

**MIROKU JYOHO  
SERVICE**9928 Tokyo Stock Exchange First  
Section

31-Jul.-15

Important disclosures  
and disclaimers appear  
at the end of this document.FISCO Ltd. Analyst  
Yuzuru Sato**■ Achieved record highs in sales and profits in FY3/15 consolidated results**

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

In its consolidated financial results for FY3/15, the company achieved record highs in sales and profits due to the expansion of ERP systems and services for companies, with net sales up 1.4% YoY to ¥22,383mn and ordinary income up 6.8% to ¥2,587mn.

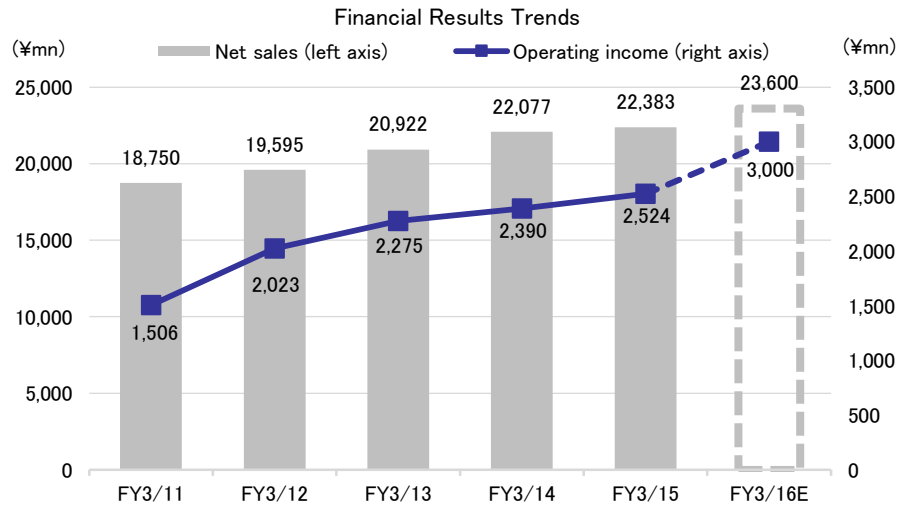
The trend of higher sales and profits is expected to continue in FY3/16, with net sales forecast to increase 5.4% YoY to ¥23,600mn and ordinary income 16.0% to ¥3,000mn. Anticipating the opportunity provided by the introduction of the Social Security and Tax Number System, MJS is strengthening its efforts to acquire new customers from among small/mid-sized companies and for cross sales to existing customers. It is also expecting to improve profitability by expanding software and service revenues, which have high margins among its sale items.

The 3rd Medium-Term Management Plan (three-year plan) that started from FY3/15 has management targets of net sales of ¥26,000mn and ordinary income of ¥4,000mn for FY3/17, the final year of the plan. In addition to achieving sustainable growth in its existing business through developing new products and services and strengthening its sales force, its policy is to establish an earnings foundations from new businesses.

In new businesses, the subsidiary MJS M&A Partners Co., Ltd. that it established in September 2014 has launched a new business that supports the business succession and revitalization of small/mid-sized companies. This fiscal period has been positioned as the first year to construct its business foundations and it is expected to become profitable from FY3/17 onwards. Also, in October 2014, MJS concluded a capital and business alliance with South Korean IT company Webcash and together they are progressing the joint development of new products and services. MJS is aiming to achieve its management targets for FY3/17 including the monetization of its Internet business, primarily through the business information website, bizocean.

**■ Check Point**

- A business model leveraging the strong trust relationship with tax accountant and CPA firms
- Improving profitability by expanding earnings from stock-type business through new customer acquisition
- Comparative share price valuation



Source: Company materials

## ■ Corporate Overview

### Long-established innovator of financial and accounting systems for tax accountant and CPA firms and small/mid-sized companies

#### (1) Corporate history

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



**MIROKU JYOHO SERVICE**

9928 Tokyo Stock Exchange First Section

31-Jul.-15

**Company History**

Core Service Format	Year	History
Data Processing Center	1977	MIROKU JYOHO SERVICE Co., Ltd. established
	1978	New financial data processing system MS-1 developed and sales started Online terminal MJS800 developed and sales and online service commenced
Office Computing	1980	Shift from data processing to office computing development and sales business Development and commencement of sales for the specialist MicroAce Model Series for accounting
	1983	Entry into the market for clients advised by tax accountant and CPA firms Development and commencement of sales for the specialist Pro Office Computing [Accounts] aimed at tax accountant and CPA firm clients
	1988	Re-established the MJS logo, unified corporate naming under MJS
Shift to Open Systems (Package Software)	1990	Developed and commenced sales for package software for PC installation "SI Financial Chief", "SI Sales Chief" and "SI Salary Chief"
	1992	Became a listed enterprise by an OTC listing on the Japan Securities Dealers Association (currently TSE JASDAQ)
	1994	Developed and commenced sales for the accounting telecommunications system MJS-COMPASS linking tax accountant and CPA firms and the client companies advised
	1996	Completed construction on the New Office Building. Shifted Head Office to Yotsuya, Shinjuku-Ku, Tokyo Established a customer service center to improve customer service
	1997	Listed on the TSE Second Section
	1998	Commenced sales of the MICSNET Series ERP systems compatible with Windows NT® for medium-sized companies
	2001	Commenced sales of the ACELINK Series of network solution systems for tax accountant and CPA firms
	2002	Commenced sales of the MJSLINK Series of operations and comprehensive information systems for small- and medium-sized companies
	2004	Developed business information system bizocean targeting business people at small- and medium-sized companies and venture companies
	2005	Developed and commenced sales of the ACELINK Navi Series of network solution systems for tax accountant and CPA firms Developed and commenced sales of the MJS i-Series of web-based operations systems for small/mid-sized companies Developed and commenced sales of the Galileopt package ERP systems for medium-sized enterprises
	Shift to Service Provider	2007
2011		Commenced sales the ACELINK NX-Pro ERP system for tax accountant and CPA firms (April)
2012		Commenced sales of the Galileopt NX-I ERP system for medium-sized companies (February) Listed on First Section of Tokyo Stock Exchange
2013		Commenced sales of MJSLINK NX-I ERP system for small- and medium-sized companies (April) Started providing three free multi-device compatible applications in the Money Tracker Series (September) Investment in consolidated accounting systems company Primal, Inc. (33.9%) and conversion into a consolidated affiliate (October)
2014		Established MJS M&A Partners that provides services supporting the business succession and revitalization of small/mid-sized companies (September)

Source: Prepared by FISCO from company materials

**Business model leveraging strong trust relationship with tax accountant and CPA firms**

**(2) Operational overview**

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

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



**MIROKU JYOHO SERVICE**

9928 Tokyo Stock Exchange First Section

31-Jul.-15

**MJS Operational Overview**

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

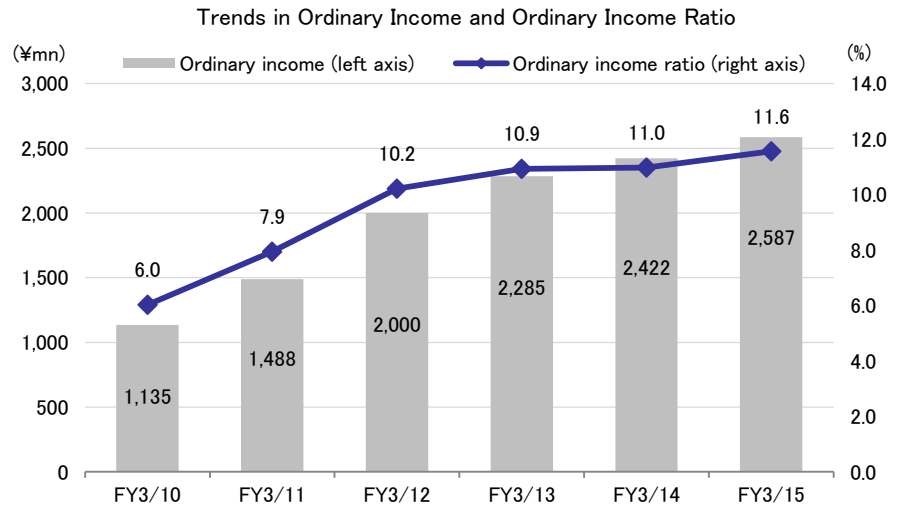
\* According to Market Outlook for Line-Of-Business Software Packages, 2013 Edition, by the MIC Research Institute, the share of the shipment total for ERP systems for mid-sized companies with annual sales of ¥500 million to ¥5 billion.

Source: Prepared by FISCO from company materials

**Improving profitability by expanding earnings from stock-type business through new customer acquisition**

**(3) Business trends**

In the last few years, MJS has focused on strengthening its stock-type business by acquiring new customers, expanding its customer foundations, and providing support services (including software, hardware, and network maintenance services). As a result, its earnings continue to grow while its profitability improves, and it has achieved record highs in four consecutive fiscal years on an ordinary income basis.



Source: Company materials

## Financial Result Trends

### Achieved record highs in sales for the first time in 15 years and for the fourth consecutive period for profits

#### (1) FY3/15 results overview

The consolidated financial results for FY3/15 announced on May 12 showed an increase in both sales and profits. Net sales were up 1.4% YoY to ¥22,383mn, operating income was up 5.6% to ¥2,524mn, ordinary income was up 6.8% to ¥2,587mn, and net income was up 26.5% to ¥1,757mn. Sales grew for products and services for companies and a record high was achieved in net sales for the first time in 15 years. In addition, records highs were recorded for each of operating income, ordinary income, and net income for the fourth consecutive fiscal year.

The effects of the efforts the company has made over the last few years for “expansion of customer base and increase in service revenues” and “thorough management of management targets with an awareness of the order backlog of sales” seems to have steadily permeated into results.

#### Consolidated Operating Results for FY3/15

(unit: ¥mn)

	FY3/14		FY3/15				
	Result	Ratio	Initial target	Result	Ratio	YoY	Change from target
Net sales	22,077	-	22,590	22,383	-	1.4%	-0.9%
Gross profit	13,714	62.1%	14,720	14,324	64.0%	4.5%	-1.5%
SG&A expenses	11,324	51.3%	12,200	11,800	52.7%	4.2%	-1.8%
Operating income	2,390	10.8%	2,520	2,524	11.3%	5.6%	0.2%
Ordinary income	2,422	11.0%	2,540	2,587	11.6%	6.8%	1.9%
Net income	1,389	6.3%	1,510	1,757	7.8%	26.5%	16.4%

Source: Prepared by FISCO from company materials

Sales of products and services for companies grew following the acquisition of new customers, and as a result, net sales continued their upward trend, increasing 1.4% YoY. Also, the gross profit margin grew by 1.9 percentage points to 64.0% due to the increase in the composition ratio of service revenues, which are highly profitable. The company increased its spending on advertising, sales promotions, and educating and training, and consequently SG&A expenses rose 1.4 percentage points to 52.7%. But despite this, because of the increase in the gross profit margin, the operating income ratio rose 0.5 of a percentage point to 11.3%.

Only net sales failed to achieve the initial target, but this was because sales from individual contract-based development at subsidiaries were lower than targeted. Also, the gain on sales of investment securities of ¥291mn was recorded as extraordinary income, and a double-digit increase in net income was achieved.

### Sales for companies are growing, while the accumulation of the order backlog is also proceeding smoothly

#### (2) Sales trends by customer and by product category

##### ○System installation contract sales by customer

Net sales from system installation contracts (the sales total for hardware, software, and useware) declined 2.1% YoY to ¥14,229mn, the first decline in sales in 5 fiscal years. Looking at this result by customer, although sales for small/mid-sized companies increased 4.6% to ¥7,032mn, this was exceeded by the declines to tax accountant and CPA firms of 4.4% to ¥4,880mn and to others (sales for partners, subsidiaries, etc.) of 14.7% to ¥2,317mn.

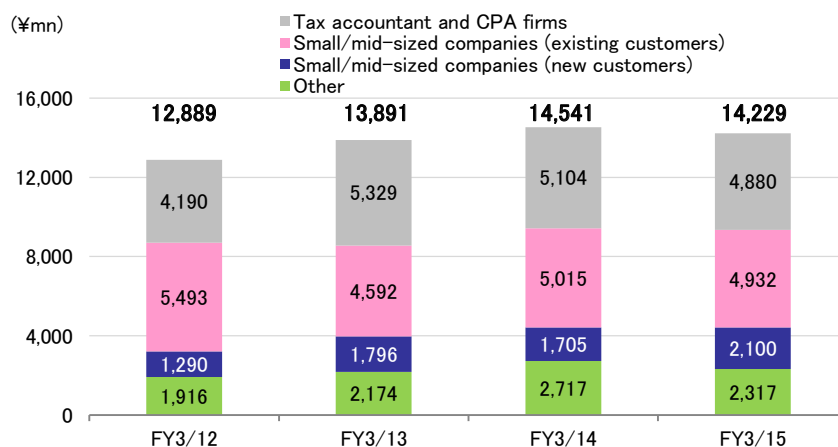
Looking at the breakdown for small/mid-sized companies, net sales were up 23.2% YoY to ¥2,100mn to new customers, but were down 1.7% to ¥4,932mn to existing customers, which suggests that the acquisition of new customers that MJS has been working on for the past few years is progressing smoothly. It regularly conducts study meetings at its nationwide sales offices in order to strengthen its ability to provide customers with proposals. It has been working to improve its ability to provide proposals that match customer needs, such as by sharing effective proposals throughout the company, and these efforts seem to be producing results in terms of acquiring new customers.

Within sales for small/mid-sized companies, the ratio for new customers was 29.9%, up 4.5 percentage points YoY.

One more indicator that the company prioritizes is the order backlog of sales for system installation contracts (non-consolidated). This had also increased by the end of FY3/15 to 4.2 month's worth, up 0.4 month's worth YoY, and it is steadily accumulating an order backlog. The background to this seems to be that not only have sales representatives improved their ability to manage management indicators, but branch managers have too.

Conversely, with regards to the major products for tax accountant and CPA firms with a lifecycle of around five years, ACELINK NX-Pro is about to enter its fourth year since its launch (April 2011), and the fact that replacement demand has also run its course is a factor behind the decline in sales.

System Installation Contract Revenues (by customer)



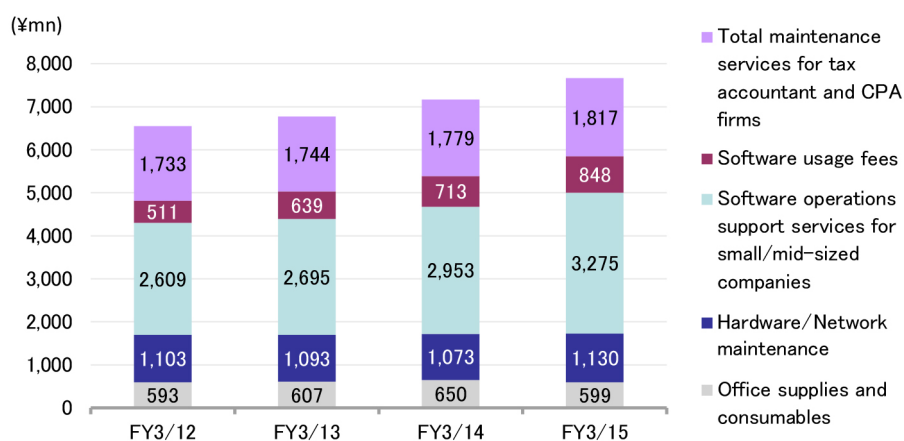
Note: Other (sales to partners, subsidiaries, and head office)

Source: Prepared by FISCO from company materials

○Service revenues

Net sales from service revenues steadily expanded, up 6.9% YoY to ¥7,671mn. Service revenues are a stock-type business that can earn stable income, so they have contributed to the improved stability of earnings. Looking at the breakdown, software operations support services for small/mid-sized companies (maintenance services) grew 10.9% to ¥3,275mn due to an increase in new customers. Also software usage fees for small businesses (iCompass NX and ACELINK NX, etc.), which are supplied to their client corporations of tax accountant and CPA firms, also grew, up 18.9% to ¥848mn due to an expansion in the number of contracted companies. Both performed strongly and exceeded their initial targets. Meanwhile, the total maintenance service for tax accountant and CPA firms, TVS, also benefited from new customer acquisition, with sales rising 2.1% to ¥1,817mn.

Breakdown of Service Revenues



Source: Company materials



**MIROKU JYOHO  
SERVICE**

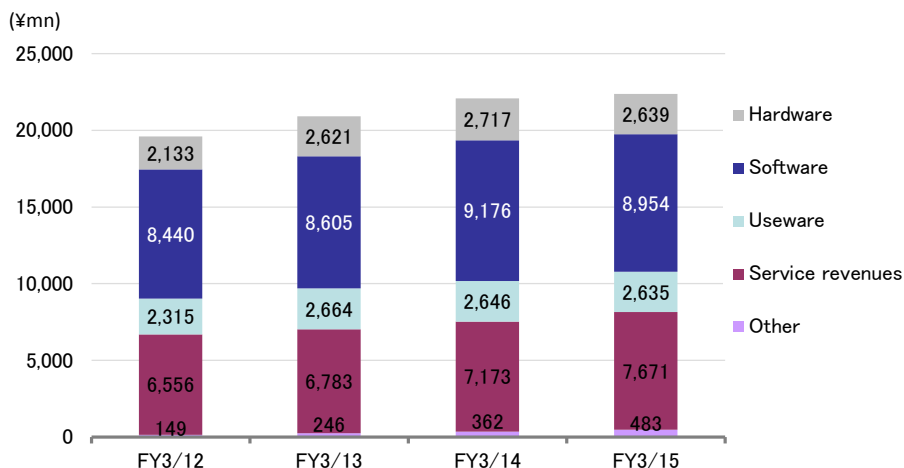
9928 Tokyo Stock Exchange First  
Section

31-Jul.-15

○Sales trends by product category

Looking at sales trends by product category, service revenues rose 6.9% YoY to ¥7,671mn thanks to an increase in software maintenance contracts following the acquisition of new customers. But sales of major software products were down 2.4% to ¥8,954mn because of declines in sales to tax accountant and CPA firms and from individual contract-based development at subsidiaries. Other sales increased 33.1% to ¥483mn, continuing the double-digit growth that it achieved in the past few years. This was mainly attributable to the popularity of the business information website, bizocean, which achieved over 1.5 million registered members, with an attendant rise in advertising revenues from the website. MJS operates bizocean for employees and employers in small- and mid-sized companies and business people.

Sales Trends by Product Category (consolidated basis)



Source: Company materials

**Financial structure has been improving in line with profit growth**

(3) Financial status

Looking at the company's financial status at the end of FY3/15, total assets had increased ¥287mn from the end of FY3/14 to ¥19,671mn. The main factors behind the rise in current assets were that the increase of cash and deposits of ¥1,498mn exceeded the declines in available-for-sale securities of ¥399mn, and in products of ¥135mn. In fixed assets, investment securities declined ¥646mn following the sale of some shares held in a business partner, while software assets were down ¥304mn.

Meanwhile, looking at liabilities, total liabilities were down ¥673mn from the end of FY3/14 to ¥6,324mn, as although consumption tax payable rose ¥366mn, interest-bearing debt, both short- and long-term declined ¥525mn, while deferred tax liability was down ¥503mn. In net assets, total assets increased ¥961mn to ¥13,346mn, because while the valuation difference on other available-for-sales investment securities was down ¥771mn, this was exceeded by the rise in capital surplus of ¥1,274mn, as well as a decline in treasury shares following the exercise of stock options (+¥486mn).

Over the last several years, strong earnings growth along with the reduction of interest-bearing debt had expanded net cash flow (cash and deposits + short-term investment securities – interest-bearing debt) as of the end of FY3/15 to over ¥4,000mn. Moreover, the shareholders' equity ratio continues to rise steadily, increasing from 59.9% at the end of FY3/13 to 67.8% as of the end of FY3/15, showing that the company's financial structure has been improving in line with its profit growth.



**MIROKU JYOHO SERVICE**

9928 Tokyo Stock Exchange First Section

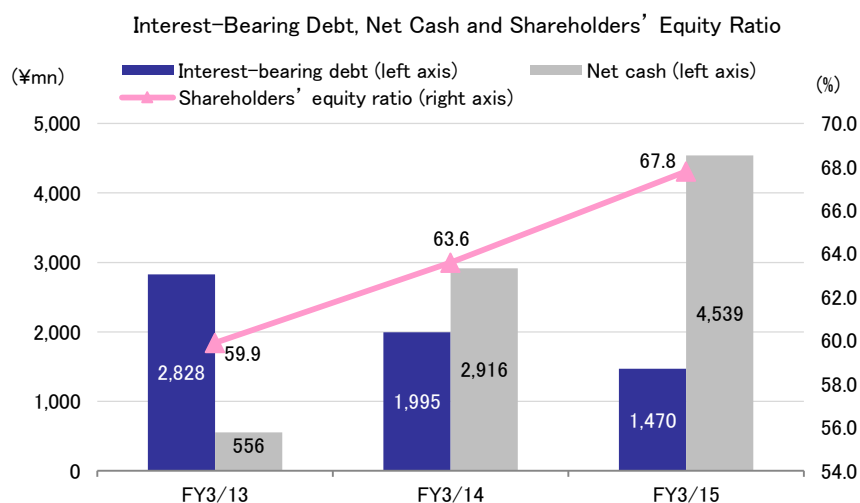
31-Jul.-15

**Consolidated Balance Sheet**

(unit: ¥mn)

	FY3/13	FY3/14	FY3/15	Change	Factors
Current assets	8,003	9,299	10,231	932	Cash and deposits+1,498, available-for-sale securities -399, Products -135
(Cash and deposits)	3,285	4,311	5,809	1,498	
Fixed assets	7,859	10,085	9,440	▲645	Investment securities -646, Software / software suspense account -304
Total assets	15,862	19,384	19,671	287	
Total liabilities	6,323	6,998	6,324	▲674	Deferred tax liability -503, Interest-bearing debt -525
Net assets	9,539	12,385	13,346	961	Capital surplus +486, Valuation difference on other available-for-sales investment securities -771
Interest-bearing debt	2,828	1,995	1,470	▲525	
Net cash	557	2,915	4,539	1,623	(Cash and deposits + available-for-sale securities – interest-bearing debt)
Management Indicators					
ROE (%)	13.1	12.7	13.7	1.0pt	
ROA (%)	14.6	13.7	13.2	▲0.5pt	
Current ratio (%)	150.3	180.2	186.4	6.2pt	
Shareholders' equity ratio (%)	59.9	63.6	67.8	4.2pt	

Source: Prepared by FISCO from company materials



\*Net cash “cash+deposits” + “available-for-sale securities” – “interest-bearing debt”  
Source: Prepared by FISCO from company materials

**Higher sales and profits are expected this period for the fifth consecutive period**

**(3) Business outlook for FY3/15**

The FY3/16 consolidated business outlook is net sales up 5.4% YoY to ¥23,600mn, operating income up 18.8% to ¥3,000mn, ordinary income up 16.0% to ¥3,000mn, and net income up 3.0% to ¥1,810mn, for the fifth consecutive fiscal year of higher sales and profits. The operating income ratio is also expected to rise from 11.3% in the previous fiscal year to 12.7% due to the effects of the increased sales and the improvements to the product mix.





## MIROKU JYOHO SERVICE

9928 Tokyo Stock Exchange First  
Section

31-Jul.-15

### Consolidated Operating Performance Outlook for FY3/15

(unit: ¥mn)

	FY3/15		FY3/16 E		
	Result	Ratio	Company target	Ratio	YoY
Net sales	22,383	-	23,600	-	5.4%
Gross profit	14,324	64.0%	15,560	65.9%	8.6%
SG&A expenses	11,800	52.7%	12,560	53.2%	6.4%
Operating income	2,524	11.3%	3,000	12.7%	18.8%
Ordinary income	2,587	11.6%	3,000	12.7%	16.0%
Net income	1,757	7.9%	1,810	7.7%	3.0%

Source: Prepared by FISCO from company materials

The company is focusing its efforts on the following three points in this period; “expanding service revenues by actively acquiring new customers,” “providing high quality products and services and further enhancing functions to improve the level of customer satisfaction,” and “building and promoting the foundations for new businesses.”

#### ○Expanding service revenues by actively acquiring new customers

Using as an opening the Social Security and Tax Number System scheduled to be introduced from January 2016, MJS is focusing on new customer acquisition and cross sales to existing customers. Through the introduction of the Social Security and Tax Number System, the work burden on companies will increase, as for example, they will be obliged to take safety measures for the management of individual numbers in the Social Security and Tax Number System. The company plans to release a My Number management system targeting use with the Social Security and Tax Number System this year in September to October, and sales of security products are expected to expand in conjunction with this. In addition to sales to existing customers, its strategy is to use the same product as a hook for new customers, which should result in the acquisition of orders for ERP systems. Also, it will continue to strengthen the MJS brand through the TV commercials that it has been focusing on since the previous fiscal period and also to actively conduct sales promotion activities through seminars and study meetings.

#### ○Providing high quality products and services and further enhancing functions to improve the level of customer satisfaction

Amid the continuing diversification of customer needs and the innovations in IT technology, MJS is strengthening the foundations of its development system that is able to continuously provide high quality products and services. It also continues to enhance functions for existing products, including by responding to the introduction of the Social Security and Tax Number System, the revisions to the Electronic Document Act, and to the cloud.

#### ○Building and promoting the foundations for new businesses

As a new business, the subsidiary MJS M&A Partners has launched a business providing services supporting the business succession and revitalization of small/mid-sized companies. It is currently active primarily in the Tokyo metropolitan area in a 6 person system, and it has already secured a number of projects. This fiscal year has been positioned as the first year to construct the business foundations and it is aiming to become profitable from FY3/17 onwards.

Also, the new cloud service that the company is jointly developing with Webcash\*, a South Korean company with which it concluded a capital and business alliance, is scheduled to be launched during this fiscal period and to contribute to results from FY3/17. These are also business models that will contribute stock-type revenues.

## System installation contracts sales are forecast to halt their decline and increase

### (2) Sales forecasts by customer and by product category

#### ○Outlook for system installation contract sales by customer

System installation contracts net sales are forecast to halt their decline and increase 5.8% YoY to ¥15,057mn. While sales to tax accountant and CPA firms are set to continue to fall as replacement demand declines, sales of ERP systems for small/mid-sized companies are expected to increase by a double-digit 16.1% though new customer acquisition. Sales via the partner companies (indirect sales) and subsidiaries are also both forecast to increase.

\* Webcash corporate cash management services are currently used by 50% of South Korea's more than 10,000 large and mid-sized companies and more than 50,000 of the country's 200,000 small- and medium-sized companies.



MIROKU JYOHO  
SERVICE

9928 Tokyo Stock Exchange First  
Section

31-Jul.-15

### Sales by customer (system installation contracts sales)

	(unit: ¥mn)				
	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16 E
Net sales	12,889	13,891	14,541	14,229	15,057
Tax accountant and CPA firms	4,190	5,329	5,104	4,880	3,734
Small/mid-sized companies	6,783	6,388	6,720	7,032	8,164
Other	1,916	2,174	2,717	2,317	3,159
(Growth rate)					
Net sales	15.4%	7.8%	4.7%	-2.1%	5.8%
Tax accountant and CPA firms	16.3%	27.2%	-4.2%	-4.4%	-23.5%
Small/mid-sized companies	1.9%	-5.8%	5.2%	4.6%	16.1%
Other	111.0%	13.5%	25.0%	-14.7%	36.3%

Source: The company's financial results briefing materials

#### ○Sales outlook by product category

In sales by product category, main software sales are expected to halt their decline and increase 9.3% YoY to ¥9,788mn due to the expanded sales of ERP systems for small/mid-sized companies and the higher sales at subsidiaries. Also, from the anticipated progress in acquiring new customers, service revenues are forecast to steadily rise 2.6% to ¥7,872mn, while the increased sales from the highly profitable software and service revenues will contribute to improved profitability.

### Consolidated sales by product category

	(unit: ¥mn)				
Business Segment	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16 E
System installation contract sales	12,889	13,891	14,541	14,229	15,057
Hardware	2,133	2,621	2,717	2,639	2,666
Software	8,440	8,605	9,176	8,954	9,788
Ueware	2,315	2,664	2,646	2,635	2,602
Service revenues	6,556	6,783	7,173	7,671	7,872
Other	149	246	362	483	671
Consolidated total	19,595	20,922	22,077	22,383	23,600
(YoY)					
System installation contract sales	6.4%	7.8%	4.7%	-2.1%	5.8%
Hardware	4.7%	22.9%	3.7%	-2.9%	1.0%
Software	10.1%	2.0%	6.6%	-2.4%	9.3%
Ueware	-4.0%	15.1%	-0.7%	-0.4%	-1.2%
Service revenues	0.7%	3.5%	5.7%	6.9%	2.6%
Other	21.1%	65.1%	47.2%	33.4%	38.9%
Consolidated total	4.5%	6.8%	5.5%	1.4%	5.4%

Source: Company materials

## ■ 3rd Medium-term Management Plan

### Pursing a growth strategy by strengthening partner companies and initiatives for new business

The company's management vision in its 3rd Medium-term Management Plan, which started from FY3/15, is "Challenging the creation of new value," and it has positioned the three years of the plan as a startup period to a new growth stage.

MJS's management targets for FY3/17, the final fiscal year of the plan, are net sales of ¥26,000mn, ordinary income of ¥4,000mn, net income of ¥2,450mn, ROE of 15%, and an ordinary income margin of 15%.

#### ○Expanding business with partners

The company is focusing on business expansion leveraging its customer platform and its highly profitable businesses and is continuing to restructure its business portfolio. In terms of its sales system, from the fact that it has strengthened its sales force by direct sales, it is thought that it also wants to promote the enhancement of partner companies in the future. The company has around 400 partner companies nationwide, but sales through them remain at a low percentage of total sales, at no more than about 5%. This is because a majority of its partner companies are not sufficiently knowledgeable about MJS products, which is a factor limiting their business to introductions to the company.

Therefore, in the future it is planning initiatives for independent sales activities by partners companies, and reforming the partner system and constructing a new educational program so that they can link up until the conclusion of contracts. The goal is to construct a system that will enable these companies to actively carry out sales activities after receiving a certain level of education and training and becoming knowledgeable about the company's products. MJS hopes to increase sales via partner companies by strengthening its relations with them.

○ **Initiatives for new businesses**

The company is also focusing its efforts on new businesses. As was described above, the service supporting the business succession and revitalization of small/medium-sized companies has made a smooth start and there are major expectations for its growth in the future. Within the company's customers, the prospective customers are the clients of tax accountant and CPA firms that approve the use of this service. Therefore, new projects will be preferentially directed to the company via tax accountant and CPA firms. The company counts among its customers 8,400 tax accountant and CPA firms, while there are more than 500,000 small- and medium-sized companies and micro companies that are their clients. If the company strengthens its relations with tax accountant and CPA firms, it can be said to have extremely large growth potential.

Basically, the company stands on the sell-side in M&A negotiations, and negotiates conditions with buyers such as financial institutions or M&A operators to conclude contracts.

It will also focus its efforts on the Internet business. Currently, the members of its business information website, bizocean have grown to in excess of 1.5 million people and advertising revenues have expanded to as high as around ¥400 to ¥500mn a year. The majority of its users are employees and employers in companies and business people, and if it can develop paid-for content targeting this group, it may achieve even greater earnings. MJS is currently at the stage of investigating content that it expects to be profitable.

If new businesses grow steadily from FY3/18 onwards, it should have in its sights its next management targets, of net sales of ¥50 billion and an ordinary income ratio of 30% in fiscal 2020.

## ■ Comparative Share Price Valuation

### Earnings indicators compare favorably to industry peers and feel undervalued

We conducted a comparison with respect to MJS's share price valuation against 12 corporate peers that provide financial and accounting systems, in addition to ERP system vendors. The company's share price has risen around 30% since the start of the year, from around the ¥600 level to around ¥790. However, expected PER and actual PBR were all lower than the 12-peer average, and indicators such as ROE, ROA and dividend yield were all at high levels. Notably, compared to major ERP system vendors, the levels of the company's earnings indicators such as ROE and ROA compared favorably, but PER and PBR were low.

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

**Comparative Share Price Valuation**

Code	Name	Listed	Period	Share price (¥)	Market capital (¥mn)	PER (times)	PBR (times)	ROE (%)	ROA (%)	Dividend yield (%)
4716	Oracle Japan	TSE 1st	May	5,120	651,269	22.5	6.2	27.6%	28.0%	1.8%
4768	Otsuka Corporation	TSE 1st	Dec.	5,720	542,263	23.0	3.5	15.2%	12.2%	1.7%
4684	OBIC	TSE 1st	Mar.	5,460	489,658	24.2	3.3	13.4%	16.9%	1.4%
9719	SCSK	TSE 1st	Mar.	3,735	387,562	17.6	2.9	16.6%	9.0%	1.9%
4733	OBC	TSE 1st	Mar.	4,610	173,255	24.9	1.9	7.6%	9.9%	1.3%
9746	TKK	TSE 1st	Sep.	3,470	92,055	24.8	1.5	6.1%	8.6%	2.0%
6935	JDL	TSE 1st	Mar.	1,710	57,981	15.7	0.7	4.6%	5.3%	2.3%
9928	MIROKU JYOHO SERVICE	TSE 1st	Mar.	790	24,903	13.8	1.9	13.6%	15.3%	1.9%
3763	Pro-Ship	JQ	Mar.	1,528	10,469	79.9	0.9	1.2%	1.7%	2.0%
9629	PCA	TSE 2nd	Mar.	2,450	9,015	12.1	1.5	12.4%	16.4%	2.9%
4828	Toyo Business Engineering	TSE 1st	Mar.	1,440	8,639	39.3	2.8	7.1%	7.2%	1.0%
3836	Avant	JQ	Jun.	1,457	6,839	15.7	2.5	16.0%	15.0%	1.0%
Total, mean value for 12 companies					2,453,905	21.8	3.0	13.9%	12.9%	1.9%

Notes: 1. Expected PER and dividend yield are estimates for this period. Actual PBR was calculated based on the immediately preceding quarter. ROE and ROA are calculated by dividing expected net income and ordinary income for the current period into the previous quarter's shareholders' equity and total assets  
 2. Share prices are the closing prices for Jun. 30, 2015  
 3. JQ under "Listed" stands for TSE JASDAQ

Source: Prepared by FISCO

**Income Statement**

	(unit: ¥mn)			
	FY3/13	FY3/14	FY3/15	FY3/16 E
Net sales	20,922	22,077	22,383	23,600
Gross profit	13,481	13,758	14,333	15,560
SG&A expenses	11,210	11,324	11,800	12,560
Operating income	2,275	2,390	2,524	3,000
Non-operating income	71	76	87	-
Non-operating expenses	61	43	24	-
Ordinary income	2,285	2,422	2,587	3,000
Extraordinary income	0	2	291	-
Extraordinary loss	533	4	1	-
EBIT	1,752	2,420	2,876	-
Corporate income tax	564	1,031	1,119	-
Net income	1,187	1,389	1,757	1,810
Per share (yen)				
Number of shares outstanding (million shares)	34	34	34	34
Net income per share (yen)	38.73	45.29	55.76	57.42
Net assets per share (yen)	310.05	402.29	411.46	-
Dividend per share (yen)	12.0	15.0	15.0	15.0
YoY Change				
Net sales	+6.8	+5.5	+1.4	+5.4
Operating income	+12.4	+5.1	+5.6	+18.8
Ordinary income	+14.3	+6.0	+6.8	+16.0
Net income	+12.2	+16.9	+26.5	+3.0
Margin (%)				
Gross profit	64.4	62.3	64.0	65.9
SG&A expenses	53.6	51.3	52.7	53.2
Operating income	10.9	10.8	11.3	12.7
Ordinary income	10.9	11.0	11.6	12.7
Net income	5.7	6.3	7.8	7.7

Source: Company materials

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