COMPANY RESEARCH AND ANALYSIS REPORT

Miroku Jyoho Service Co., Ltd.

9928

Tokyo Stock Exchange First Section

13-Sept.-2021

FISCO Ltd. Analyst

Yuzuru Sato

FISCO Ltd.

https://www.fisco.co.jp

Index

Summary

Announced the Medium-term Management Plan Vision2025 and is aiming for high growth through developing the Comprehensive DX Platform business that contributes to supporting the management of small/medium-sized companies

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/medium-sized companies. Spurred-on by the novel coronavirus pandemic (hereafter, COVID-19), digitalization is progressing rapidly in society as a whole. In this situation, the Company is currently developing the Comprehensive DX Platform business as a new business to support the management of small/medium-sized companies* and others, while it is also working to strengthen the platform infrastructure through actively conducting an M&A and alliance strategy.

* Assumes small/medium-sized companies and small-scale businesses with annual sales of less than ¥0.5bn.

1. Summary of the Medium-term Management Plan Vision2025

In May 2021, the Company announced the Medium-term Management Plan Vision2025. Its two basic policies are to evolve the functions of and transition to a subscription model for the existing ERP business in order to stabilize the earnings foundation and realize sustainable growth, and also to focus on the development of the Comprehensive DX Platform as a new business. It plans to provide various services on the Comprehensive DX Platform to support the improved work efficiency and earnings growth of small/medium-sized companies and others. In FY3/26, it is targeting 35,000 user companies, ARPU (Average Revenue Per User) of ¥12,000 per month, and net sales of ¥5bn. The results targets for FY3/26, which is the plan's final fiscal year, are net sales of ¥55bn and ordinary income of ¥12.5bn, which means that ordinary income must increase by 2.8 times from the FY3/21 result. Looking at the breakdown of ordinary income, the result on a Company non-consolidated basis will be ¥7.5bn (FY3/21 result, ¥4.8bn) centered on the ERP business, for the Group companies it will be ¥2.5bn (¥0.1bn), and for the Comprehensive DX Platform business, the new business, it will be ¥2.5bn. The ERP business is being transitioned to a subscription model, so it seems profit growth will accelerate in the second half of the plan's period. Also, for the Group companies, at FISCO we expect synergies with Transtructure Co., Ltd., which provides consulting services in the organizations and HR fields and which was made a subsidiary in April 2020, and with Tribeck Inc., which conducts digital marketing support and marketing platform businesses and was made a subsidiary in December 2020, and we think that the growth potential in the medium-term is large.

2. FY3/21 results

In the FY3/21 consolidated results, net sales declined 4.0% year on year (YoY) to ¥34,066mn and operating income decreased 13.4% to ¥4,526mn. The factors causing earnings to decrease were that results declined at the subsidiaries as a whole due to the impact of COVID-19, and also a decline as a rebound to the PC special demand in the previous period. However, the Company made progress in acquiring new customers through ERP products for small/medium-sized companies. In addition, remote tools and accounting cloud for small-scale businesses grew and progress was made in transitioning to a subscription model for ERP products, so recurring income-type service revenues increased 10.1% YoY, and in such ways, the Company is steadily progressing the accumulation of a stable earnings foundation. Also, the system installation contract sales* balance (non-consolidated), which is a KPI for the Company, increased by 0.85 of a month to 5.50 months from the start of the period, and it is recognized to be trending solidly in actual terms within the severe market environment.

* System installation contract sales = total sales of hardware, software, and useware

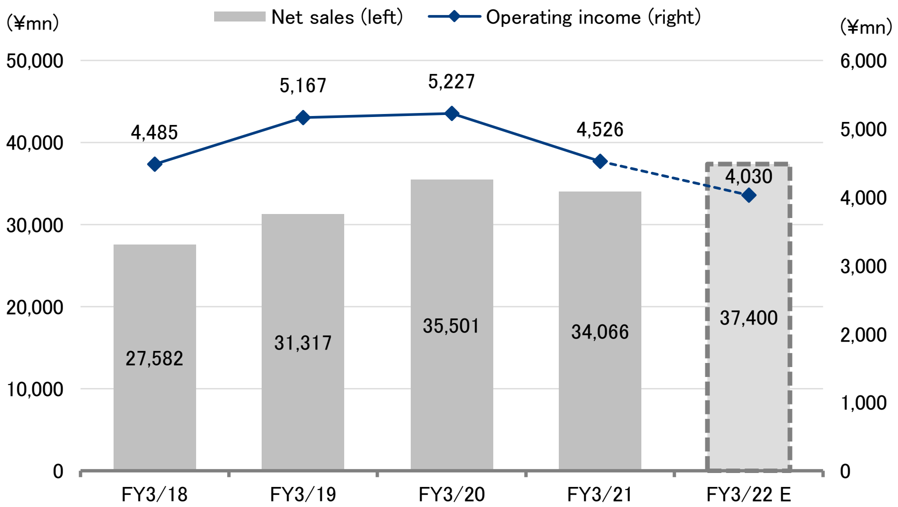
3. FY3/22 forecast

For the FY3/22 results, the Company is forecasting an increase in sales but a decrease in profits, with net sales to increase 9.8% YoY to ¥37,400mn and operating income to decrease 11.0% to ¥4,030mn. An increase factor for net sales will be the growth of sales from Group companies, including from the effects of the M&A conducted in the previous period. However, operating income is forecast to decrease due to factors including that it is considered COVID-19 will continue to have an impact to a certain extent, the effects of gradually transitioning to a subscription model for ERP products, and the increase in personnel expenses. It seems operating income is forecast to increase if excluding the effects of transitioning to a subscription model, and so long as the impact of COVID-19 does not worsen in the future, at FISCO we think that the results may be higher than forecast on a profits basis. Since FY3/22, the Company has adopted the Accounting Standard for Recognizing Revenue, etc. For the YoY comparisons of net sales and operating income, the simply calculated values using the new and old standards are shown for your reference.

Key Points

- Is targeting ordinary income of ¥12.5bn in FY3/26 by transitioning the ERP business to a subscription model and developing the Comprehensive DX Platform business
- Sales and profits declined in FY3/21, mainly due to the impact of COVID-19, but made steady progress in accumulating the customer base
- The FY3/22 forecasts are for sales to increase but ordinary income to decrease due to the effects of transitioning to a subscription model and the rise in personnel expenses

Consolidated financial results trends



Note: From FY3/22, adopted the Accounting Standard for Recognizing Revenue, etc.
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 small/medium-sized companies 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 the development 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. The Company established MJS M&A Partners Co., Ltd. (hereafter, mmap), a subsidiary that provides business succession assistance and other services to small/medium-sized companies in 2014 and launched the bizsky cloud platform that supports business and work flow improvements at small/medium-sized companies in 2016. Also, in order to expand the business areas and to achieve business growth through synergies, in the last few years it has actively progressed an M&A strategy. 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, it 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 Online terminal MJS800 developed and sales and online service commenced
Office Computing	1980	Shift from data processing to office computer development and sales business Development and commencement of sales for the specialist Miroku Ace Model Series for accounting
	1983	Entry into the market for clients advised by tax accountant and CPA firms Development and commencement of sales for the specialist Pro Office computer [Keiri] aimed at clients of tax accountant and CPA firm
Shift to open systems (package software)	1990	Developed and commenced sales for package software for PC installation “SI Zaimu Taisho,” “SI Hanbai Taisho,” and “SI Kyuyo Taisho”
	1992	Became a listed enterprise by an OTC listing on the Japan Securities Dealers Association (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 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) Listed on the First Section of Tokyo Stock Exchange
	2013	Developed and commenced sales of MJSLINK NX-I ERP system for small/medium-sized companies (April) Investment in consolidated accounting systems company Primal, Inc. (33.3%) and conversion into a consolidate affiliate (October)
	2014	Established MJS M&A Partners Co., Ltd. that provides services supporting the business succession and revitalization of small/medium-sized companies (September)
	2015	Developed and commenced provision of My Number management system “MJS My Number” for tax accountant and CPA firms and small/medium-sized companies (September) Made Miroku Webcash International a subsidiary (December) 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) Transferred the bizocean business to a new subsidiary, bizocean Co., Ltd. (April) Started the Marunage Kichodaiko bookkeeping support service for tax accountant and CPA firms (July) Developed and commenced provision of the MJSLINK NX-I for IaaS ERP cloud service for small/medium-sized companies (August) Developed and commenced provision of the bizsky cloud platform for small/medium-sized companies and the Rakutasu Money Transfer service over this platform (September) Opened Japan’s first marketplace for business templates through the bizocean business information site (October)
	2017	Developed and commenced provision of offering the Rakutasu Kyuyo Money Transfer service through the bizsky cloud platform for small/medium-sized companies (January) Established a business alliance with Crowd Cast, Ltd. and connected that company’s Staple cloud expense payment service with MJS’s Rakutasu Money Transfer service using an application program interface (API) (March) Developed and commenced sales of the Galileopt NX-Plus ERP solution for medium-sized companies (April) Developed and released the new ERP system for small/medium-sized companies MJSLINK NX-Plus (October) Developed and commenced provision of Edge Tracker, a cloud service for employees supporting multi-device use (October)
	2018	Developed and commenced provision of MJS Okane No Kanri, a cloud service for small sized companies (March) Developed and commenced provision of Kantan Cloud Kaikei and Kantan Cloud Kyuyo, new cloud services for small/medium-sized companies and self-run businesses (April) Started provision of Cloud Service Hub for MJS, an accounting support solution developed jointly with Fuji Xerox Co., Ltd. and giving greater efficiency to digitalizing and migrating paper documentation to the cloud. (April) Started provision of the new Workflow function on Edge Tracker, a cloud service promoting operational efficiency through real-time, time-saving, visualizing operations. (June) Developed and released MJS Zeimu NX-Plus, a new tax affair system (July) Developed and commenced provision of Kantan Cloud Kaikei Plus and Kantan Cloud Kyuyo Plus, cloud services for small/medium-sized companies and self-run businesses (November)
	2019	Developed and started provision of collection agent service Rakutasu Kaishu (July) Developed and commenced provision of AI-driven journaling and balance check system MJS AI Kansa Shien (November)
	2020	Made a wholly owned subsidiary of Transtructure Co., Ltd., an independent and one of Japan’s largest organizations and HR consulting firms (April) Developed and began providing a function to assess eligibility for financing support for tax accountant and CPA firms, which automatically determines eligibility for the government’s Subsidy Program for Sustaining Businesses (April) Developed and began providing MJS DX Cloud, a cloud service that enables MJS financial accounting and tax applications to be used on Microsoft Azure (August) Made a subsidiary of Tribeck Inc., which conducts digital marketing support and marketing platform businesses (December)
	2021	Developed and started providing MJSLINK DX, which is a cloud-based ERP system for small/medium-sized companies (March) The subsidiaries Tribeck Inc., and bizocean Co., Ltd., were merged, the digital marketing business was integrated with the media and advertising agency businesses, and is providing comprehensive DX consulting services (April)

Source: Prepared by FISCO from the Company’s website, results briefing materials, and news releases

2. Business description

Currently, the Company's main business is the ERP business (development and sales of ERP systems, installation support services, and various maintenance services), whose core is the financial and accounting fields and which provides more than 90% of net sales. The remainder is provided by MJS M&A Partners, bizocean Co., Ltd., which manages the bizocean business information website, and the new businesses, such as those being developed by Transtructure and Tribeck. Tribeck conducted an absorption merger of bizocean in April 2021.

Main customers in the ERP business are tax accountant and CPA firms and their clients of small/medium-sized companies. 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 small/medium-sized companies, the Company has about 17,000 users. Looking at the distribution channels and its composition by customers, direct sales accounts for almost 100% for tax accountant and CPA firms and more than 90% for small/medium-sized companies, 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 small-scale businesses 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/medium-sized companies (Most of them are clients of tax accountant and CPA firms)
Systems (developed by MJS)	• Financial and accounting systems • Tax return systems, etc.	• ERP systems centered on financial and accounting systems (accounting, payroll, sales management)
Services	• System installation support services • Various maintenance services • Training and information services, etc.	• System integration • Various maintenance services • Training and information services, etc.
Marketing methods / customer support	Almost 100% direct sales 31 sales and support branches nationwide	Direct sales (90%, includes sales through tax accountant and CPA firms) Agency sales (10%) 31 sales and support branches nationwide
No. of users /market share	8,400 firms/market share of approx.25%	Approx. 17,000 companies

Source: Prepared by FISCO from the Company's materials

3. Subsidiaries and affiliates

As of the end of March 2021, the Company had thirteen 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 10 companies to develop businesses in new areas. Of these 10 companies, it seems that Tribeck is the subsidiary with the largest sales scale with annual sales of almost ¥2bn, followed by Transtructure with around ¥1bn.

The Company's three equity-method affiliates are PRIMAL, Inc., which develops and sells systems for consolidated accounting; NFC (Korea), which develops and sells payments services using near-field communications (NFC); and pring, Inc., which provides the pring money-transfer service.

The Company's subsidiaries and affiliates

Affiliate conditions (as of the end of March 2021)

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
Cloud Invoice	100.0%	Development and provision of bookkeeping and other cloud services
bizocean	100.0%	Operate the bizocean site for business information
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	50.4%	Digital marketing support and marketing platform services
SPALO	100.0%	Provides the dialogue-type AI documents service
Equity-method affiliates		
Primal	33.3%	Software development, sales, installation, and operational support services
NFC (Korea)	22.3%	Development and sales of payment services using near-field communications (NFC)
Pring	22.7%	Manages the pring money-transfer service, etc.

Note: following the absorption merger of Tribeck with bizocean in April 2021, the Company's investment ratio in Tribeck became 71.2%.
Source: Prepared by FISCO from the Company's securities report and news releases

Medium-term Management Plan Vision2025

Is aiming for ordinary income of ¥12.5bn in FY3/26 through transitioning the ERP business to a subscription model and developing the Comprehensive DX Platform business

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, digital transformation (DX) is quickly accelerating in society as a whole, and due to this and other factors, the Company's market environment is changing greatly. As its strategy in this situation toward continuously improving corporate value, 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."

(1) Policies by target customer for FY3/26

a) The tax accountant and CPA firms market

For the tax accountant and CPA firms market, which is currently one of the Company's main customer markets, by FY3/26 it is targeting building the No.1 network to support tax accountant and CPA firms' improvement of added-value. As a solution to achieve this target, it will provide management guidance and management support solution to tax accountant and CPA firms for their client companies.

b) The small/medium-sized companies market

For the small/medium-sized companies market, which is another of the Company's main markets, the image it is aiming to become by FY3/26 is to be the management innovation partner of small/medium-sized companies to help them realize DX. Toward achieving this target, it is providing total solutions through collaborations with Group companies and external partners for IT issues relating to corporate management. As the provision methods, it will conduct consulting sales by direct sales, which is one of the Company's strength, while it also aiming to develop agencies to be its partners.

c) Small/medium-sized companies and small-scale businesses market (new business area)

As a new business area, in addition to at tax accountant and CPA firms, the Company is aiming to promote the implementation of DX and management improvements at small/medium-sized companies and small-scale businesses, and to revitalize these companies and businesses. To achieve these targets, it is building the Comprehensive DX Platform and it will provide four DX solutions (marketing DX, business DX, operating DX, and finance DX) on this platform. It will provide the services online, and users will select and use the extended application of choice from the dashboard.

(2) Numerical management targets

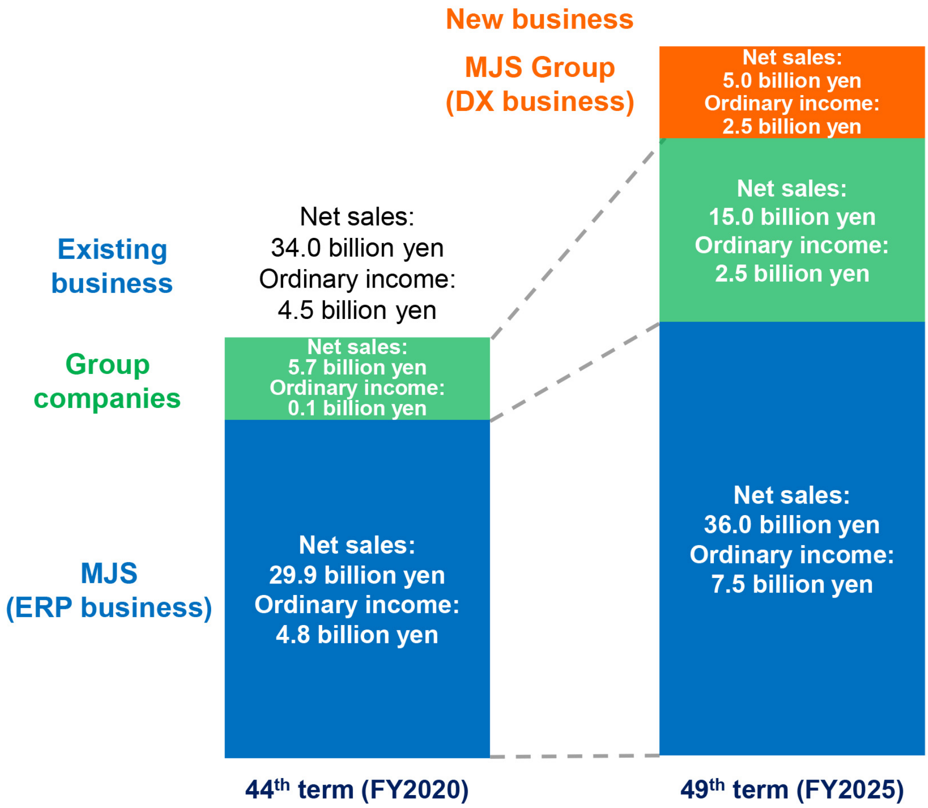
The Company's numerical management targets for FY3/26, which is the medium-term management plan's final fiscal year, are net sales of ¥55bn, ordinary income of ¥12.5bn, ROE of at least 20%, and an equity ratio of at least 50%. The five-year compound annual growth rate (CAGR) targets are 10.1% for net sales and 22.6% for ordinary income. Within these targets, compared to the Company's FY3/21 non-consolidated results of net sales of ¥29.9bn and ordinary income of ¥4.8bn, the FY3/26 targets are net sales of ¥36bn and ordinary income of ¥7.5bn. It is working to further strengthen the stable earnings foundation by expanding cloud services and transitioning to a subscription model. It intends to raise the percentage of sales provided by subscription model service revenues from the result of 39% in FY3/21 to 55% in FY3/26, while the outlook is that the ordinary income margin will rise from 13.2% in FY3/21 to more than 20% in FY3/26.

Also, the targets are to increase the Group companies' results from the FY3/21 results of net sales of ¥5.7bn and ordinary income of ¥0.1bn to net sales of ¥15bn and ordinary income of ¥2.5bn in FY3/26. In order for the Group companies to grow independently, they are working on measures including to strengthen synergies and to improve productivity through a Group reorganization. By subsidiary, it seems that synergies are high with subsidiaries such as Tribeck and Transtructure through mutual exchanges of customers with the Company, and high growth is expected in the future.

Moreover, the targets for the Comprehensive DX Platform business, which is a new business, are net sales of ¥5bn and ordinary income of ¥2.5bn in FY3/26. The high profit margin is because it seems possible to keep down customer-acquisition costs, such as advertising costs, as the prospective customers are the clients of tax accountant and CPA firms.

The intention is that within the first half of the five-year plan, the ERP business will be sequentially transitioned to a subscription model. Therefore, profit growth will be moderate in the first half but will accelerate across the second half.

FY3/26 management targets



Note: consolidation offsets are reflected in the consolidated results, so they do not match the results totals of each graph.
Source: Reprinted from the Medium-term Management Plan Vision2025

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

2. Basic strategies

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

(1) Tax accountant and CPA firms network No.1 strategy

To realize a strategy of having the No.1 tax accountant and CPA firms network, the Company intends to strengthen the functions of the ACELINK NX-Pro ERP system, while it is 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, while there are also tax accountant and CPA firms that use services other than for ERP (such as MJS M&A Partners' M&A support service). It proposes installations of ERP systems to these tax accountant and CPA firms, while it is also focusing on new customer acquisitions, such as of tax accountant and CPA firms that are newly launching independent businesses.

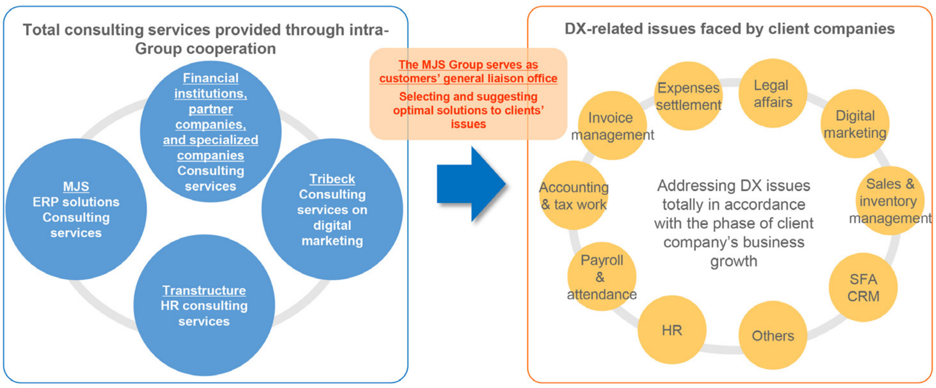
The Group is also working on maximizing customer loyalty by providing tools for management guidance to tax accountant and CPA firms for their client companies. For example, it provides to tax accountant and CPA firms a tool that makes it possible to predict cash flow conditions in the following few months by collecting data, such on client companies' monthly funding data and ordering data, and analyzing it using AI. If the tax accountants using this tool judge that their client companies need to carry out financing, they can provide them with this advice at the same time as introducing them to financial institutions, which has the major advantage for the tax accountant and CPA firms of being a new added-value service for their client companies. The plan is to provide this tool via the Comprehensive DX Platform.

(2) Comprehensive solutions and business strategy for small/medium-sized companies

The Group is developing comprehensive solutions and businesses by working to expand the service areas to respond to management issues and to maximize the creation of added value through consulting, toward the promotion of DX by small/medium-sized companies.

The DX-related issues facing customer companies are diverse, depending on the state of their business growth and environmental changes, and the Group is meeting these customer needs by selecting and providing solutions optimized for these issues, including from 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 corporate groups that are able to provide a one-stop solution to meet these diverse management-related consulting needs, and this can be said to be another strength of the MJS Group.

Comprehensive solutions and business strategy for small/medium-sized companies



Source: Reprinted from Medium-term Management Plan Vision2025

Also, for the mainstay ERP products, the Group is building competitive advantages by expanding AI functions, strengthening collaborations with external products by API, and improving convenience for customer companies. Its policy is also to plan and develop cloud-based (IaaS-based) and SaaS-based new products and to accelerate the shift to cloud services. It currently provides products via the sales forms of on premises-based and cloud-based (IaaS-based), but by FY3/26, each of Galileopt, MJSLINK, and ACELINK will mainly be provided as cloud-based (IaaS-based) or SaaS-based services, and the provision of on premises-based services is expected to decrease significantly.

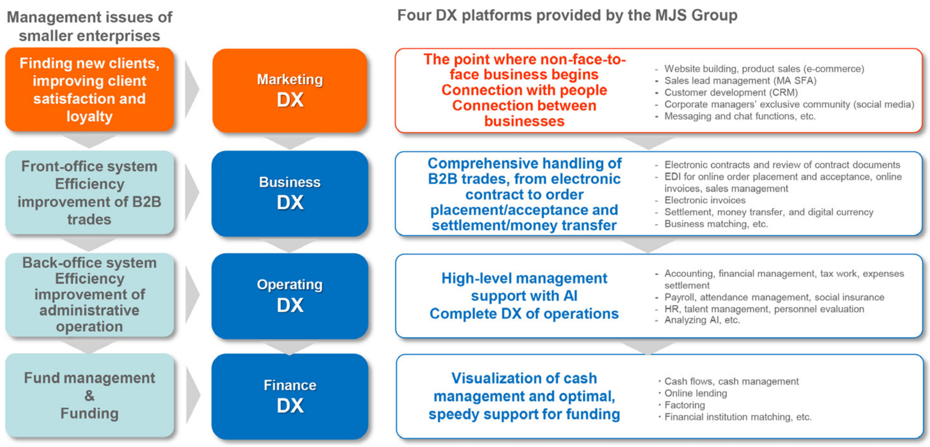
Other than the above, among the sales channels, direct sales will remain being the main channel in the future. However, it is considered that sales via sales agencies will grow through the development of implementation partners.

(3) Comprehensive DX Platform strategy

By building the Comprehensive DX Platform, the Company is aiming to promote DX for small/medium-sized companies and small-scale businesses and support their growth by improving their productivity and increasing their sales, and thereby to contribute to the development of the Japanese economy. There is a lack of digital human resources in small/medium-sized companies and small-scale businesses, and there are many companies that are not progressing DX as expected. Therefore, the Company's Comprehensive DX Platform has a UI design that enables its easy installation even without specialist IT knowledge and allows the necessary functions to be customized, and in addition, it enables integrated operations through a unified dashboard. In such ways, it is based on the concept of ease of use with the aim of increasing the number of user companies

The Company has prepared four DX platforms according to field and provides services on each. Specifically, the image is of providing multiple services on the four respective platforms of marketing DX, including for customer acquisition; business DX for front office-related; operating DX for back office-related; and finance DX, including for fund management and fund raising.

The Comprehensive DX Platform strategy (new business area)



Source: Reprinted from the Medium-term Management Plan Vision2025

For the Comprehensive DX Platform, the Company has set a strategy of creating a virtuous circle for growth by providing services that support customers based on thorough test marketing. The test marketing (provided for free) was launched in July 2021, while the paid-for service is scheduled to start from April 2022. It will create a virtuous circle in which during the free period, it will be used by a wide range of companies, mainly tax accountant and CPA firms' client companies, which is thought will lead to the spread of its use together with the customer success measures, and the value of the service will rise through the increase in users, and the earnings it generates will be reinvested in increasing its name awareness and in strengthening its functions.

In addition to the CMS/website construction and UI improvement services provided by Tribeck, the Group will build a customer base through providing cash flow-related services and communication tools to connect managers, as the basic services. Also, as optional services, it will provide not only products from within the Group, such as cloud-based ERP and marketing automation tools, but it will also provide services on the platform of products that are currently outside of the Group (the products of other companies), such as SFA and BI tools.

The Company's targets for FY3/26 are 35,000 user companies, ARPU of ¥12,000 per month, and net sales of ¥5bn. It estimates that the potential of the SaaS and software market for small/medium-sized companies and small-scale businesses is around ¥1.42tn*, so the potential demand is significant. The Comprehensive DX Platform will be an important strategy in order to achieve the targets in the medium-term management plan, so we shall be focusing on how the test marketing develops in the future.

* According to a research organization, the scale of the packages and SaaS market for small/medium-sized companies and small-scale businesses in 2019 was ¥89.2bn, and this figure is based on the MJS Group's questionnaire survey (in which, 6.3% of companies are "already working on DX on a company-wide basis").

(4) Converting to a cloud-based subscriptions business model

Currently, the Group is sequentially progressing the conversion to a cloud-based subscriptions model for ERP products, for which the majority of sales are currently for on premises-based. Converting to a subscription model will have a temporarily negative impact on profits, but it is expected to generate stable sales that are not influenced by external factors, while it will also enable the number of operations to be reduced at the time of a replacement purchase and to enable operating resources to be concentrated into acquiring new customers. In addition, positive effects are expected through the continuous provision of the latest system, such as being able to minimize maintenance costs for the old versions of products. In other words, converting to a cloud-based subscription model is expected to lead to continuous sales growth and improved profitability.

Viewed from the customer side also, the initial costs can be kept down and the management burden can be reduced, while customers can always use the latest functions, so the advantages of converting from on premises-based to subscription-based are great. As previously stated, the outlook is that the percentage of revenue from recurring income-type revenue, including subscription income, on a Company non-consolidated basis will increase from the FY3/21 result of 39% to 55% in FY3/26. This recurring income-type revenue includes sales of maintenance and support services when making an on-premises sales, and currently the sales ratio of these services is high. Going forward, by transitioning to a subscription model, the ratio of maintenance and support services will gradually lower.

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

The growth of Group companies is being promoted by utilizing their high consulting capabilities specialized in expert fields and their proprietary technologies, and increasing their comprehensive solutions capabilities while aiming to maximize synergies in the Group. Profitability is also being strengthened through conducting a Group reorganization and aiming to optimize the management structure.

In April 2021, Tribeck conducted an absorption merger of bizocean, which manages the bizocean business information website that has more than 3mn registered members. By combining their strengths of expertise in digital marketing, the aim is for it be a comprehensive DX consulting company providing support for tasks ranging from brand strategy through to customer acquisition and development.

Also, Transtructure is progressing the shift to the cloud and the automation of HR consulting services, while at the same time, it is acquiring new customers through seminars held jointly with the Company. Previously its sales area was limited to the Tokyo metropolitan area, but through the Company's development of a nationwide sales network, it is aiming to grow sales by promoting sales, including of a tool to objectively diagnose and evaluate companies' personnel systems and human resources development.

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 to be its second business area and by adding the Recruitment x DX service to the Comprehensive DX Platform. Also, MJS M&A Partners, which provides M&A consulting services for small/medium-sized companies, is aiming to strengthen its competitiveness, while progressing external collaborations, in order to respond to the increase in business succession needs.

The three subsidiaries that conduct the ERP business are aiming to grow by leveraging the technologies capabilities that each possesses and providing proprietary solutions for specific applications. In addition, their policy is to focus on developments, centered on the cloud and online areas, while also conducting personnel exchanges between the subsidiaries.

As previously stated, the Group companies' medium-term results targets are net sales of ¥15bn and ordinary income of ¥2.5bn in FY3/26, which are ambitious targets requiring significant growth from the FY3/21 results (net sales of ¥5.7bn, and ordinary income ¥0.1bn). To achieve these targets, at FISCO we think that the key point going forward will be to what extent can the Company expand the customer base for the Comprehensive DX Platform business. Its policy is to continue to conduct M&A, the candidates for which include companies with services that can be provided on the Comprehensive DX Platform.

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

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

For workplaces that are healthy and that 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 for all employees and thoroughly training human resources. In such ways, it is working to improve employee satisfaction and to strengthen the recruitment and development of human resources.

Also, through upgrading the in-house management information system, the aims are to speed-up and optimize management decision making by visualizing revenue-and-expenditure management by business and by product. At the same time, it is working on improving the productivity of management work and on realizing digitalization.

Business trends

Sales and profits declined in FY3/21, mainly due to the impact of COVID-19, but made steady progress in accumulating the customer base

1. FY3/21 results

In the FY3/21 consolidated results, net sales decreased 4.0% YoY to ¥34,066mn, operating income declined 13.4% to ¥4,526mn, ordinary income fell 15.1% to ¥4,511mn, and net income attributable to owners of parent increased 44.3% to ¥2,654mn. So sales and each profit item declined except for net income attributable to owners of parent, but every item was above their respective Company forecast.

Consolidated results for FY3/21

(¥mn)

	FY3/20		FY3/21				
	Results	Ratio	Company forecast	Results	Ratio	YoY	vs. forecast
Net sales	35,501	-	33,500	34,066	-	-4.0%	1.7%
Gross profit	20,532	57.8%	-	21,149	62.1%	3.0%	-
SG&A expenses	15,305	43.1%	-	16,623	48.8%	8.6%	-
Operating income	5,227	14.7%	4,400	4,526	13.3%	-13.4%	2.9%
Ordinary income	5,311	15.0%	4,350	4,511	13.2%	-15.1%	3.7%
Extraordinary losses	-2,529	-7.1%	-	-199	-0.6%	-	-
Net income attributable to owners of parent	1,839	5.2%	2,570	2,654	7.8%	44.3%	3.3%

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

The main factors behind the lower sales and profits were that the Japanese government issued a declaration of a state of emergency due to COVID-19 so sales activities were restricted in the 1Q, and also a rebound decline because during FY3/20, there was special demand for replacements of PCs before the end of support for Windows7. In particular, COVID-19 had a significantly negative impact on the profits of the subsidiaries, and the results of all the main subsidiaries declined greatly. Conversely, looking on a Company non-consolidated basis, although net sales declined 6.2% YoY to ¥29,933mn, operating income increased 0.3% to ¥4,781mn, so a slight increase in profits was secured. This was mainly because it made steady progress in acquiring new customers for general corporate ERP products, and also through the growth of remote tools and accounting cloud for small-scale businesses. Due to the progress made in transitioning to the subscription model for ERP products, recurring income-type services sales were strong, increasing 10.1% YoY. Also, the system installation contract sales balance (non-consolidated), which is a KPI for the Company, increased by 0.85 of a month to 5.50 months from the start of the period, and the impression is that the main businesses are performing strongly.

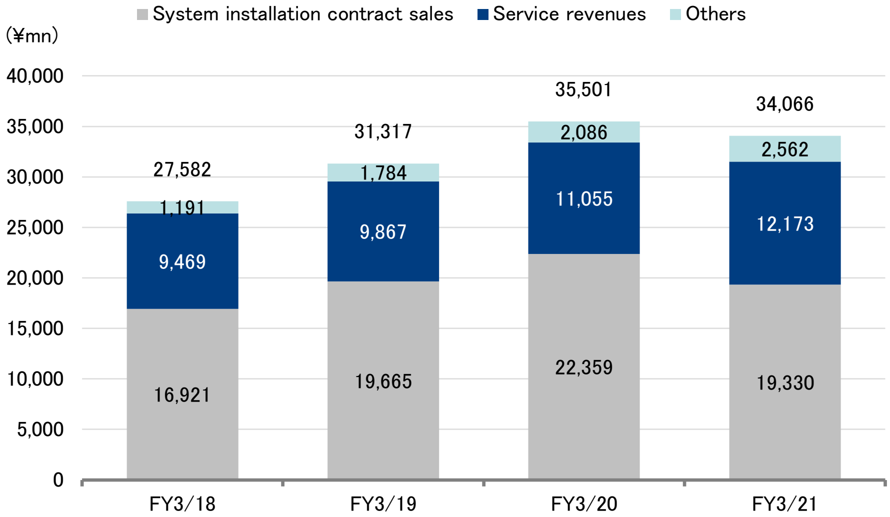
The gross profit margin improved by 4.3 percentage points (pp) YoY to 62.1%, including because of the improvement to the product mix and as depreciation declined ¥1,390mn. Depreciation declined mainly due to the recording in the previous period of a valuation loss on software assets of ¥2,516mn as an extraordinary loss, and the efforts to slim-down assets. Conversely, SG&A expenses rose 5.7pp YoY to 48.8%, mainly due to the increase in personnel expenses because of the recruitment of 70 new graduates and the addition of the new subsidiary. Other than personnel expenses, transportation expenses were kept down following the introduction of teleworking and internal expenses were also reduced, and expenses are being kept down on a Company-wide basis.

Recurring income-type service revenues are steadily growing through the expansion of the customer base

2. Sales trends by customer and product category

Looking at the breakdown of net sales, system installation contract sales decreased 13.5% YoY to ¥19,330mn, service revenues increased 10.1% to ¥12,173mn, and others (mainly the businesses of subsidiaries) increased 22.8% to ¥2,562mn.

Sales by product category



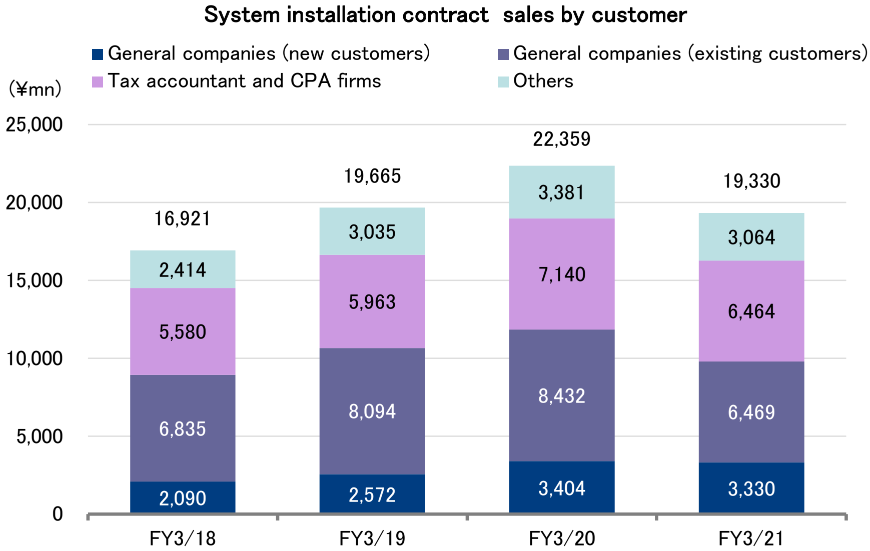
Source: Prepared by FISCO from the Company's results briefing materials

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

Looking at system installation contract sales by customer, sales to general companies (corporate) decreased 17.2% YoY to ¥9,800mn. Of this amount, sales to existing customers decreased significantly, down 23.3% to ¥6,469mn. Conversely, sales to new customer declined only 2.2% to ¥3,330mn, which is a sound result in the situation of the COVID-19 pandemic in which sales activities to acquire customers are being restricted, and this is leading to the expansion of the earnings base. This is because these new customer acquisitions lead to the accumulation of recurring income-type software operation assistance services and software usage fees*. Within corporate sales, the percentage from new customers rose significantly from 28.8% in the same period in the previous fiscal year to 34.0%.

* 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.

Sales to tax accountant and CPA firms decreased 9.5% YoY to ¥6,464mn. They were greatly affected by the special demand in the previous year to replace PCs, etc. before the end of support for Windows 7. That said, they were still high compared to the FY3/19 level and can be highly evaluated as performing strongly despite COVID-19. Others decreased 9.4% to ¥3,064mn, mainly because of the decline in sales via sales partners due to the impact of COVID-19.

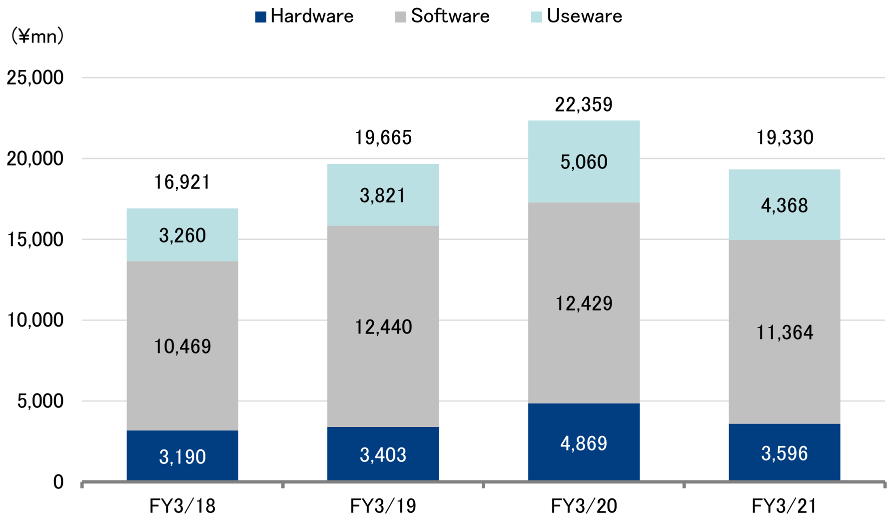


Note: Others includes sales by subsidiaries and the headquarters and sales to business partners
Source: Prepared by FISCO from the Company's results briefing materials

Also, looking at system installation contract sales by product category, software declined 8.6% YoY to ¥11,364mn, hardware fell 26.1% to ¥3,596mn, and useware (installation support services) decreased 13.7% to ¥4,368mn, so sales declined in every category. The reason for the large rate of decrease of hardware sales was that there were many cases of replacement purchases of hardware, such as PCs, in the previous period, in conjunction with the end of support for Windows7 in FY3/20.

Within software, in corporate ERP products, sales decreased of both Galileopt NX-Plus for medium-sized companies and MJSLINK NX-Plus for small/medium-sized companies. Also, continuing on from the ACELINK NX-Pro service for tax accountant and CPA firms, the Company started sales using the subscription model for corporate sales also, and the impact of some sales flowing to usage fees is included slightly within the sales-decrease factors.

System installation contract sales by product category



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

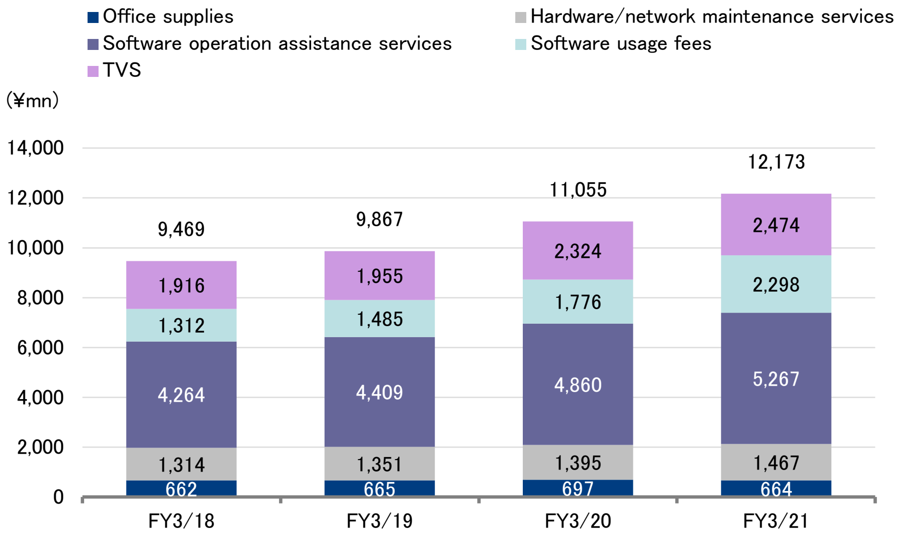
(2) Service revenues

Looking at the breakdown of service revenues, TVS (a comprehensive maintenance service for tax accountant and CPA firms) increased 6.5% YoY to ¥2,474mn, software usage fees rose 29.4% to ¥2,298mn, software operation assistance services (corporate software maintenance services) grew 8.4% to ¥5,267mn, hardware/ network maintenance services increased 5.1% to ¥1,467mn, and office supplies decreased 4.7% to ¥664mn.

For TVS, the number of customers is stably increasing and fee revisions have been implemented since July 2019. As a result, it continued to be the main increasing factor up to 1Q FY3/21. Looking by fiscal quarter, the sales-increase rate in the 1Q was an increase of 24.4% compared to the same quarter in the previous fiscal year, while it trended stably in the 2Q, rising by around 1% or 2%.

For software usage fees, customer numbers for various types of cloud services, such as Kantan Cloud Kaikei and Kantan Cloud Kyuyo for small businesses that are the clients of accounting firms, are continuing to increase by double digits annually, and in FY3/21, demand grew for remote tools for teleworking in addition to these services. Also, the start of the provision of corporate ERP cloud services from August 2020 is contributing to the increase in sales. With regards to this, the sales-increase rate on a fiscal half year basis was a YoY increase of 26.3% in the 1H, but an increase of 32.3% in the 2H, from which it can be read that growth is accelerating. Software operation assistance services also grew steadily from the accumulation of new customers. The only decline in sales was in office supplies, in which demand for copier paper and other supplies used in offices fell due to the impact of COVID-19.

Breakdown of service revenues



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

(3) Others

In others (mainly the businesses of the subsidiaries), net sales increased 22.8% YoY to ¥2,562mn. But this was from the effects of the addition of the new subsidiaries, and overall sales declined at the existing subsidiaries due to the impact of COVID-19. Transtructure was added to the Group from the 1Q of FY3/21 and Tribeck was added from the 4Q, and the addition of the total net sales of these two subsidiaries was slightly more than ¥1bn. So on an existing subsidiaries basis, at FISCO we think sales declined by around 20%.

Looking at the conditions at the main subsidiaries, bizocean's main source of revenue is advertising revenue from the bizocean business information website, but during the COVID-19 pandemic, clients' desire to post advertisements has slumped. At MJS M&A Partners as well, which provides business succession services, it has been unable to sufficiently provide face-to-face advisory services during the COVID-19 pandemic. At Adtop also, which conducts an advertising agency business specializing in HR recruitment and referrals, it appears that its severe results are due to the cooling-down of the desire to conduct recruitment.

The financial status is stable and soundness is ensured

3. Financial status and management indicators

Looking at the financial status at the end of FY3/21, total assets were up ¥4,610mn on the end of the previous fiscal period to ¥42,958mn. Looking at the main increase and decrease factors, in current assets, there were increases of cash and deposits of ¥287mn, accounts receivable of ¥272mn, and inventories of ¥271mn. In fixed assets, there were increases of goodwill of ¥1,022mn, software assets (including development in progress) of ¥989mn, and investments and other assets of ¥1,261mn.

Total liabilities were up ¥3,209mn on the end of the previous fiscal period to ¥22,528mn. The future of the economy is uncertain due to COVID-19, so the Company conducted bank borrowing in order to secure cash on hand and interest-bearing debt increased ¥2,787mn. Also, total net assets increased ¥1,400mn to ¥20,430mn. The main factors causing net assets to decrease were dividend payments of ¥1,171mn and acquisitions of treasury shares of ¥1,095mn. Conversely, the main factors causing net assets to increase were the recording of net income attributable to owners of parent of ¥2,654mn, and also increases of ¥556mn of the valuation difference of other available-for-sales securities due to the rise in the prices of shares held, and ¥461mn for non-controlling-interest income following the implementation of M&A.

Looking at the management indicators, mainly due to the increase in interest-bearing debt, the equity ratio declined from 49.6% at the end of the previous period to 46.5%, and other indicators, including the interest-bearing debt ratio, worsened slightly. However, the Company secured a surplus of net cash (more than ¥13bn excluding zero coupon convertible bonds) and it can be judged to be maintaining financial soundness.

Consolidated balance sheet

(¥mn)

	FY3/19	FY3/20	FY3/21	Change	Factors
Current assets	21,962	23,603	24,859	1,255	Cash and deposits +287, accounts receivable +272, inventories +271
Cash and deposits	16,271	17,979	18,267	287	
Fixed assets	16,213	14,716	18,078	3,362	Goodwill +1,022, Software assets (including development in progress) +989, Investments and other assets +1,261
Software assets (including development in progress)	7,512	4,532	5,522	989	
Total assets	38,211	38,348	42,958	4,610	
Current liabilities	7,491	7,096	10,636	3,539	Short-term borrowings +3,144
Fixed liabilities	12,661	12,222	11,891	-330	Long-term borrowings -349
Total liabilities	20,153	19,318	22,528	3,209	
Total net assets	18,058	19,029	20,430	1,400	Retained earnings+1,416, Treasury shares -1,030, Other accumulated comprehensive income +555
[Management indicators]					
Current ratio	293.2%	332.6%	233.7%		
Equity ratio	47.2%	49.6%	46.5%		
Interest-bearing debt ratio	75.9%	69.1%	78.1%		
ROE	21.7%	9.9%	13.6%		

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

The FY3/22 forecasts are for sales to increase but ordinary income to decrease due to the effects of transitioning to a subscription model and the increase in personnel expenses

4. Business outlook for FY3/22

In May, the Company announced the FY3/22 consolidated results forecasts, of an increase in sales but a decrease in profits, with net sales to increase 9.8% YoY to ¥37,400mn, operating income to decrease 11.0% to ¥4,030mn, ordinary income to decline 11.3% to ¥4,000mn, and net income attributable to owners of parent to fall 10.3% to ¥2,380mn. Subsequently on July 13th, it published the Notice of Change (transfer) of Affiliates Accounted for Using the Equity Method, Extraordinary Profit and Revisions to Forecasts, in which it upwardly revised the FY3/22 forecast for net income attributable to owners of parent from the initial forecast of ¥2,380mn to ¥3,810mn. According to the published material, the Company expects to generate extraordinary income of approximately ¥2,070mn from the sale of all of the shares it holds in equity-method affiliate pring (shareholding ratio, 22.7%) to Google of the US. The sale is scheduled to take place by the end of August 2021 and the gain on the sale will be recorded as extraordinary income in the 2Q. From FY3/22, the Company has adopted the Accounting Standard for Recognizing Revenue, etc. In the YoY comparisons in this section, the simply calculated values using the new and old standards are shown for your reference.

On a non-consolidated basis, net sales are forecast to increase only slightly, by 1.9% YoY. But on a consolidated basis, they are expected to increase by nearly 10% through the full year contribution of the sales of Tribeck, which was made a subsidiary in the previous 4Q, and also as sales at Group companies, which fell in the previous period due to the impact of COVID-19, are expected to recover. On the other hand, in profits, the profit-decrease factors will be the progress made in sequentially transitioning ERP products to a subscription model, which will have a temporarily negative effect, and also the increase in personnel expenses due to the active investment in human resources (on a non-consolidated basis, a record-high 85 new graduates will be recruited). As there are consolidation offsets, the difference between consolidated and non-consolidated results are not simply the results of the subsidiaries. But on looking at the difference between consolidated and non-consolidated operating income, it seems it will recover from negative ¥363mn in FY3/21 to above the breakeven point in FY3/22, so profit-loss at the subsidiaries will improve alongside their sales recoveries. Overall, the strong impression is that the profit forecasts are conservative, and as long as the impact of COVID-19 does not worsen, at FISCO we think that the results may exceed the forecasts.

Consolidated operating performance forecasts for FY3/22

(¥mn)

	FY3/21		FY3/22		
	Results	Ratio	Company forecast	Ratio	YoY
Net sales	34,066	-	37,400	-	9.8%
Operating income	4,526	13.3%	4,030	10.8%	-11.0%
Ordinary income	4,511	13.2%	4,000	10.7%	-11.3%
Net income attributable to owners of parent	2,654	7.8%	3,810	10.2%	43.5%
Earnings per share (EPS) (¥)	86.53		125.17		

Note 1: reflects the effects of the generation of extraordinary income disclosed on July 13, 2021
Note 2: From FY3/22, the Company has adopted the Accounting Standard for Recognizing Revenue, etc. For the YoY comparisons, the simply calculated values using the new and old standards are shown for your reference.
Source: Prepared by FISCO from the Company's financial results

FY3/22 non-consolidated outlook

(¥mn)

	FY3/21		FY3/22	
	Results	Ratio	Company forecast	Ratio
Net sales	29,933	-	30,500	-
Ordinary income	4,874	16.3%	4,000	13.1%
[Differences between consolidated and non-consolidated results]				
Net sales	4,133		6,900	
Ordinary income	-363		0	

Note: from FY3/22, the Company adopted the Accounting Standard for Recognizing Revenue, etc.
Source: Prepared by FISCO from the Company's financial results

The outlook for net sales in FY3/22 by product are for system installation contract sales to increase 5.8% YoY to ¥20,450mn, service revenues to rise 1.3% to ¥12,328mn, and others (mainly sales of subsidiaries) to grow 80.4% to ¥4,621mn.

For system installation contract sales, corporate sales are forecast to increase significantly, up 17.3% YoY to ¥11,493mn, mainly of the new ERP system MJSLINK DX (cloud-based) released in March 2021 for small/medium-sized companies. As a sales measure, the Company is newly launching 4 branches (in Hokkaido, Tohoku, Kanagawa, and Minami Kyushu) of solutions companies specializing in sales of ERP systems for small/medium-sized companies, so in total, 11 solutions branches will actively progress activities to increase sales. On the other hand, sales for tax accountant and CPA firms are forecast to decline 17.4% to ¥5,339mn. It is progressing the transition to a subscription model for tax accountant and CPA firms, and it appears this forecast is due to the effects of this. Also, others (sales by ERP subsidiaries, to sales partners, etc.) are forecast to grow by double digits, increasing 18.0% to ¥3,617mn, due to the sales recoveries at the ERP subsidiaries.

Looking at the breakdown of service revenues, software usage fees will continue to grow by double digits, increasing 14.8% YoY to ¥2,639mn. The main increase factor will be the sequential transition to the subscription model. Conversely, some sales will be affected by the change of accounting standard from FY3/22 (adoption of the standard for recognizing revenue), so the outlook is that the growth rate will be sluggish. However, on considering that the effect amount of several hundreds of millions of yen will be basically the same as the effect amount of transitioning to a subscription model, the impression is that the forecast is conservative and at FISCO, we think it is highly likely that the result will exceed the forecast. The outlook for software operation assistance services is also for the growth rate to be sluggish, increasing 2.6% YoY to ¥5,403mn. This is because when existing users replace MJSLINK DX, in the event that they enter-into a subscription contract, sales of maintenance services, which were previously recorded in software operation assistance services, are recorded in software usage fees. The same is the case for TVS, a comprehensive maintenance service for tax accountant and CPA firms, so it seems its sales will increase also slightly, up 0.4% to ¥2,483mn.

Sales trends by product category (consolidated basis)

(¥mn)

	FY3/19	FY3/20	FY3/21	FY3/22 E	YoY
System installation contract sales	19,665	22,359	19,330	20,450	5.8%
Hardware	3,403	4,869	3,596	3,650	1.5%
Software	12,440	12,429	11,364	12,035	5.9%
Useware	3,821	5,060	4,368	4,764	9.1%
Service revenues	9,867	11,055	12,173	12,328	1.3%
TVS	1,955	2,324	2,474	2,483	0.4%
Software usage fees	1,485	1,776	2,298	2,639	14.8%
Software operation assistance services	4,409	4,860	5,267	5,403	2.6%
Hardware/network maintenance services	1,351	1,395	1,467	1,355	-7.6%
Office supplies	665	697	664	445	-33.0%
Others	1,784	2,086	2,562	4,621	80.4%
Total	31,317	35,501	34,066	37,400	9.8%

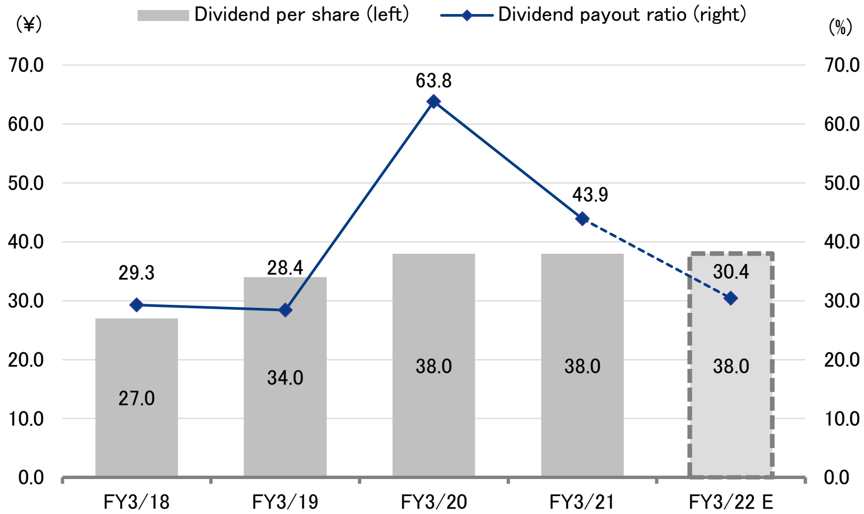
Note: Since FY3/22, the Company has adopted the Accounting Standard for Recognizing Revenue, etc. For the YoY comparisons, the simply calculated values using the new and old standards are shown for your reference.
Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

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

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%. In FY3/22, it plans to pay a dividend unchanged YoY of ¥38.0 (dividend payout ratio, 30.4%). 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 also acquires treasury shares at the optimum time in order to improve capital efficiency. Recently, from September to October 2020, it acquired 500,000 shares (1.61% of the total number of shares issued, excluding treasury shares) for ¥1,095mn, increasing its shareholding ratio of treasury shares to 12.5%.

Dividend per share and dividend payout ratio



Note: reflects the effects of the generation of extraordinary income disclosed on July 13, 2021
Source: Prepared by FISCO from the Company's financial results

FISCO

Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ 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