MIROKU JYOHO SERVICE

9928 Tokyo Stock Exchange Second Section

Company Research and Analysis Report
FISCO Ltd.
http://www.fisco.co.jp

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■Revenue Structure Shift Produces Record Earnings After 15 Periods

Miroku Jyoho Service (9928) develops and sells a variety of management systems and management information services, starting with ERP systems, chiefly focused on financial and accounting systems. It possesses a broad customer base from 8,400 tax accountant and certified public accountant firms (here in "accounting firms") to approximately 17,000 corporate customers, which are mainly small- and mid-sized companies from amongst the clients for which these firms act as advisors.

From the operating loss, which marked the low in FY3/06, results have traced a V-shape recovery, with FY3/12 operating profit reaching a record high for the first time in 15 periods. Further, net profit this period posted a new record high for the first time in 7 periods. MJS has succeeded in transforming from a business model centered on systems development and sales to a revenue model with recurring fee income from a variety of services. In FY3/13 a single-digit rise in revenues and profits is forecast on the back of upfront investment aimed at expanding R&D and new client acquisition, however, our impression is that it is somewhat conservative.

In 2010, as part of its growth strategy, Mid-term Management Plans (No.s 2 & 3) were released. In response to the issues of revenue expansion and improving capital efficiency, MJS is developing measures aimed at expanding its customer base and recurring fee revenues via new client acquisition. The 2nd Plan (ending FY3/14), which is currently in progress, has got off to a smooth start, with FY3/12 profit growth above expectations. Progress towards expected operating results benchmarks in FY3/17 under the 3rd Plan are likely to be the focus of share market attention going forward.

ERP (Enterprise Resource Planning: Comprehensive Operations Packages): Systems that manage critical management operations including purchasing, production, sales, shipping, warehousing, logistics, accounting, financial, human resources, general affairs and other matters required for corporate activities.

■Check Points

- Market leader in the Mid-tier ERP systems market
- Results expand with shift from saturated to growth markets
- Potential for further rises in investment return along with profit growth

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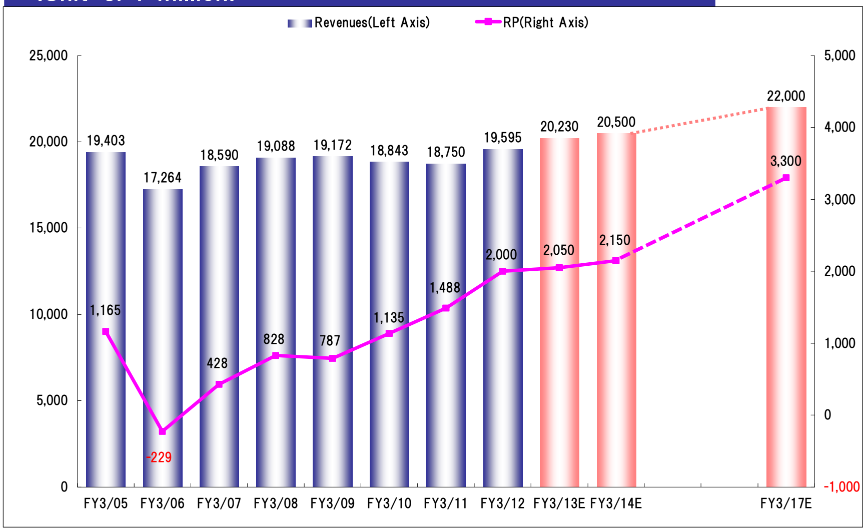
Results Trends & The Mid-term Management Plan
(Unit: JPY million)



Corporate History

Long-standing Position as a Developer and Vendor of Financial & Accounting Systems

Since its establishment in 1977, while transitioning its business model in response to changes in the times from data processing agency services at its data processing centers to office computers, the provision of package software, and acting as an intermediary network service provider, MJS has provided financial- and accounting-focused management systems and management information services. It enjoys a long-standing position in the Japanese market, as a corporate financial and accounting systems developer and vendor. Currently MJS is proceeding with its response to new "Cloud Computing" technology.

Core Service Format	Year	History
Data Processing Center	1977	MIROKU JYOHO SERVICE Co., Ltd. Established
	1978	New financial data processing system MS-1 developed & sales started
		Online terminal MJ S800 developed & sales started, online service commenced
Office Computing	1980	Shift from data processing center to office computing development & sales business
		Development & commencement of sales for the specialist MicroAce Model Series for accounting firms
	1983	Entry into the market for clients advised by accounting firms
		Development & commencement of sales for the specialist Pro Office Computing [Accounts] aimed at accounting firm clients
	1988	Re-established the MJS logo, unified corporate naming under MJS
Shift to Open Systems Package Software	1990	Developed & commenced sales for package software for PC installation "SI Financial Chief", "SI Sales Chief" and "SI Salary Chief"
	1992	Became a listed enterprise by an OTC listing on the Japan Securities Dealers Association (currently
	1994	Developed & commenced sales for the accounting telecommunications system MJS-COMPASS linking accounting firms and the client companies advised
	1996	Commenced construction on the Shinshaya Bldg. Shifted Head Office to Yotsuya, Shinjuku-Ku, Tokyo
		Established a customer service center to improve customer service
	1997	Listed on the TSE 2nd Section
	1998	Commence sales of the MICSNET Series ERP systems compatible with Windows NT® for mid-sized
	1999	Received approval for registration/certification as a systems integration company by METI
		Established MJS' think-tank the MJS Taxation Systems Research Facility
	2001	Commenced sales of the ACELINK Series of network solution systems for accounting firms
	2002	Commenced sales of the MJSLINK Series of operations and comprehensive information systems for small- and mid-sized companies
		Received ISO 9001:2000 certification for quality management standards
	2004	Developed business information system bizocean targeting businesspeople at small- and mid-sized companies and venture companies
	2005	Developed and commenced sales of the ACELINK Navi Series of network solution systems for accounting firms
Shift to Service Provider		Developed and commenced sales of the MJS i-Series of web-based operations systems for small- and mid-sized companies
		Developed and commenced sales of the Galileopt package ERP systems for mid-sized companies
	2007	Developed and commenced sales of the MJSLINK II Series of package ERP systems for small- and mid-sized companies
	2008	Concluded an official uniform partnership agreement with the J-Leagues Tokyo Verde
	2009	Received certification for all companies for the ISMS information security management system
	2011	Commenced sales the ACELINK NX-Pro ERP system for accounting firms
	2012	Commence sales of the Galileopt NX-I ERP system for mid-sized companies

Source: Prepared by FISCO referencing company materials

■Operational Overview

Results Expanding Via a Marketing Shift from Saturated to Growth Markets

・Scope of Operations

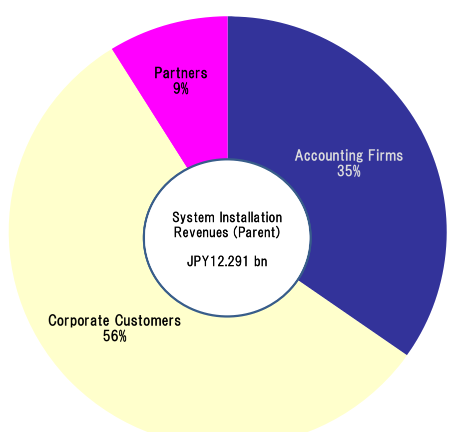
Aside from the development and sale of ERP (comprehensive operations management) systems, the core content of which is finance and accounting, MJS provides services that accompany systems installation, such as network development and installation support, and support services such as administration and maintenance.

・Marketing Channels ～Expanding Corporate Channels ～

At its establishment, the main customer base was accounting firms, however MJS has expanded its small- and mid-sized corporate customer base, centered around clients of those accounting firms, with current customer numbers reaching 8,400 workplaces at accounting firms, and approximately 17,000 small- and mid-sized corporate customers. Official statistics for the accounting firm market, which is MJS' forte, are slightly out of date, however, in the 2006 Ministry of Public Management, Home Affairs, Posts and Telecommunications "Workplace Census Report", approximately 32,000 offices were reported officially. Using this as a reference, MJS enjoys a market share of approximately 25%. In this field TKC (9746) competes with MJS, with TKC's national membership seemingly in the order of 10,000 plus (corporate customer numbers are not disclosed). MJS' business model is strong in direct sales to corporate customers advised by accounting firms subsequent to receiving a referral. Further, it provides low cost accounting software via accounting firms to small-scale companies and sole proprietors. Additionally, it undertakes sales to small- and mid-sized corporates via partner companies (sales agents) and by way of its own proprietary market development. Revenues by sales channel are disclosed (refer to the table below) under parent system installation contract revenues (1*). The percentage of revenues from accounting firms (parent base) has declined from comprising a level of 44% 5 periods ago in FY3/08 to 35% currently. The shift from the saturated accounting firm market to expanding corporate customers sales is one factor behind results gains.

1*) Parent system installation contract revenues: Gross revenue of sales of hardware, software and useware (support services for installation)

Revenue Breakdown by Customer Segment (FY3/12 Actual Results)



Source: Company materials

■Operating Segments

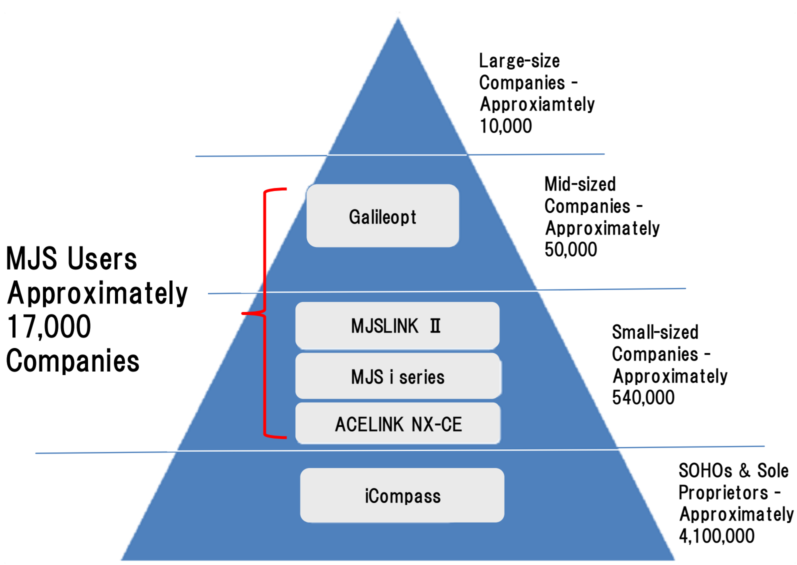
Transition to a High Recurring Fee Revenue Model

Operating Segment	Service Menu	FY3/11	FY/12	Percentage	Growth Rat	FY3/13	Percentage	Growth Rate
System Installation Contract Revenues		12,115	12,889	65%	6%	13,163	65%	2%
Hardware	PC, server & other hardware sales	2,038	2,133	10%	4%	2,097	10%	-1%
Software	Handling ERP systems & a variety of software	7,664	8,440	43%	10%	8,728	43%	3%
Userware	Initial set-up & other system installation support	2,412	2,315	11%	-4%	2,337	11%	1%
Service Income		6,511	6,668	34%	2%	6,923	34%	4%
TVS	Comprehensive services aimed at accounting firms	1,859	1,949	9%	4%	2,032	10	4
Software upgrade fees	Software upgrade fees	5	3	0%	-40%	1	0	-60
Software usage fees	Software rental aimed at clients advised by accounting firms	354	407	2%	15%	513	2	26
Software management & support sevices	Comprehensive maintenance services aimed at small- & mid-sized businesses	2,552	2,609	13%	2%	2,660	13	2
HV/NW maintenance service	Compuer hardware & network maintenance	1,120	1,103	5%	-1%	1,115	5	1
Supplies & office goods	Sales of supplies & office goods	618	593	3%	-4%	600	3	1
Other		123	37	0%	-69%	143	0%	279%
Consolidated Total		18,750	19,595	100%	4%	20,230	100%	3%

Source: Financial statement and company material

Consolidated revenues are comprised of 65% system installation contract revenues and 34% services income. ERP systems ACELINK NX-Pro for accounting firms, ACELINK NX-CE for their corporate clients, and MJSLINK Ⅱ for corporate customers secured the majority of software revenues. In particular, ACELINK NX-Pro, for which sales commenced in April 2011, contributed significantly to revenues in FY3/12. The corporate customer sales are as illustrated by the chart below, with the solutions line-up displayed by customer size. The new version of Galileopt NX-Ⅰ in the Galileopt series commenced sales in February 2012, and is expected to make a full-year contribution in FY3/13 year.

Solution Product Line-up By Customer Size



Source: Company material

■Operational Segments

The majority of service income is recurring fee revenue from annual contracts. Further, given that service income attracts comparatively higher margins than system installation contracts, structurally it forms a greater contribution to profits. TVS (Total Value Service) is a billing structure comprising a basic contract for JPY17,000/month plus an amount corresponding to the number of IDs, packaged with 24hour/365 day telephone support, a program upgrade service, an information service (free access rights to Dai-Ichi Hoki Co., Ltd.'s comprehensive legal and regulatory taxation and accounting database), various reports on matters such as taxation, management, trading and accounting, and discounts for all forms of training. The Software Management Support Service, while having partial variance in service content, is a version of TVS for corporate. Moreover, software usage fees are basic accounting software rental incomes that focus on bookkeeping such as the "iCompass Series" and "ACELINKS Navi Kicho-Kun" aimed at SOHOs, other small-scale enterprises and sole proprietors, with over 20,000 corporate customers using this service in addition to MJS' 17,000 small- and mid-sized corporate customers.

The table below, represents MJS' segment revenues and consolidated operating profit trends for the past 10 years. From these it can be seen that MJS has been able to improve results by expanding recurring fee service income revenues. In particular, given the high gross profit margins in service operations, it illustrates the impact of improvement in the sales mix.

10-Year Historical Revenue Model Changes

	FY3/02	FY3/03	FY3/04	FY3/05	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12
Consolidated Revenues	17,589	18,622	19,259	19,403	17,264	18,590	19,088	19,172	18,843	18,750	19,595
Software	6,970	8,037	8,599	9,187	7,709	8,365	8,490	8,466	7,962	7,664	8,440
Percentage	40%	43%	45%	47%	45%	45%	44%	44%	42%	41%	43%
Userware, HW & Other	5,824	5,958	5,911	5,519	4,710	5,186	5,333	5,087	4,654	4,575	4,487
Percentage	33%	32%	31%	28%	27%	28%	28%	27%	25%	24%	23%
Service income	4,795	4,627	4,749	4,697	4,845	5,039	5,265	5,619	6,227	6,511	6,668
Percentage	27%	25%	25%	24%	28%	27%	28%	29%	33%	35%	34%
(TVS)	(604)	(639)	(868)	(912)	(969)	(1,050)	(1,198)	(1,348)	(1,754)	(1,859)	(1,949)
(Software support service)	(782)	(945)	(1229)	(1404)	(1562)	(1722)	(1922)	(2189)	(2342)	(2552)	(2609)
Consolidated Operating Profits	-980	942	1,466	1,171	-239	447	833	833	1,169	1,506	2,023

Source: Company materials

External Environment & Competition

Market Leader in the Mid-tier ERP Systems Market

The domestic ERP (comprehensive operations) package licensing market was in the order of JPY105.8bn in FY2011 (source: Yano Research Institute data), and is expected to show stable growth of 5-7% per annum going forward. However, it is expected that disparities between companies will emerge depending on their responses to International Financial Reporting Standards (IFRS), the shift to Cloud, and responses to multimedia devices such as smartphones and tablet PCs.

Corporate competitors for ERP systems and financial and accounting software have been compiled in the table below. In ERP systems, which provide the driving force, participating companies vary by target customer size. MJS competes with firms such as Otsuka Corporation (4768), OBIC Co., Ltd. (4684) and OBIC Business Consultant Co., Ltd. (4733) for small- and mid-sized corporate customers, which are its area of core competence.

Major ERP Systems Players

	Brand	Provider
Large-sized companies & entities	SAP (R3)	SAP
	Glovia	Fujitsu
	Oracle	Oracle
	PeopleSoft	Oracle (#)
	JD Edwards	Oracle (#)
	Company	Work Applications
	Proactive2	SCSK (Formerly Sumisho Information Systems)
	EXPLAINER	NEC
Small- & Mid-sized companies	OBIC7	OBIC
	Smile α	Otsuka Corporation
	Super Cocktail	Uchida Yoko
	Kanjo Hoko	OBC
	Galileo/MJS Link II	MJS

Source: Fisco

Major Financial Accounting Package Software/ASP Players

Brand	Provider
Kanjo Hoko	OBC
-	TKC
IBEX Series	JDL
Finance Chief	MJS
PCA Accounting	PCA
Yayoi Series	Yayoi (Unlisted)
Finance Minister	Ohken (unlisted)

1): ASP is an abbreviation for application service provider, a service for periodicsoftware rental via the internet or other network.

2): Large-sized companies & entities are defined as annual sales more than JPY300bn

Risks

Exert Dominance by Raising the Cost of Switching to Other Firms

In MJS' securities reports and financial statements the following 5 operational risks (1) – (5) were recorded. Apart from risk factor (6), each of these risk factors was drafted by FISCO.

(1) Market Environment & Other Risks
In the accounting firm market, there is the risk of market shrinkage with fewer workplaces, given business succession issues at accounting firms. Further, there is the risk of increased competition with firms within the same industry. In respect of the risk of increased competition, aside from long-term usage by existing customers and 24-hour/365-day telephone support, with MJS' nationwide branch network, we feel that client-switching costs are relatively high.

(2) Risks in Relation to Software Development
These are systems defect risks from bugs etc. As a company specific risk, we feel that these carry the greatest impact. In cases where product appeal is lost due to issues such as obsolescence in any software that has been developed, the risk of loss is always present.

(3) Human Resource-Related Risks
We feel that expansion in MJS' operational scale is heavily reliant on its human resources. In cases where recruitment or training of staff is inadequate, or through staff turnover or other factors, there is the risk they will impact negatively on its growth strategy.

(4) Information Security Risks
Due to advances in Cloud Computing, in the mid- to long-term, it is expected that instances of customer information assets being entrusted will increase. Along with software defects, risks such as information leakage may be considered as fundamental management risks. At MJS, in order to avoid such risks, it is obtaining certification for its "Information Security Management Systems (ISMS)".

(5) Risk of Natural Disaster Etc.
There is a risk in cases where natural phenomena such as earthquakes, floods and other natural disasters occur that exceed expectations. It may be anticipated that risks such as the destruction of facilities, non-functionality of workplaces, or difficulty in maintaining supply chains due to severing of communications or transport infrastructure may occur.

(6) Litigation Risk
This is recorded as a contingent liability risk in the (Yukashoken Hokokusho) Securities Report. There is litigation at subsidiaries which is currently in dispute. In the event that awards of damages or other findings against MJS are confirmed, it is necessary to consider the potential for losses to arise.

■Market Share

Top Share in the Accounting Firm & Small- & Mid-sized Corporate Markets

MJS possesses strength in ERP systems for the accounting firm and small- and mid-sized corporate markets, with a 25% share in the accounting firm sector (financial accounting/taxation), and, with 17,000 corporate users, occupies the leading position in the mid-tier (companies with annual sales of JPY0.5-5.0bn) corporate ERP systems market, enjoying a 22% market share (source: MIC RESEARCH INSTITUTE LTD.'s "Market Outlook for Package Software for Major Operational Global Responses" FY2011 Edition).

To date, software replacement demand and support for existing customers, centered on accounting firms and their client companies they advise, has formed the basis of MJS' results. However, recently it is shifting its sales focus to new customer acquisition. Sales to new customers are growing each year, with the potential for gains in market share in the mid- to long-term rising.

■Intra-Industry Share Price Valuation Comparison

Potential for Further Gains in Returns on Investment Along with Profit Growth

In respect of MJS' share price valuation, in addition to those providing ERP (comprehensive operating) systems, we undertook a comparison of those in the industry providing financial and accounting systems (refer table below).

There is some disparity between companies, and while a sweeping comparison cannot be made, given that companies such as those commercializing package software show high returns on investment, even within the IT systems industry, the average PBR for the 15 companies exceeded 1x. However, of companies with a market capitalization of JPY100 bn or less, without exception those companies with an expected ROA of less than 10% had an expected PBR below 1x.

In terms of MJS' share price valuation, while its ROA and ROE, which represent capital efficiency, are above the mean, its expected PBR is around the mean. However, its expected PER falls within the mean, and it appears not yet at that stage where potential growth in mid- to long-term earnings has been factored in. Given that within MJS' growth strategy we may expect that, along with profit growth, further gains in capital efficiency, and, in the event of achieving its growth strategy, we feel that the growth premium will be reflected in the share price, and that there is considerable room for a rise in the share price.

Company Name	Listed	Period	Ticker Code	Share Price (JPY)	Market Capital (JPY mn)	PER (x)	PBR (x)	ROE (%)	ROA (%)
Oracle Japan	TSE 1	May	4716	3,425	435,309	15.8	7.2	45.5%	40.0%
Otsuka Corporation	TSE 1	Dec	4768	6,840	216,602	16.0	1.8	11.5%	10.5%
OBIC	TSE 1	Mar	4684	15,720	156,571	11.6	1.2	10.4%	13.1%
SCSK	TSE 1	Mar	9719	1,121	121,053	8.1	1.0	12.1%	6.1%
OBC	TSE 1	Mar	4733	4,115	83,024	14.7	1.2	8.2%	10.3%
TKC	TSE 1	Sep	9746	1,593	42,583	13.7	0.8	6.0%	7.9%
JDL	TSE 1	Mar	6935	880	29,878	9.5	0.4	4.4%	5.3%
MIROKU JYOHO SERVICE	**TSE 2**	**Mar**	**9928**	**262**	**9,119**	**8.3**	**1.1**	**12.8%**	**13.4%**
Pro-Ship	JQ	Mar	3763	1,695	6,368	6.7	1.3	19.8%	27.7%
Toyo Business Engineering	JQ	Mar	4828	1,260	2,520	11.5	0.9	7.9%	7.1%
PCA	TSE 2	Mar	9629	1,012	7,792	268.7	0.7	0.3%	0.4%
DIVA Corporation	JQ	Jun	3836	840	1,971	12.3	1.5	11.8%	11.8%
Cumulative 12 company total, cumulative mean value					**677,482**	**12.0**	**1.1**	**9.5%**	**8.8%**

Note 1: ROA and ROE are calculated dividing expected NP and OP for the current period into the previous period's shareholders' equity and total assets.
Note 2: Share prices are the final prices for July 13, 2012. Only PCA's is the final price on Jul5 5.
Note 3: JQ is an abbreviation for a JASDAQ listing

■Consolidated Results Trends

Our Impression is that FY3/13 Forecasts are Somewhat Conservative

・FY3/12 Actual Results

FY3/12 revenues were JPY19.595 bn (+4.5% compared with FY3/11), with operating profit of JPY2.023 bn (+34.3% YoY), recurring profit of JPY2.000 bn (+34.4% YoY), and net profit of JPY1.058 bn (+50.1% YoY). Compared with forecasts at the beginning of the period, revenues exceeded the target by approximately JPY300 mil and recurring profit by JPY400 mil, setting a new record for profits. Aside from replacement demand arising year-round, due to the introduction of the new product ACELINK NX-Pro aimed at accounting firms, due to increase the number of new customers, there was marked growth of 18% (parent) compared with FY3/11 in the accounting firm segment.

・FY3/13 Full-Year Earnings Forecasts

FY3/13 revenues are expected to be JPY20.23 bn (+3.2% compared with FY3/12), with operating profit of JPY2.07 bn (+2.3% YoY), recurring profit of JPY2.05 bn (+2.5% YoY), and net profit of JPY1.1 bn (+3.9% YoY). Revenues are expected to rise JPY634 mil YoY, within which it is planned that software revenues grow JPY287 mil and service income by JPY255 mil. The primary factors behind this are a full-year contribution from Galileopt NX-I, which was launched in February 2012 and targets mid-sized companies, as well as additional service incomes also from new installations for customers in FY3/12. From a cost of goods (COGs) perspective, with expansion in development costs, centered around Cloud Services, there is an increase of JPY286; while sales, general and administrative (SG&A) expenses are expected to rise by JPY301 mil. In particular, in addition to promotional expenses such advertising and sales merchandising, staff costs related to training and new recruitment are anticipated to rise. However, judging from the plan for revenues and expenses, our impression is that budgeted amounts are slightly conservative.

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Operating Segment	Service Menu	FY3/11	FY/12	Percentage	Growth Rate	FY3/13	Percentage	Growth Rate
System Installation Contract Revenues		12,115	12,889	65%	6%	13,163	65%	2%
Hardware	PC, server & other hardware sales	2,038	2,133	10%	4%	2,097	10%	-1%
Software	Handling ERP systems & a variety of software	7,664	8,440	43%	10%	8,728	43%	3%
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Other		123	37	0%	-69%	143	0%	279%
Consolidated Total		18,750	19,595	100%	4%	20,230	100%	3%

Source: Financial statement and company material

■FY3/13 Q1 (Apr-Jun) Actual Results

First quarter of FY3/13 results shows smooth start

Revenues were JPY4.998 bn (+6.1% YoY), operating profit JPY472 mil (+21.9% YoY), recurring profit JPY467 mil (+23.2% YoY), and quarterly net profit JPY261 mil (+38.5% YoY). Both revenues and recurring profit showed progress of around 50% towards planned first half operating results. Considering seasonality at MJS, where the Q1 (Apr-Jun period) results contribution is normally low, it was a sound start.

Looking at sales, there was balanced growth between systems installation contract revenues (+6.8% YoY) and service income (+4.0% YoY). Regarding the issue of new customer acquisition, double-digit growth over the previous period in account numbers for both accounting firms and corporate customers were the result of a focused approach. First half and full-year forecasts remain unchanged from the plan at the beginning of the period, however some room for an upward revision has emerged, depending on conditions from Q2 onwards.

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Growth Strategy

Fruits of the 2nd Mid-term Management Plan to be Reaped Under the 3rd Mid-term Management Plan

Fruits of the 2nd Mid-term Management Plan to be Reaped Under the 3rd Mid-term Management Plan

Within MJS' growth strategy, along with growing revenues, improving capital efficiency forms a key issue. Under MJS' Mid-term Management Plans prepared in November 2010 (see figure below), its vision listed are consolidating technical and management platforms in the 2nd plan, and new value creation in the 3rd plan. Currently, the 2nd Mid-term Management Plan is in progress. The first year of the 2nd plan concluded in FY3/12, and with outperformance over the plan from the beginning it is off to a solid start. We feel that the certainty of achieving plan targets has risen.

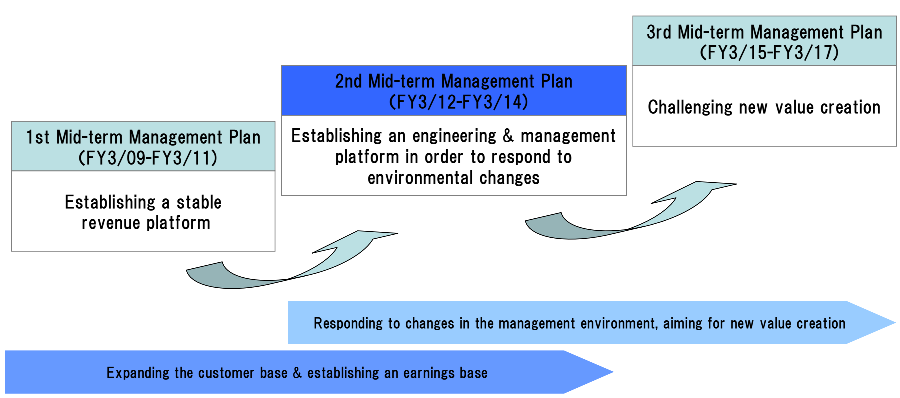
However, share market attention is likely to be on progress in relation to the 3rd Mid-term Management Plan's targets (refer to the table below – Management Plan Targets). Under the 2nd Plan, the focus was on responses to multimedia devices such as smartphones and tablet PCs, as well as engaging in Cloud Services. From the management platform perspective, the emphasis was on new customer acquisition and improving customer satisfaction by enhancing service sophistication in order to grow recurring fee revenues. Under the 3rd Plan, given that it is anticipated that it will be the time to reap the benefits of measures from the 2nd Plan, earnings growth targets have been set higher than those in the 2nd Plan. In respect of new value creation, in addition to development of Cloud and other existing operations, the focus is on the creation of new businesses.

From the perspective of the external environment, it is expected that revisions to accounting systems, of which the International Financial Reporting Standards are representative, or revisions to taxation laws, such as a rise in the rate of consumption tax, would provide an opportunity for MJS to expand operations due to inter alia systems replacement and installation.

2nd & 3rd Mid-term Management Plan Operating Targets (Units: JPY million, %)

	Result FY3/12	Plan FY3/13	2nd Mid-term Plan FY3/14	FY3/12→FY3/14 Annual Growth Rates	3rd Mid-term Plan 2017/3	FY3/14→FY3/17 Annual Growth Rates	FY3/12→FY3/17 Annual Growth Rates
Revenues	19,595	20,230	20,500	+2.3	22,000	+2.4	+2.3
System installation conti	12,899	13,163	13,300	+1.5	13,800	+1.2	+1.4
Service revenues	6,668	6,923	7,200	+3.9	8,200	+4.4	+4.2
Other	37	144	-		-		-
Recurring profit	2,000	2,050	2,150	+3.7	3,300	+15.4	+10.5
RP Margin	10.2%	10.1%	10.5%		15.0%		

Source: Company materials
Average annual growth rates are CGARs, representing compounded profit growth rates.



Source: Company materials

Profit & Loss Statement (Consolidated, JPY million, %)

	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/17
Revenues	17,264	18,590	19,088	19,172	18,843	18,750	19,595	20,230	20,500	22,000
COGs	6,875	7,500	7,753	7,748	7,205	6,442	6,850	7,140		
Gross profit	10,389	11,060	11,335	11,424	11,638	12,308	12,741	13,090		
SG&A	10,628	10,613	10,502	10,590	10,468	10,801	10,718	11,020		
Operating profit	-239	447	833	833	1,169	1,506	2,023	2,070		
Non-operating income	75	83	80	51	64	68	48			
Non-operating expenses	65	102	84	97	97	86	72			
Recurring profit	-229	428	828	787	1,135	1,488	2,000	2,050	2,150	3,300
Net profit	-182	211	336	24	558	705	1,058	1,100		
Per share data										
Shares issued	35	35	35	35	35	35	35	35		
Net profit	-5.2	6.1	9.7	0.7	16.0	20.3	30.4	31.6		
Free cashflow	27.9	-11.2	16.3	-12.1	31.6	23.4	58.2			
Shareholders' equity	242.5	240.9	233.4	220.7	223.0	226.9	247.5			
Dividends	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0		
Growth rate (%, YoY)										
Revenues	-11.0	+7.7	+2.7	+0.4	-1.7	-0.5	+4.5	+3.2	+1.3	+7.3
Operating profit	-	-	+86.4	+0.0	+40.3	+28.8	+34.3	+2.3		
Recurring profit	-	-	+93.5	-5.0	+44.2	+31.1	+34.4	+2.5	+4.9	+53.5
Net profit	-	-	+59.2	-92.9	23x	+26.3	+50.1	+3.9		
Margins (%)										
Gross profit	60.2	59.5	59.4	59.6	61.8	65.6	65.0	64.7	-	-
SG&A	61.6	57.1	55.0	55.2	55.6	57.6	54.7	54.5	-	-
Operating profit	-1.4	2.4	4.4	4.3	6.2	8.0	10.3	10.2	-	-
Recurring profit	-1.3	2.3	4.3	4.1	6.0	7.9	10.2	10.1	10.5	15.0
Net profit	-1.1	1.1	1.8	0.1	3.0	3.8	5.4	5.4	-	-

Source: Securities Report, 3/2014 & 3/2017 are Mid-term Management Plan targets.
Free cashflows calculated as the difference between operating and investment cashflows.
FY3/17 revenues and recurring profit growth rates are comparisons against FY3/14 results.

Consolidated Balance Sheet Trends (Consolidated, JPY million)

	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12
Current assets	10,204	12,154	7,225	6,673	7,460	7,327	8,080
Cash & cash equivalents	3,381	3,444	3,315	2,564	2,952	3,129	3,992
Receivables	4,776	5,471	2,932	3,080	3,479	3,221	2,841
Inventories	284	335	299	346	257	264	481
Fixed assets	8,036	8,633	8,179	8,120	7,580	7,666	7,351
Tangible fixed assets	4,273	4,257	4,276	4,195	4,113	4,038	4,003
Intangible fixed assets	1,389	1,249	1,502	1,746	1,545	1,809	1,445
Investments & other assets	8,036	3,126	2,400	2,178	1,921	1,818	1,902
Total assets	18,240	20,788	15,404	14,794	15,041	14,993	15,431
Current liabilities	8,378	11,191	5,903	5,343	5,841	4,978	5,474
Short-term interest bearing liabilities	4,481	5,699	2,499	2,357	2,581	1,802	1,820
Accounts payable	1,750	2,896	1,034	749	744	604	607
Fixed liabilities	1,263	1,070	1,376	1,768	1,438	2,115	1,341
Bonds	0	0	0	480	706	662	410
Long-term borrowings	1,105	832	1,219	1,130	547	1,289	819
Total liabilities	9,641	12,261	7,279	7,111	7,279	7,094	6,815
Shareholders' equity	8,442	8,385	8,124	7,682	7,761	7,899	8,615
(Retained earnings)	(3,030)	(2,859)	(2,816)	(2,453)	(2,629)	(2,958)	(3,650)
Total liabilities & shareholders' equity	18,240	20,788	15,404	14,794	15,041	14,993	15,431
Interest bearing liabilities	5,586	6,531	3,718	3,967	3,834	3,753	3,049
(of which Notes receivable discounts)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net liabilities (cash)	2,205	3,087	403	1,403	882	624	-943
Total capital employed	14,028	14,916	11,842	11,649	11,595	11,652	11,664
Ratio (a)							
ROE %	-2.2	2.5	4.1	0.3	7.1	8.8	12.8
ROA (%)	-1.3	2.2	5.4	5.6	7.8	10.0	13.1
Quick ratio	121.8	108.6	122.4	124.9	127.7	147.2	147.6
Shareholders' equity ratio	46.3	40.3	52.7	51.9	51.6	52.7	55.8
Interest bearing debt/Equity (x)	0.7	0.8	0.5	0.5	0.5	0.5	0.4
Total asset turnover (x)	0.95	0.89	1.24	1.30	1.25	1.25	1.27
Inventory turnover (x)	60.8	55.5	63.8	55.5	73.4	71.0	40.8
Interest coverage ratio (x)	-4.1	6.9	10.7	9.0	12.8	19.0	28.8

Source: Securities Report

Consolidated Cashflows (Consolidated, JPY million)

	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12
Net Cash Provided by (used in) Operating Activities	**311**	**682**	**615**	**601**	**1,316**	**1,054**	**2,570**
Income Before Income Taxes and Minority Interests	-19	405	776	323	1,167	1,381	2,003
Depreciation and Amortization	572	476	425	464	453	516	542
Income Taxes Paid	-248	-198	-431	-458	-205	-708	-749
Net Cash Provided by (Used in) Investment Activities	**660**	**-1,071**	**-47**	**-1,023**	**-215**	**-238**	**-546**
Purchase of Tangible Fixed Assets	-208	-111	-245	-127	-84	-121	-157
Proceeds from Sales of Intangible Fixed Assets	-132	-186	-503	-590	-258	-175	-167
Other Adjustments	82	-301	-24	38	-12	28	27
Net Cash Provided by (Used in) Financing Activities	**-1,015**	**451**	**-696**	**-329**	**-734**	**-738**	**-1,161**
Balance of short term borrowings	-62	550	-210	-100	-400	-200	0
Balance of bonds issued	-100	-50	0	589	340	-47	-244
Balance of long term borrowings	-426	258	-3	-302	-82	163	-461
Treasury stock accounts	0	95	-17	-816	-111	-181	0
Cash Dividends Paid	-378	-378	-383	-387	-382	-375	-367
Other Adjustments	-62	-83	-86	686	-99	-98	-89
Net Increase (Decrease) in Cash and Cash Equivalents	-43	63	-129	-751	368	77	862
Cash and Cash Equivalents at End of Period	3,373	3,436	3,307	2,555	2,924	3,001	3,863

Source: Extracts from the Securities Report and consolidated statement of cashflows