.4%. In others, sales at subsidiaries excluding Tribeck stalled due to the impact of the COVID-19 pandemic and other factors.

Sales by product category




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

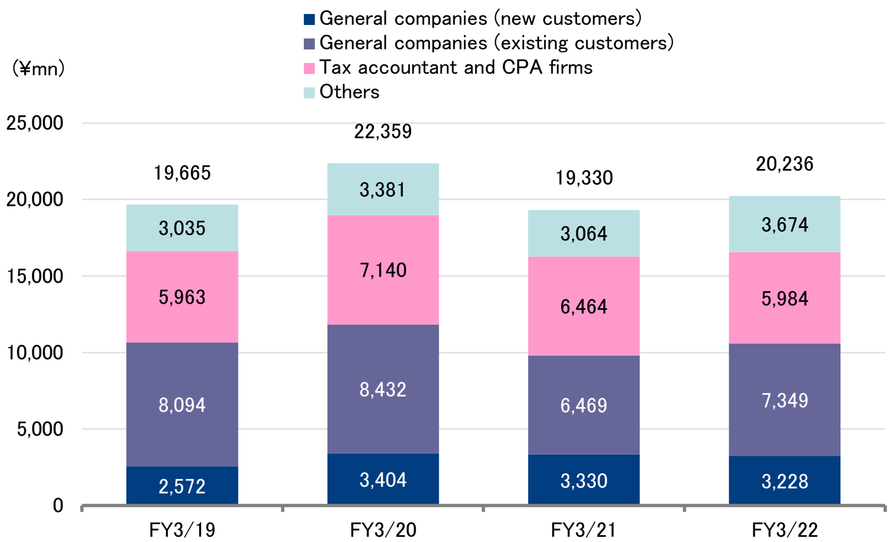
**(1) System installation contract sales by customer and product category**

Looking at system installation contract sales by customer, sales to general companies (corporate) increased 7.9% YoY to ¥10,577mn. Sales to new customers declined 3.1% YoY to ¥3,228mn, while sales to existing customers were upbeat at a 13.6% increase to ¥7,349mn. Sales of MJSLINK DX, an ERP product released for SMEs were excellent, and sales of the Galileopt series of ERP products for medium enterprises also grew substantially. The ratio of total corporate sales provided by sales to new customers was 30.5%, despite a 3.5ppt decline from the previous fiscal year, but the Company recognizes that it is steadily progressing in acquisition of new customers. It can be considered that this outcome reflects contributions from the successive progress of opening solution branches in major cities as organizations specialized in proposal-based sales promoting acquisition of new customers and upselling and cross-selling to existing customers. Decline in sales to new customers, meanwhile, appears to stem from a transition from a sell-out model to cloud subscriptions*. Roughly 10% of ERP product sales in FY3/22 were cloud subscriptions, and the effect of this transition was a reduction in net sales that was just over ¥0.8bn. Nevertheless, since cloud subscription sales will be continuously booked from FY3/23 onward, the transition will not affect income over the medium term.

* In August 2020, in addition to the former package sales, the Company started providing cloud services (subscription model) that can be used on Microsoft Azure, and sales of these services are recorded as software usage fees.

Net sales to tax accountant and CPA firms declined 7.4% YoY to ¥5,984mn. Replacement demand, such as for PCs, together with demand for updates of ERP products, peaked two periods ago, and since then sales have continued to decline. However, the number of customers is still rising, albeit modestly. The Company is also transitioning to a subscription model for tax accountant and CPA firms, and it appears that within net sales the subscription contract ratio is slightly less than 10.0%.

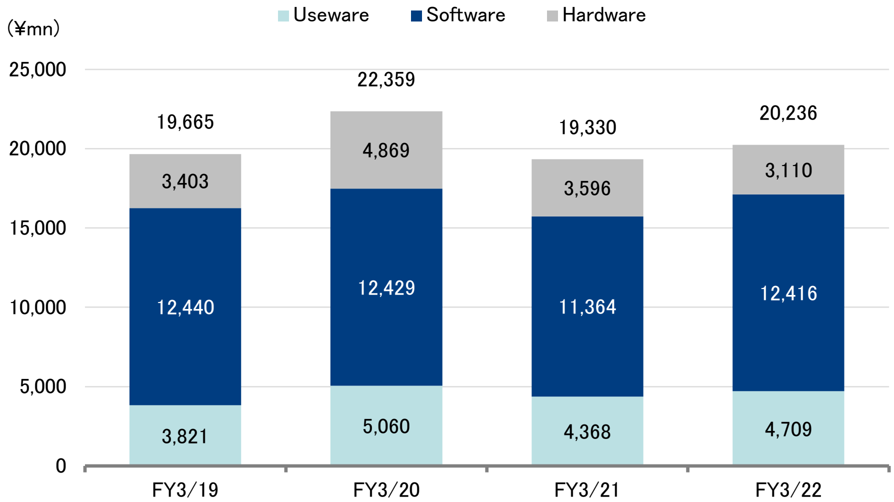
**System installation contract sales by customer**




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

Moreover, looking at system installation contract sales by product category, sales of software increased 9.3% YoY to ¥12,416mn, hardware decreased 13.5% to ¥3,110mn, and useware (installation assistance service) rose 7.8% to ¥4,709mn. Hardware sales continued to decline due to a ricochet from special demand to replace PCs and other peripheral devices following the end of support for Windows 7 two fiscal years ago. For software and installation support service, decline in accounting firm business was covered by an increase in corporate sales. Results overall fell below the initial forecast by 1.0%. Looking at sales by product category, while sales of hardware and useware were down 14.8% and 1.2%, respectively, sales of mainstay software were up 3.2%. This trend suggests that sales of ERP products were strong.

System installation contract sales by product category




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

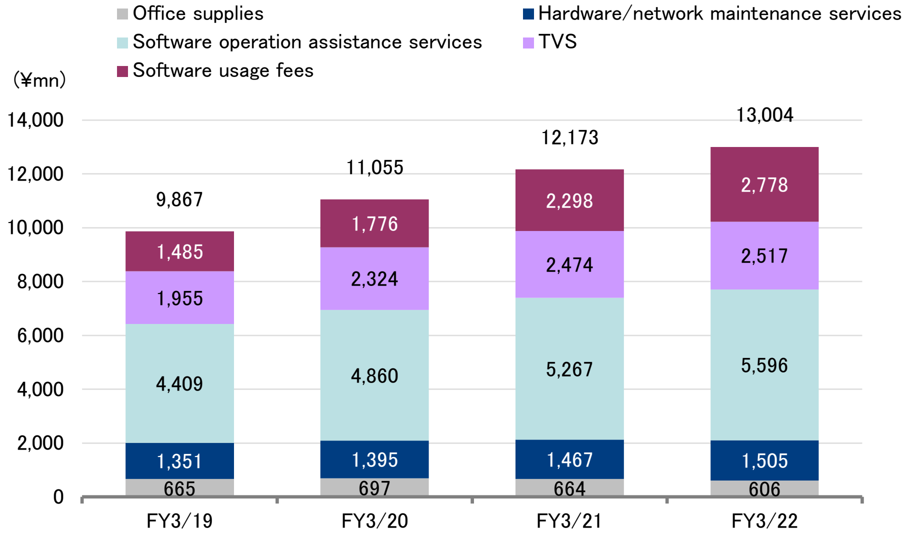
(2) Service revenues

Looking at the breakdown of service revenues, TVS (a comprehensive maintenance service for tax accountant and CPA firms) increased 1.7% YoY to ¥2,517mn, software usage fees rose 20.8% to ¥2,778mn, software operation assistance services (corporate software maintenance services) grew 6.2% to ¥5,596mn, hardware/ network maintenance services increased 2.6% to ¥1,505mn, and office supplies decreased 8.7% to ¥606mn

Sales of TVS and software operation assistance services steadily increased due to progress being made in acquiring new customers. In software usage fees, the increase rate of sales was sluggish compared to the increase of 29.4% in the previous fiscal year, but this was due to a change in the method of recording sales (from a yearly lump sum to monthly amounts and the effects of recording the net amount for purchased products) following the adoption of the Accounting Standard for Recognizing Revenue, etc. and the sales growth rate was roughly the same excluding the effect of this change. Sales continued to grow, including from the growth in sales of Edge Tracker*, a comprehensive platform cloud service for companies, sales of various services for microenterprises such as Kantan Cloud Kaikei etc., and sales of ERP products under the subscription model.

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

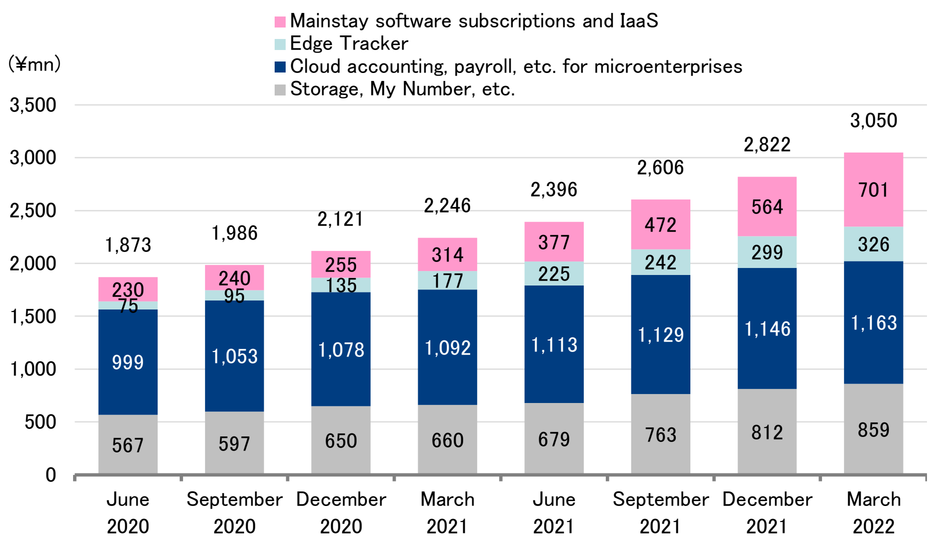
Breakdown of service revenues




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

ARR, a KPI for cloud subscription revenue (software usage fees), is trending upward, and in March 2022 compared to the same month in the previous fiscal year by 35.8% to ¥3,050mn. Furthermore, the growth rate has been steadily accelerating monthly since the 27.9% increase in June 2021. Breaking this down, cloud subscriptions for mainstay software had the largest growth rate with an increase of 123.2% YoY to ¥701mn in FY3/22. Edge Tracker also sustained high growth at an 84.2% increase to ¥326mn. The sales ratio of these categories is expected to continually rise going forward.

Trend in ARR for cloud subscriptions




Note: Figures for June 2020 to March 2021 in FY3/21 have been calculated using the new standard.
Source: Prepared by FISCO from the Company's results briefing materials

(3) Others

In others (mainly the businesses of the subsidiaries), net sales increased 31.0% YoY to ¥3,356mn. This was mainly due to a full-year contribution of sales at Tribeck, sales activities of existing subsidiaries were weak due to the impact of the COVID-19 pandemic.

For the business information website bizocean, the recovery in advertising revenue, its revenue source, has been delayed. Sales activities of Transtructure, which provides general and HR consulting services, were stagnant. While mmap delivered slight sales and profit increases, Adtop, which conducts an advertising agency business specializing in the hiring and referrals, reported lower profit on increased sales.

## Equity ratio recovered to the 50.0% level through progress in reducing interest-bearing debt

### 3. Financial status and management indicators

Looking at the financial status at the end of FY3/22, total assets were up ¥528mn compared to the end of the previous fiscal period to ¥43,487mn. Looking at the main increase and decrease factors, in current assets, cash and deposits decreased ¥1,006mn. In fixed assets, goodwill decreased ¥249mn, but software assets (including development in progress) increased ¥903mn and investment securities increased ¥341mn.

Total liabilities were down ¥1,671mn compared to the end of the previous fiscal period to ¥20,856mn. Income taxes payable increased ¥525mn and provision for bonuses increased ¥462mn, while interest-bearing debt declined ¥3,321mn due to the repayment of borrowings procured for countermeasures against the COVID-19 pandemic in FY3/21. Moreover, total net assets increased ¥2,199mn to ¥22,630mn. The decrease factors were dividend payments of ¥1,155mn and ¥1,000mn to acquire treasury shares. However, retained earnings increased due to the recording of net income attributable to owners of parent of ¥4,517mn.

Looking at the management indicators, the interest-bearing debt ratio fell from 24.1% at the end of the previous period to 7.1% due to the decrease in interest-bearing debt. Additionally, the equity ratio recovered to a level above 50% at 51.0%. The Company has secured a surplus of net cash and can be judged to be maintaining financial soundness. The Company issued ¥11.0bn of in Euro-yen convertible bond-type bonds with share acquisition rights that will mature in 2023, and the conversion price is ¥3,022 (applicable from April 1, 2022). It is scheduled to redeem the ¥11.0bn if the share price does not exceed the conversion price by the maturity date. If the Company does not arrange new fund-raising, liabilities will decline and the equity ratio will increase.

Consolidated balance sheet trends

(¥mn)

| | FY3/19 | FY3/20 | FY3/21 | FY3/22 | Change | Factors |
|---|---|---|---|---|---|---|
| Current assets | 21,962 | 23,603 | 24,859 | 24,403 | -456 | Cash and deposits -1,006, inventories +100, prepaid expenses +69 |
| Cash and deposits | 16,271 | 17,979 | 18,267 | 17,260 | -1,006 | |
| Fixed assets | 16,213 | 14,716 | 18,078 | 19,071 | 992 | Software assets (including development in progress) +903, investment securities +341, goodwill -249 |
| Total assets | 38,211 | 38,348 | 42,958 | 43,487 | 528 | |
| Current liabilities | 7,491 | 7,096 | 10,636 | 9,374 | -1,261 | Short-term borrowings (including current portion of long-term borrowings) -2,918, income taxes payable +525, provision for bonuses +462 |
| Fixed liabilities | 12,661 | 12,222 | 11,891 | 11,482 | -409 | Long-term borrowings -446 |
| Total liabilities | 20,153 | 19,318 | 22,528 | 20,856 | -1,671 | |
| Total net assets | 18,058 | 19,029 | 20,430 | 22,630 | 2,199 | Retained earnings +3,419, treasury shares -1,000 |
| Interest-bearing debt | 2,662 | 2,118 | 4,917 | 1,606 | -3,310 | Excluding convertible bond-type bonds with share acquisition rights (zero coupon) |
| Net cash | 13,708 | 15,861 | 13,580 | 15,653 | 2,073 | (Cash and deposits + securities – interest-bearing debt) |
| < Management indicators> | | | | | | |
| Current ratio | 293.2% | 332.6% | 233.7% | 260.3% | | |
| Equity ratio | 47.2% | 49.6% | 46.5% | 51.0% | | |
| Interest-bearing debt ratio | 14.7% | 11.1% | 24.1% | 7.1% | | |
| ROE | 21.7% | 9.9% | 13.6% | 21.4% | | |

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

# Outlook

## FY3/23 will be an investment phase, and earnings growth is forecast to accelerate from FY3/24 onward

For the FY3/23 consolidated results, the Company forecasts net sales to increase 6.0% YoY to ¥38,800mn, operating income to increase 0.2% to ¥4,800mn, ordinary income to increase 0.6% to ¥4,800mn, and net income attributable to owners of parent to decrease 35.8% to ¥2,900mn. For the non-consolidated results, while the Company expects a slight 2.9% increase due to the effects of gradually transitioning the provision format for ERP products from a sell-out model to cloud subscriptions, it envisions a 6.0% rise in consolidated sales thanks to reinforcement of sales structures at subsidiaries that had sluggish results in the previous fiscal year.

For operating income, it projects a slight increase as contributions from higher sales more than offset increasing costs, including a rise of just over ¥0.5bn YoY in depreciation of software assets for Galileopt DX, an ERP product for medium enterprises, which was started provisioning in April 2022, a rise in personnel expenses due to an increase in the number of personnel (on a non-consolidated basis, there were 70 new graduates who joined the Company), and upturn in promotional costs for the full-fledged service launch of the Comprehensive DX Platform. At subsidiaries, while the Company forecasts higher sales and profits at the three subsidiaries carrying out consigned development, mmap, and Adtop, it expects profit decline on higher sales at Tribeck because of increase in ramp-up costs for the Comprehensive DX Platform business and flat income YoY at Transtructure as it reinforces personnel systems. The Company forecasts operating income for subsidiaries on an overall basis that is largely on par with the previous year. For net income attributed to owners of the parent, the Company projects a decline on non-recurrence of a gain on sale of shares of subsidiaries and associates recorded in the previous fiscal year.

### Consolidated outlook for FY3/23

(¥mn)

| | FY3/22 | | FY3/23 | | |
|---|---|---|---|---|---|
| | Results | Ratio | Company forecast | Ratio | YoY |
| Net sales | 36,597 | - | 38,800 | - | 6.0% |
| Gross profit | 22,607 | 61.8% | 23,620 | 60.9% | 4.5% |
| SG&A expenses | 17,818 | 48.7% | 18,820 | 48.5% | 5.6% |
| Operating income | 4,789 | 13.1% | 4,800 | 12.4% | 0.2% |
| Ordinary income | 4,771 | 13.0% | 4,800 | 12.4% | 0.6% |
| Net income attributable to owners of parent | 4,517 | 12.3% | 2,900 | 7.5% | -35.8% |
| Earnings per share (EPS) (¥) | 149.78 | | 97.13 | | |

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

### Non-consolidated outlook

(¥mn)

| | FY3/22 | | FY3/23 | | |
|---|---|---|---|---|---|
| | Results | Ratio | Company forecast | Ratio | YoY |
| Net sales | 31,233 | - | 32,150 | - | 2.9% |
| Ordinary income | 5,049 | 16.2% | 5,080 | 15.8% | 0.6% |

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

### Difference between consolidated and non-consolidated profit

(¥mn)

| | FY3/22 Results | FY3/23 Company forecast |
|---|---|---|
| Net sales | 5,364 | 6,650 |
| Ordinary income | -278 | -280 |

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

### Sales trends by product category (consolidated basis)

(¥mn)

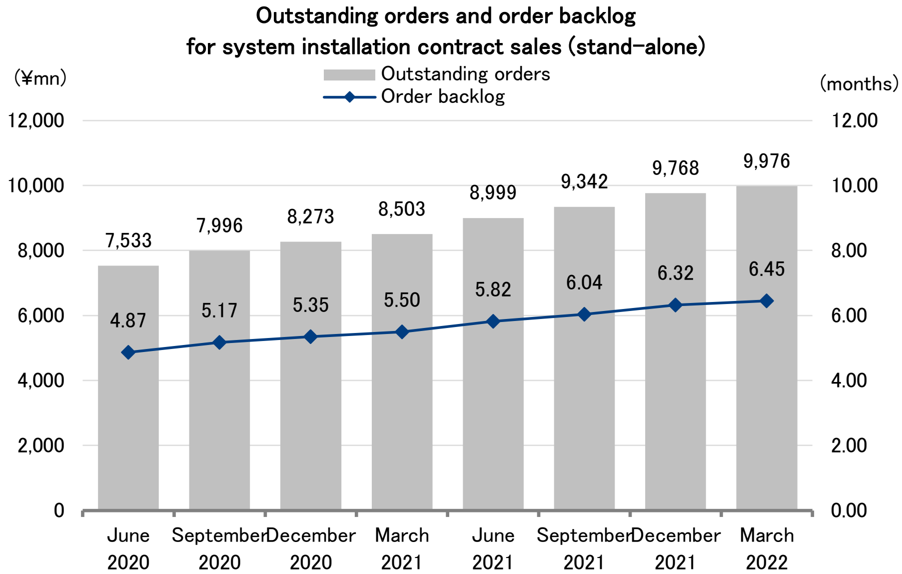
| | FY3/20 | FY3/21 | FY3/22 | FY3/23 E | YoY |
|---|---|---|---|---|---|
| System installation contract sales | 22,359 | 19,330 | 20,236 | 20,771 | 2.6% |
| Hardware | 4,869 | 3,596 | 3,110 | 3,170 | 1.9% |
| Software | 12,429 | 11,364 | 12,416 | 12,494 | 0.6% |
| Useware | 5,060 | 4,368 | 4,709 | 5,106 | 8.4% |
| Service revenues | 11,055 | 12,173 | 13,004 | 14,084 | 8.3% |
| TVS | 2,324 | 2,474 | 2,517 | 2,524 | 0.3% |
| Software usage fees | 1,776 | 2,298 | 2,778 | 3,894 | 40.2% |
| Software operation assistance services | 4,860 | 5,267 | 5,596 | 5,725 | 2.3% |
| Hardware/network maintenance services | 1,395 | 1,467 | 1,505 | 1,428 | -5.1% |
| Office supplies | 697 | 664 | 606 | 511 | -15.7% |
| Others | 2,086 | 2,562 | 3,356 | 3,944 | 17.5% |
| Total | 35,501 | 34,066 | 36,597 | 38,800 | 6.0% |

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

The outlook for net sales in FY3/23 by product calls for system installation contract sales to increase 2.6% YoY to ¥20,771mn, service revenues to rise 8.3% to ¥14,084mn, and others (mainly sales at subsidiaries) to grow 17.5% to ¥3,944mn. The main points are as follows.

(1) System installation contract sales

For system installation contract sales (stand-alone), at the end of FY3/22 outstanding orders reached a record-high level, increasing 17.3% YoY to ¥9,976mn and recent orders momentum has not waned, so we at FISCO think there is a strong possibility it will achieve the forecast. The Company anticipates a roughly ¥1.5bn setback in sales from the transition to cloud subscriptions in FY3/23, and expects to book these revenues as software usage fees from FY3/23 onward. This explains the gap between rise in software sales, which is just a 0.6% YoY and an 8.4% increase in useware sales. Regarding the pace of transitioning to cloud subscriptions, the Company intends to proceed to a degree that avoids impact on overall results. It hence plans to continue sales on a sell-out model basis even to new customers depending on their requirements.




Note: Order backlog = outstanding orders balance ÷ monthly average system installation net sales forecast for the relevant fiscal year
Source: Prepared by FISCO from the Company's results briefing materials

Looking at net sales by customer, corporate net sales are forecast to grow by double digits, increasing 12.1% YoY to ¥11,860mn. The Company is newly opening four solution branches (Chiba, Shizuoka, Hokuriku, and Shikoku) that specialize in selling ERP products to SMEs and thereby expanding operations to a total of 15 branches. It adheres to a policy of actively conduct activities to increase sales nationwide. The Company is promoting not only replacement business with existing customers, but acquisition of new customers as well, with MJSLINK DX which was released in March 2021, and Galileopt DX, which was launched in April 2022. Galileopt DX enhances convenience compared to the previous product, including improved operating performance from utilizing AI technology, faster processing speed, and expanding API alliance partners, and is likely to help expand the customer base.

Conversely, sales to tax accountant and CPA firms are forecast to decline 11.5% YoY to ¥5,299mn. Although there will be no change in the number of customers, this forecast appears to incorporate the result of transitioning to a cloud subscription model. Furthermore, the Company expects a 1.7% YoY decline to ¥3,611mn in others (sales at subsidiaries, sales to partners, etc.). The Company recognizes that issues exist in sales expertise at subsidiaries facing stalled results. From FY3/23, the chief executive officer of the sales division and vice president has been put in charge of the performance management of all subsidiaries. The Company aims to deploy its own sales methodology at subsidiaries and bolster sales expertise.

(2) Service revenues

Looking at the breakdown of service revenues, while software operation assistance services revenues are forecast to increase 2.3% YoY to ¥5,725mn and TVS is slated to rise slightly with a 0.3% increase to ¥2,524mn, software usage fees are forecast to increase by a hefty 40.2% YoY to ¥3,894mn. This mainly reflects progress in the transition from one-off purchase to cloud subscriptions. The Company also projects a few hundred million in sales for the Comprehensive DX Platform business that is scheduled to begin provision of paid services from 3Q. Future trends in this business will be closely monitored, because it is a strategic business for future growth of the Company.

# Medium-term Management Plan Vision2025

## Is aiming for ordinary income of ¥12.5bn in FY3/26 by conversion to a subscription model, building the Comprehensive DX Platform business, and realizing synergies with Group companies

### 1. Summary of the Medium-term Management Plan

In May 2021, the Company announced the five-year Medium-term Management Plan Vision2025 with FY3/26 as its final fiscal year. Spurred on by COVID-19 pandemic, digital transformation (DX) is progressing throughout society as a whole, and due to this and other factors, the market environment is changing greatly. As its strategy to continuously improve corporate value under these circumstances, the Company has set and is progressing two basic polices: “Evolve the existing ERP business and reform the business model” and “Create innovation through new businesses.”

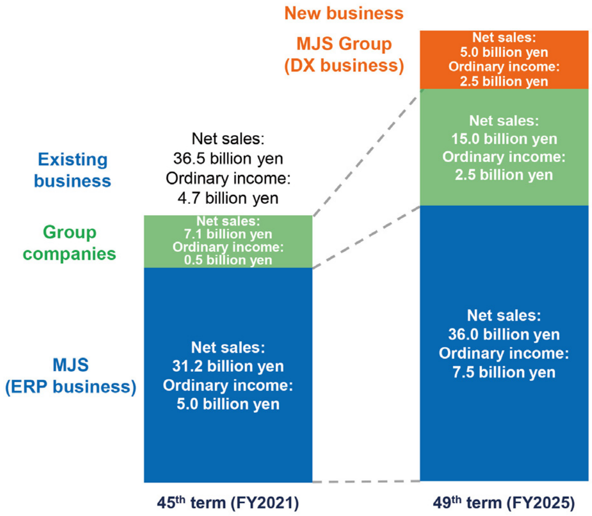
The Company’s numerical management targets for FY3/26 are net sales of ¥55.0bn and ordinary income of ¥12.5bn. The four-year average annual growth rate targets are 10.7% for net sales and 27.2% for operating income. While profit growth is likely to stall until FY3/23 due to transition to a cloud subscription model as explained above, the Company plans acceleration of earnings growth from FY3/24 driven by expansion of subscription revenue, contributions of earnings from Comprehensive DX Platform business, and synergies with group companies.

Compared to the Company’s FY3/22 non-consolidated results of net sales of ¥31.2bn and ordinary income of ¥5.0bn, the FY3/26 targets are net sales of ¥36.0bn and ordinary income of ¥7.5bn. The Company aims to further expand the stable earnings foundation by implementing solution-based sales aimed at resolving customer issues and expanding cloud services and conversion to a subscription model. It plans to raise the ratio of sales provided by subscription model service revenues from 40% in FY3/22 to 55% in FY3/26, and the ordinary income margin is expected to rise from 13.0% to more than 20%.

Furthermore, targets also include increasing the results of Group companies, including net sales from ¥7.1bn in FY3/22 to ¥15.0bn in FY3/26 and ordinary income from ¥0.5bn to ¥2.5bn. In order for Group companies to grow independently, they are working on measures including to strengthen synergies and to optimize the management structure. The Comprehensive DX Platform also serves to enhance synergies with subsidiaries because of the prospect of significant improvement in sales efficiency from subsidiaries delivering services currently offered and newly developed services in the future via this platform. For example, providing Tribeck's digital marketing services, Transtructure's organizational and human resources consulting services, as well as Adtop's services related to hiring on this platform, to which many SMEs have access, will lead to an increase in customer acquisition opportunities. While the Company has set an ambitious goal of just over doubling sales scale in the next four years, platform services are notable for having the potential of achieving rapid sales growth if the provided services are attractive, so we at FISCO would like to closely monitor future trends.

Targets for the Comprehensive DX Platform business, are net sales of ¥5.0bn and ordinary income of ¥2.5bn in FY3/26. This high profit margin occurs as it seems possible to keep down customer acquisition costs, such as advertising costs, as prospective customers are tax accountant and CPA firms and their client companies. The net sales of ¥5.0bn assumes 35,000 user companies and average revenue per user (ARPU) of ¥12,000 per month. The Company estimates the SaaS and software market for SMEs could potentially be roughly ¥1.42tn. The ¥5.0bn target appears to be attainable.

FY3/26 management targets of the Group




* Consolidation offsets are reflected in the consolidated results, so they do not match the results totals of each graph
Source: Prepared by FISCO from the Company's results briefing materials

## Is progressing six basic strategies in order to achieve the targets in the medium-term management plan

### 2. Basic strategies and progress status

In order to achieve the targets in the medium-term management plan, the Company is working the following six basic strategies.

**(1) No. 1 tax accountant and CPA firm network strategy**

To realize the strategy of having the No. 1 tax accountant and CPA firm network, the Company intends to strengthen the functions of the ACELINK NX-Pro ERP system, while progressing planning and development through a joint project with MIROKU KAIKEIJINKAI (a user organization) for new solutions to improve work efficiency. Its market share of ERP systems for tax accountant and CPA firms is stable at around 25% and it has approximately 8,400 user sites, and there are also tax accountant and CPA firms that use services other than for ERP (such as mmap's M&A support service). It proposes installations of ERP systems to these tax accountant and CPA firms, while also focusing on new customer acquisitions, such as of tax accountant and CPA firms that are newly launching independent businesses.

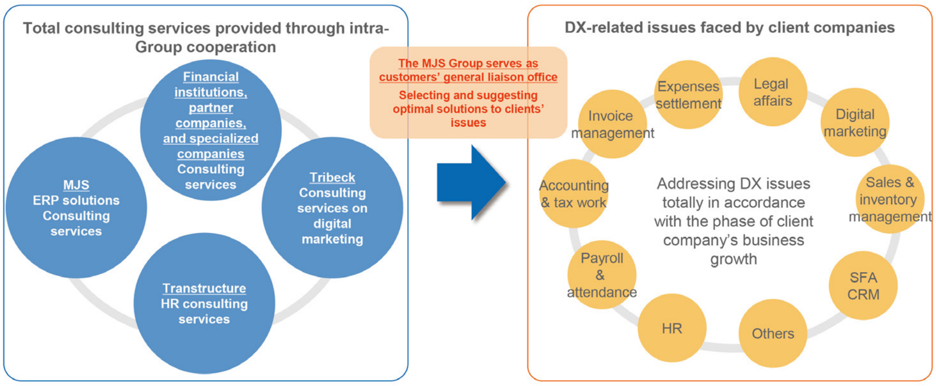
The Group is also working on maximizing customer loyalty by providing tools for management guidance to tax accountant and CPA firms for their client companies. The Company plans a new service that will lead to funding measures and management guidance based on collection and analysis of qualitative and, quantitative information, and other data of clients in the cloud. Therefore, installations provide tax accountant and CPA firms with the major advantage of a new added-value service for client companies that will lead to improved levels of customer satisfaction. This tool is currently at the stage of test operation with cooperation from the Miroku Kaikeijinkai. The Company plans to incorporate issues identified during the test operation into the system and begin full-scale operation through the Comprehensive DX Platform from 3Q FY3/23. The tax accountant and CPA firms the Company handles provide services to around 500,000 client companies. If the data of these companies can be collected and analyzed, the Company should be capable of further enhancing precision and developing a service with high added value.

**(2) Comprehensive solutions and business strategy for SMEs**

The Group is developing comprehensive solutions and businesses aimed at helping SMEs promote DX by expanding service areas to respond to management issues and maximizing the creation of added value through consulting.

Depending on the state of business growth and environmental changes, customer companies face different DX-related issues, and the Group is meeting these customer needs by selecting and providing optimized solutions, including by tapping the resources of Group companies. For example, the Company is a specialist in the accounting and tax fields, while Tribeck is a specialist in the digital marketing field, Transtructure in the HR field, and Adtop in the recruitment field, and they provide consulting services in each respective field. There are few companies that are able to provide a one-stop solution to meet these diverse management-related consulting needs. We at FISCO expect the Company to further enhance group synergies through provision of these group services on the Comprehensive DX Platform.

Comprehensive solutions and business strategy for small and medium enterprises (SMEs)




Source: Reprinted from Medium-term Management Plan Vision2025

Moreover, for the mainstay ERP products, the Group is building competitive advantages by expanding AI functions, strengthening collaborations with external products using API, and improving convenience for customer companies. Its policy is also to plan and develop new cloud-based (IaaS-based) and SaaS-based products and accelerate the shift to cloud services. Currently, sales forms include both on-premises and cloud (IaaS) services, but from FY3/26, mainly cloud (IaaS) or SaaS services will be offered, and provision of on-premises services is expected to shrink significantly.

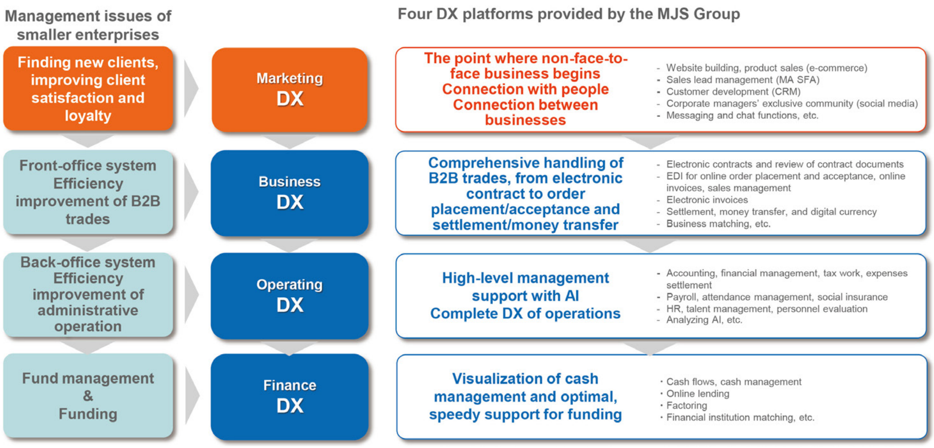
Key catalysts for promotion of DX at SMEs are revision of the Electronic Books Preservation Act that took effect in January 2022 and the invoice program slated for implementation in October 2023. While the Electronic Books Preservation Act has a grace period of two years, it creates an obligation for electronic preservation of national tax-related books and documents. Considering data backup, this might result in further use of cloud services, including accounting software. The Company's ERP products address these regulatory changes. This environment offers an excellent opportunity to acquire new customers and also increase average sales to existing customers by adding storage services and other services.

### (3) Comprehensive DX Platform strategy

Through building a Comprehensive DX Platform, the Company will promote DX at small enterprises and microenterprises, and support companies' growth by improving productivity and increasing sales, in effect revitalizing the Japanese economy, which continues to grow at a stunted rate. There is a shortage of digital human resources in small enterprises and microenterprises, and an issue they face is that DX is not being progressed as anticipated. The UI design of the Comprehensive DX Platform enables easy installation and customization of necessary functions even without specialist IT knowledge, and makes centralized operation possible using a unified dashboard. In such ways, the Company is aiming to use the concept of ease of use to increase the number of user companies.

The Comprehensive DX Platform provides four DX platforms. Specifically, they are marketing DX including for customer acquisitions, business DX for front-office systems, operating DX for back-office systems, and finance DX including for managing and raising funds, and multiple service offerings on each respective platform are envisioned. The Company is currently conducting operation on a trial basis and started delivering the service free of charge in 2Q FY3/23. It intends to begin paid service from 3Q. Meanwhile, on the platform, it will not only offer Group services but also services from other companies such as SFA and BI tools, and aims to transform it into a platform handling all services related to management for customers.

Comprehensive DX Platform strategy (new business area)




Source: Reprinted from Medium-term Management Plan Vision2025

### (4) Converting to a cloud subscriptions business model

Currently, the Group is gradually progressing a conversion to the cloud subscriptions for ERP products, 90% of sales for which consist of one-off purchase. Converting to a subscription model will have a temporary negative impact on profits, but is expected to generate stable sales that are not influenced by external factors, reduce the man power needed for replacement and enable operating resources to be focused on acquiring new customers. Moreover, since converting to cloud subscriptions will always provide users with an environment where they can use the latest systems, costs to maintain older versions of products will decrease. In other words, converting to the cloud and a subscription model is expected to lead to continuous sales growth and improved profitability.

From the customer's perspective, the benefits of transitioning to a subscription model are tremendous, including low initial costs compared to one-off purchases and constant access to the latest functions. As previously stated, the outlook suggests the ratio of revenue from recurring income-type revenue, including subscription revenue, on a non-consolidated basis will increase from about 40% in FY3/22 to 55% in FY3/26. Recurring income-type revenue also includes sales of maintenance and support services when making on-premises sales, and currently the sales ratio of these services is high. Going forward, the ratio of software usage fees, which will become subscription revenue, should rise.

### (5) Promoting the independent growth of Group companies through Group collaborations

The growth of Group companies is being promoted by utilizing their strong consulting capability and unique technologies in specialized fields to bolster comprehensive solutions capabilities and maximize synergies within the Group. Additionally, profitability is also being strengthened through a Group reorganization and efforts to optimize the management structure.

Regarding Tribeck, the Company wants to become a comprehensive DX consulting company with broad assistance from brand strategy to customer acquisition and cultivation by integrating the "bizocean" business information site with over 3.30mn registered members and digital marketing business. With strong needs for corporate web site revisions and other services, SMEs offer significant potential demand. Regarding Transtructure, the Company intends to promote transitions to the cloud and automation in human resource consulting services and acquire new customers by holding joint seminars with the Company.

Other than these, the policy of Adtop, which conducts recruitment consulting and advertising agency businesses, is to accelerate growth by quickly launching recruitment-related BPO services as a second business area and adding the Recruitment × DX service to the Comprehensive DX Platform from FY3/24. An important management issue for small enterprises is recruiting and training human resources, and it seems that potential demand is huge. Moreover, mmap, which provides M&A consulting services for small enterprises, aims to efficiently expand business scale by utilizing IT capabilities and accelerating external collaborations, in order to respond to an increase in business succession needs.

Regarding the three subsidiaries carrying out consigned development, companies aim to achieve growth by utilizing their respective technological capabilities to provide proprietary solutions for specific applications. It intends to pursue growth by strengthening development capabilities centered on the cloud and online areas, while bolstering sales expertise. It also intends to continue M&A activities, targeting companies offering services that could be provided over the Comprehensive DX Platform and others as candidates.

**(6) Strengthening human resource capabilities and the management foundation to accelerate the realization of strategy**

Based on the periods during and after the COVID-19 pandemic, the Company is accelerating its investment in human resources and establishing workplace environments that are easy to work in, while also working on building a management and work foundation in response to new workstyles.

For workplaces that are healthy and provide work satisfaction, the Company is working on themes including establishing a teleworking environment and reducing overtime, improving the rate of employees taking paid leave, establishing an employee treatment system that is a source of market competitiveness and improving the treatment of employees, developing and securing professional human resources, and establishing a training system and thoroughly training all human resources. In such ways, it is working to improve employee satisfaction and strengthen the recruitment and development of human resources. Moreover, by upgrading the in-house management information system, the aims are to accelerate and optimize management decision-making by visualizing revenue and expenditure management by business and by product. At the same time, it is also working on improving the productivity of management operations and realizing digitalization.

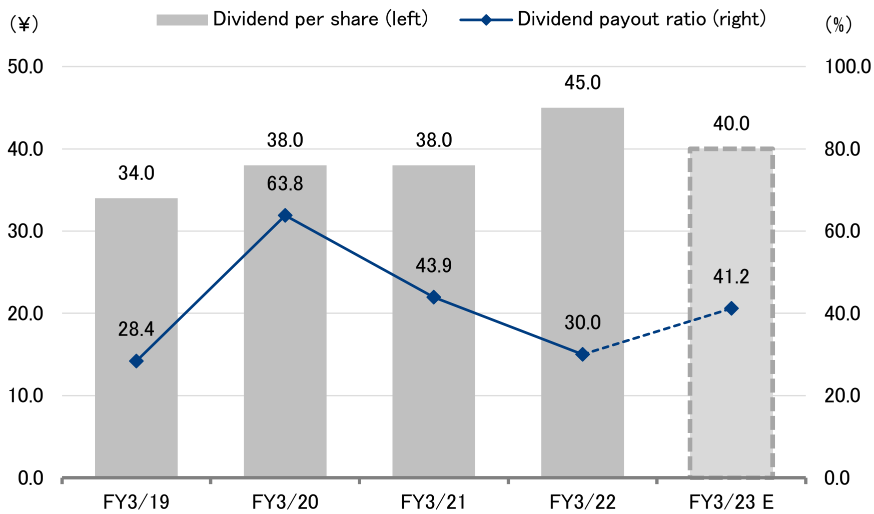
# Shareholder return policy and sustainability management initiatives

## The shareholder return policy is to continue to stably pay a dividend targeting a dividend payout ratio of 30%. Is also acquiring treasury shares, while observing conditions

### 1. Shareholder return policy

The Company's basic policy for returning profits to shareholders is to continue to stably pay a dividend over the long term, targeting a dividend payout ratio at a level of 30%. The Company paid a dividend of ¥45.0 (30.0% payout ratio), an increase of ¥7.0 YoY, in FY3/22. This consisted of a ¥40.0 ordinary dividend and a ¥5.0 special dividend from recording extraordinary profit. It plans to pay a dividend of ¥40.0 (41.2% payout ratio), a flat level (ordinary dividend) in FY3/23. Should the dividend payout ratio fall below 30% in the future, we can expect it to increase the dividend. On the other hand, the Company acquires treasury shares as appropriate in order to improve capital efficiency, and recently between August and November 2021, it acquired 581,000 shares worth approximately ¥1.0bn.

Dividend per share and dividend payout ratio



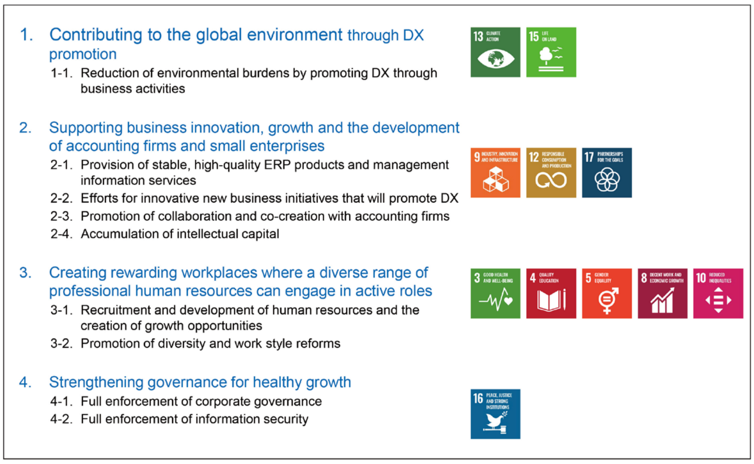

Source: Prepared by FISCO from the Company's financial results

### 2. Sustainability management initiatives

The Company believes that the implementation of its corporate philosophy and management policy are the essence of sustainability management. Its Group goal of "growth and development of small enterprises" contribute to sustainability of the Japanese economy and society. Within this context, it established the Sustainability Committee and defined business opportunities and risks based on the two axes of "importance for stakeholders" and "level of importance to our business" and determined four issues that should be promoted with priority as materiality (material issues).

The material issues are 1) contributing to the Earth's environment through DX promotion, 2) supporting business innovation, growth and development of accounting firms and small enterprises, 3) creating rewarding workplace where a diverse range of professional human resources can engage in active roles, and 4) strengthening governance for healthy growth. The Company is setting goals for each issue and plans to implement measures for realizing them.

**Materiality for sustainability management**




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

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## Disclaimer




■ For inquiry, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp