

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

17-Feb.-16

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato**■ New record high half-year results driven by progress in developing customers among small/mid-sized companies**

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.

Consolidated financial results for 1H FY3/16 (April to September 2015) showed a strong performance with new record high half-year results and also exceeded the initial target. Net sales rose 5.1% YoY to ¥11,833mn, while operating income was up 10.0% to ¥1,433mn. The increases were mainly driven by progress in developing new customers among small/mid-sized companies and growth in revenue from software maintenance services. The order backlog of sales for system installation contracts, a priority management indicator, also increased steadily to 4.87 months, up from 0.66 months for the same period of the previous fiscal year.

Full-year sales and profits are forecast to set new record highs for a fifth consecutive year in FY3/16, with net sales forecast to rise 5.4% YoY to ¥23,600mn and ordinary income to rise 16.0% to ¥3,000mn. The company has seen strong demand in the system that it launched in last September for use with The Social Security and Tax Number system (hereafter “MJS My Number”). There have also been brisk orders for security-related systems associated with introduction of MJS My Number. Although there have been some cases where replacement purchase sales of major products to existing customers were pushed back due to prioritizing compliance with the My Number system, the company is expected to achieve its plan given its strong order backlog.

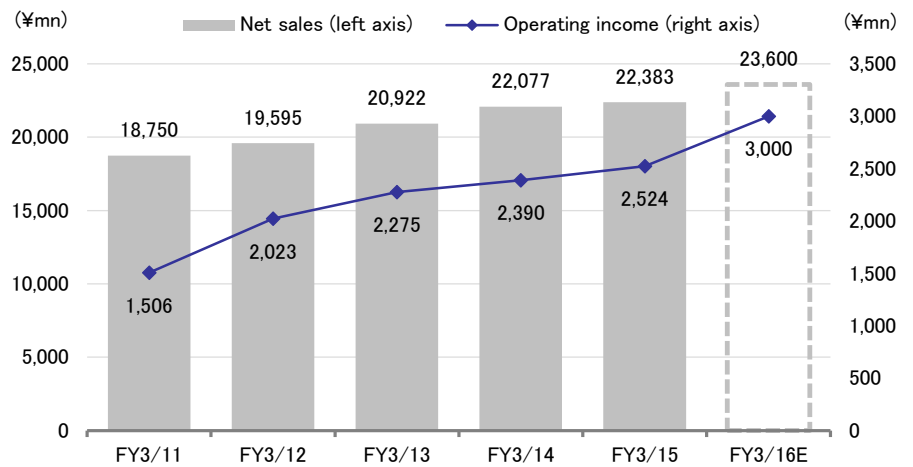
The 3rd Medium-Term Management Plan (three-year plan) that started from FY3/15 has management targets of net sales of ¥26,000mn and ordinary income of ¥4,000mn for FY3/17, the final year of the plan. MJS’s policy is to advance its growth in sales and increase profitability at the same time through a policy of supplementing continuous growth in its existing businesses, the establishment of an earnings foundation from new businesses and working on developing new products and services to create new customers.

In new businesses, MJS M&A Partners (hereafter “mmap”) has launched a service for supporting the business succession and revitalization of small/mid-sized companies. While expanding its partnership contracts with tax accountant and CPA firms who serve as points of contact for the service, mmap’s aims is to establish Japan’s leading sell-side platform for small/mid-sized companies. MJS also plans to launch a new cloud service for corporate customers from April 2016.

■ Check Point

- Sales growth continues due to new customer development and increase in service revenues
- Record high results expected atop strong order backlog and My Number-related sales
- Rising expectations for growth of the new business succession support service

Financial Results Trends



Source: Company materials

■ Corporate Overview

Working on cloud service development and new businesses

(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 information services such as management information services. It has built up a long-established position in the Japanese market as an innovator in developing and providing systems for finance and accounting. Currently, MJS concentrates on developing services compatible with cloud computing, which are a new wave in technology. Furthermore, in 2014 MJS launched a business succession and revitalization support services for small/mid-sized companies as a new business operated by a subsidiary.



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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	Developed and commenced sales of the MJSLINK II Series of package ERP systems for small- and medium-sized companies
		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 mid-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)	
2015		Commenced sales of "MJS My Number" for tax accountant and CPA firms and small/mid-sized companies	

Source: Prepared by FISCO from company materials



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(2) Operational overview

MJS's main businesses include the development and sale of ERP (comprehensive operations management) systems primarily for finance and accounting 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 establishment, as well as maintenance.

MJS's main customers are tax accountant and CPA firms and their clients (SMEs). In its business for tax accountant and CPA firms, MJS has around 8,400 user firms, representing a share of approximately 25% of the market. 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 its customer base of approximately 8,400 tax accountant and CPA firms, with over 30,000 users. If we consider that the number of the clients of these tax accountant and CPA firms is in the order of 500,000SMEs, there is still significant room to exploit this market.

MJS Operational Overview

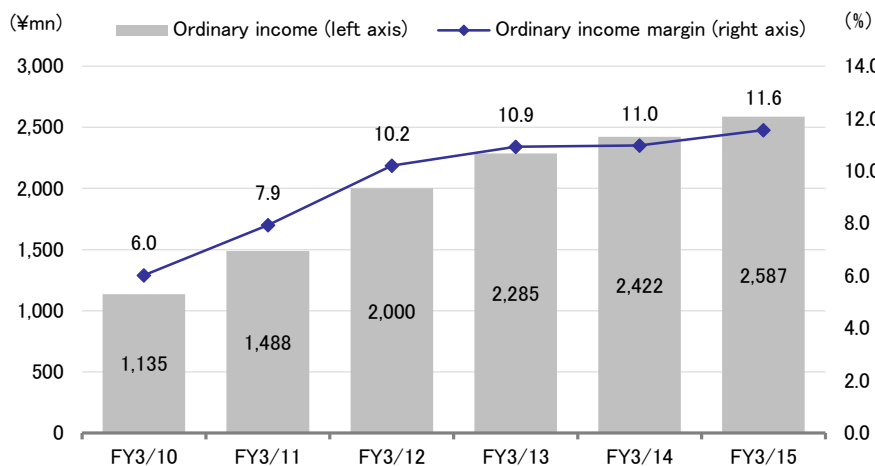
Customers	Tax accountant and CPA firms	Small/mid-sized companies (Most of them are clients of tax accountant and CPA firms)
Systems (developed by MJS)	<ul style="list-style-type: none"> Financial and accounting systems Tax reporting systems, etc. 	<ul style="list-style-type: none"> ERP systems centered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

Source: Prepared by FISCO from company materials

(3) Business trends

In the last few years, MJS has focused on its stock-type business by acquiring new customers, and providing after-sale 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.

Trends in Ordinary Income and Ordinary Income Margin (Consolidated)



Source: Company materials

■ Financial Result Trends

Sales growth continues as new customer development drives increase in service revenues

(1) Consolidated financial results for 1H FY3/16

Consolidated financial results for 1H FY3/16 (April to September, 2015), announced on October 30, 2015, showed a strong performance with new record-high half-year results and also exceeded the initial target in terms of sales and profits. Net sales were up 5.1% YoY to ¥11,833mn, operating income up 10.0% to ¥1,433mn, ordinary income up 8.5% to ¥1,452mn, and net income up 2.9% to ¥837mn. Furthermore, the operating income margin continued to rise steadily, reaching 12.1%.

The main factors in the increase in earnings appear to be the company's efforts over the last few years for "expansion of customer base and increase in service revenues" and "management with the order backlog of sales." Sales growth is continuing due to the development of new customers and an increase in service revenues. Moreover, the company has boosted the sales composition ratio of revenue from highly profitable services. As a result, the gross profit margin increased by 0.8 percentage points YoY to 64.5%. Selling, general and administrative (SG&A) expenses increased due to aggressive investment in strengthening the personnel base (80 new graduates hired) and in advertising and promotion expenses such as TV commercials; nevertheless, effect of higher earnings resulted in a double-digit increase in operating income. Net income climbed 2.9% YoY despite the recording of extraordinary losses of ¥61mn, including a loss on valuation of investment securities.

The order backlog relating to sales for system installation contracts—one of the company's priority management indicators—stood at 4.87 months as of the end of September, continuing a steady increase from 4.21 months at the end of FY3/15.

Consolidated Operating Results for 1H FY3/16

(unit: ¥mn)

	1H FY3/15		1H FY3/16			
	Result	Ratio	Result	Ratio	YoY	Initial target
Net sales	11,263	-	11,833	-	5.1%	1.3%
Gross profit	7,174	63.7%	7,636	64.5%	6.4%	-0.1%
SG&A expenses	5,872	52.1%	6,202	52.4%	5.6%	-1.6%
Operating income	1,302	11.6%	1,433	12.1%	10.0%	7.0%
Ordinary income	1,339	11.9%	1,452	12.3%	8.5%	6.8%
Net income	813	7.2%	837	7.1%	2.9%	2.1%

Source: Prepared by FISCO from company materials

(2) Sales trends by customer and by product category

○ System installation contract sales by customer

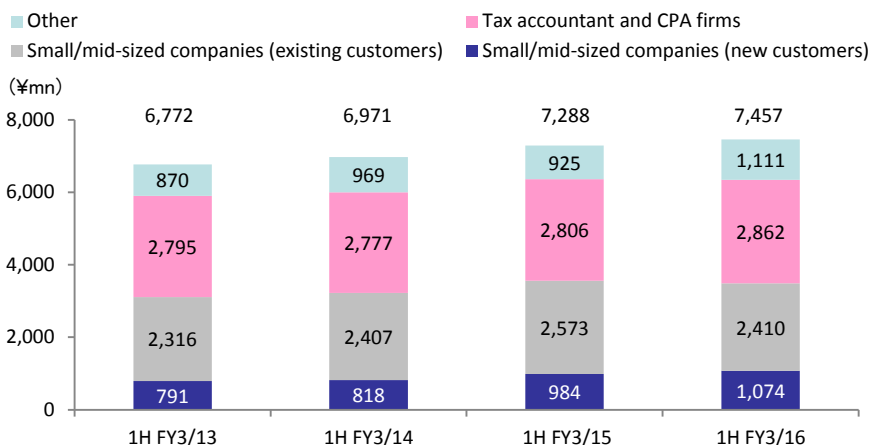
Net sales from system installation contracts (the total sales for hardware, software, and useware) increased 2.3% YoY to ¥7,457mn. Looking at this result by customer, sales to tax accountant and CPA firms increased by 2.0% to ¥2,862mn, reflecting a contribution from higher sales to existing customers of products related to information security countermeasures.

Meanwhile, sales to small/mid-sized companies decreased 2.0% to ¥3,484mn. Sales to new customers increased steadily, rising 9.1% to ¥1,074mn, with the ratio among small/mid-sized customer sales rising from 27.7% in the same period of the previous fiscal year to 30.8%. However, a decline of 6.3% in sales to existing customers also had an impact. Main factor in the decline was the shifting of replacement purchasing of ERP systems among existing customers to the second half of the year or later as a result of the company's focus on developing new customers and explaining the new MJS My Number to customers.

Other sales increased 20.1% to ¥1,111mn as a result of an increase in sales via partners and sales of subsidiaries.

Ahead of the January 2016 introduction of the Social Security and Tax Number System, the company started sales of its MJS My Number in mid-September. Although sales have reached only a few tens of millions of yen, orders for 1H have had a promising start, reaching over ¥500mn. Moreover, there is an increasing demand among tax accountant and CPA firms and small/mid-size companies of strengthening information security countermeasures ahead of the introduction of the MJS My number, which has supported strong sales of information security-related products as well.

System Installation Contract Sales (by customer)



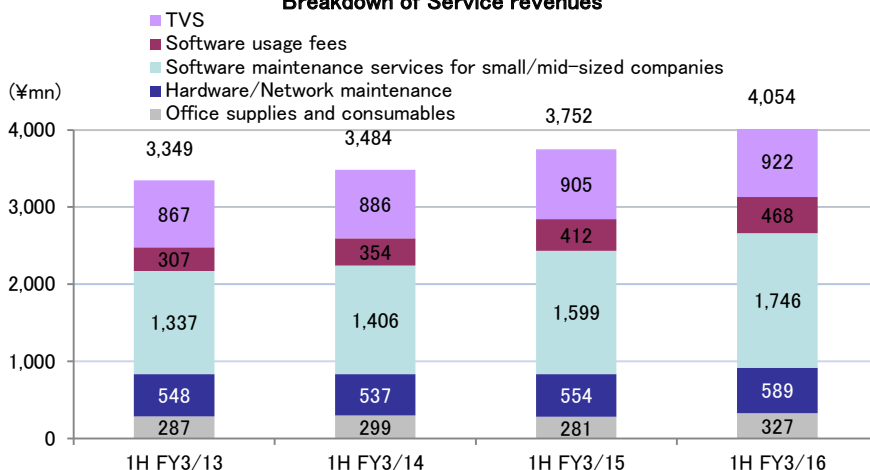
Note: Other (sales of subsidiaries, head office and partners)

Source: Prepared by FISCO from company materials

○ **Service revenues trend**

Net sales from service revenues steadily expanded, up 8.1% YoY to ¥4,054mn. With the increase in new customers, sales from software maintenance services for companies increased steadily by 9.2% to ¥1,746mn. In addition, sales of simplified accounting software for small businesses via tax accountant and CPA firms (software usage fees) recorded healthy double-digit growth of 13.6% to ¥468mn. Moreover, sales of the total maintenance service for tax accountant and CPA firms (TVS) were steady, increasing 1.9% to ¥922mn. Since these are stock-type services that earn stable income, sales increase stably as the customer base expands.

Breakdown of Service revenues



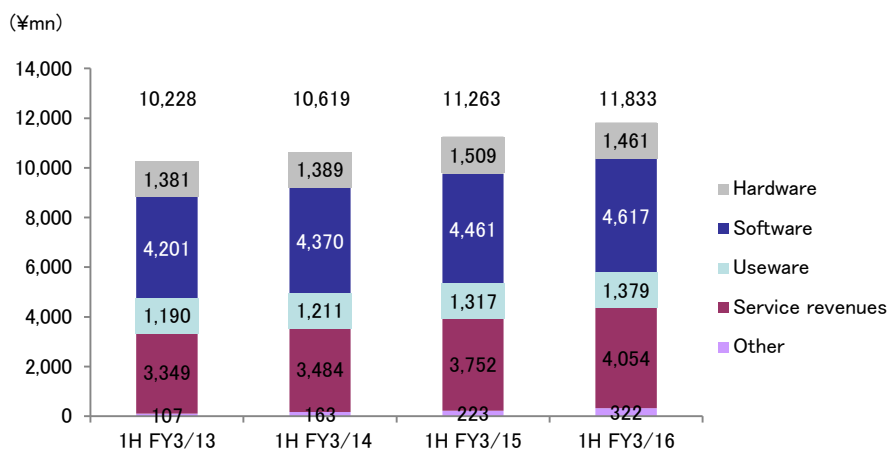
Note: TVS (total maintenance services for tax accountant and CPA firms)

Source: Prepared by FISCO from company materials

○ **Sales trends by product category**

Looking at overall sales trends by product category, software sales grew 3.5% YoY to ¥4,617mn atop an increase in sales of the ERP system for mid-sized companies “Galileopt NX-I” and the associated individual development software. In addition, service revenues grew 8.1% to ¥4,054mn following an increase in new customers. Meanwhile, useware sales increased 4.7% to ¥1,379mn in line with the increase in software sales, while other sales also increased by 44.3% to ¥322mn. This was mainly attributable to an increase in advertising revenues from the business information website bizocean, for employees and employers in small- and mid-sized companies and business people. As the number of registered members has risen from 1.5 million to 1.6 million, the site’s value as an advertising media has increased. Hardware alone recorded a decline in sales, dropping 3.2% to ¥1,461mn, which mainly reflected a fallback from a surge in replacement demand following the end of official support for the Windows XP operating system in the same period of the previous fiscal year.

Sales Trends by Product Category (consolidated basis)



Source: Prepared by FISCO from company materials

Financial status improving with expansion in earnings

(3) Financial status

Looking at the company’s financial status at the end of September 2015, total assets decreased by ¥1,085mn from the end of FY3/15 to ¥18,586mn. The main factors behind the decline in current assets were a decrease in cash and deposits and available-for-sale securities of ¥1,284mn, while trade receivables were up ¥382mn and inventory up ¥131mn, mainly due to an increase in overall net sales. In fixed assets, tangible fixed asset was down by ¥14mn and intangible assets, such as software, was down by ¥122mn, reflecting ongoing depreciation and amortization, while investments were down by ¥171mn.

Meanwhile, liabilities decreased by ¥719mn to ¥5,605mn. Interest-bearing debt, both short- and long-term, was down ¥365mn, while other current liabilities and fixed liabilities also declined. Net assets declined by ¥366mn to ¥12,980mn. Capital surplus increased ¥338mn due to recording net income; but declined by ¥552mn following purchase of treasury shares and declined by ¥150mn due to a reduction in valuation difference in available-for-sale securities.

The company’s financial status has been improving over the past few years in line with the expansion of earnings. Net cash (cash and deposits + short-term investment securities – interest-bearing debt) as of the end of September 2015 stood at ¥3,519mn, down ¥1,020mn from the end of FY3/15; however, the cash was used for payment of dividends and the purchase of treasury shares. As a result, the shareholders’ equity ratio has risen from 59.9% at the end of FY3/13 to 69.8% at the end of September 2015.



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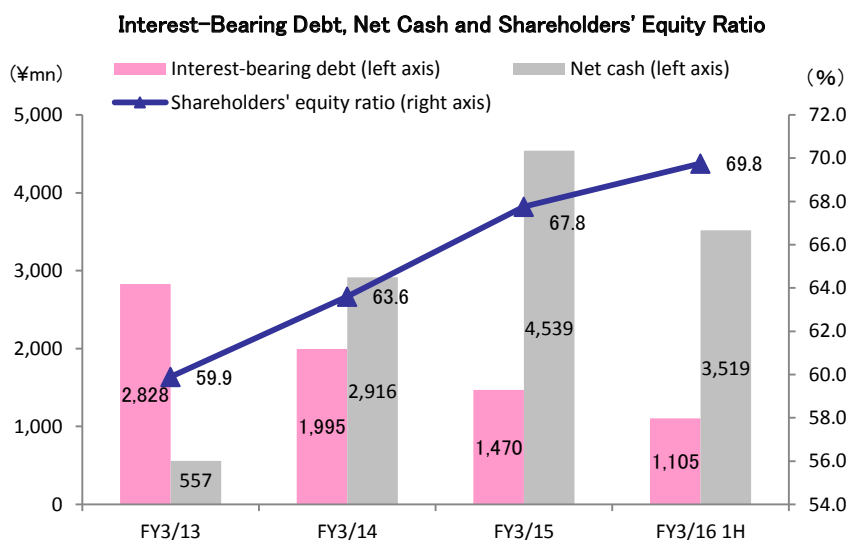
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Consolidated Balance Sheet

(unit: ¥mn)

	FY3/13	FY3/14	FY3/15	FY3/16 1H	Change	Factors
Current assets	8,003	9,299	10,231	9,455	-776	Cash and deposits -1,184, available-for-sale securities -100, Trade receivables +382 Inventory +131
(Cash and deposits)	3,285	4,311	5,809	4,624	-1,184	
Fixed assets	7,859	10,085	9,440	9,131	-309	Tangible fixed asset -14, intangible assets -122, investments and others -171
Total assets	15,862	19,384	19,671	18,586	-1,085	
Current liabilities	5,326	5,160	5,489	5,002	-486	Short-term interest-bearing debt -217, Accounts payable +64, Income taxes payable -68, Other -265
Fixed liabilities	996	1,838	835	602	-232	Long-term debt -148, Other -84
Total liabilities	6,323	6,998	6,324	5,605	-719	
Net assets	9,539	12,385	13,346	12,980	-366	Capital surplus +338, shareholder's equity -552, valuation difference on available-for-sale securities -150
Interest-bearing debt	2,828	1,995	1,470	1,105	-365	
Net cash	557	2,916	4,539	3,519	-1,020	(Cash and deposits + short-term available-for- sale securities - interest-bearing debt)
Management indicators						
Current ratio (%)	150.3	180.2	186.4	189.0		
Shareholders' equity ratio (%)	59.9	63.6	67.8	69.8		
Interest-bearing debt ratio (%)	29.7	16.2	11.0	8.5		

Source: Prepared by FISCO from company materials



■ Outlook

Record high results expected atop strong order backlog and My Number-related sales

(1) Business outlook for FY3/16

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 and record high results are projected. The operating income margin 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 sales by product category. The forecast has been left unchanged from the initial forecast, and we believe it highly likely that the company will achieve its planned targets because sales and profits have both been growing at a faster pace than planned to the end of Q2, the strong order backlog for system installation contracts at the end of September stood at 4.87 months, and My Number-related sales are expected to contribute in the second half of FY3/16.

Consolidated Operating Performance Outlook for FY3/16

(unit: ¥mn)

	FY3/15		FY3/16		
	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%
Extraordinary income (loss)	289	1.3%	-	-	-
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 fiscal year; “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

In developing new customers, the company will make use of the Social Security and Tax Number System scheduled to be introduced from January 2016 as a starting point and is focusing on cross sales to existing customers. The on-premises version of MJS My Number was launched in September, with a cloud version, BPO services added to the service menu from October. The system continues to outperform the company’s expectations for garnering orders. Large companies appear to have made significant progress in responding to the Social Security and Tax Number System; however, many of the company’s target customers - small/mid-size companies – have not yet to respond. The company will continue to hold seminars concerning the Social Security and Tax Number System throughout Japan during the second half, with a policy of aiming to capture further orders. Services are expected to grow around the cloud version of the product, which has a low installation cost. As a result, although there is little possibility of a sharp increase in sales, the cloud version will provide stable monthly revenue, so that earnings are expected to increase stably in line with the increase in subscribers. Furthermore, the company plans to propose its ERP systems to companies that have become new customers through MJS My Number, following a policy of expanding sales per customer.

○ 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 service.

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* Miroku Accountants Association:
A private organization of tax
accountant and CPA firms using
MJS's systems. The association
is organized into 11 chapters and
5 committees throughout Japan.
There are approximately 3,500
member firms.

■ Outlook

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

As a new business, the subsidiary mmap launched a business supporting the business succession and revitalization of small/mid-sized companies in September 2014. mmap targets on the small/mid-sized company market, where there is a lack of supporters for business succession, and is collaborating with tax accountant and CPA firms, which are MJS's customers, with the goal of establishing Japan's leading sell-side platform.

Under the scheme, mmap establishes introduction partner agreements with tax accountant and CPA firms, principally members of the Miroku Accountants Association*, which proceed to introduce client companies that need business succession or revitalization support services. mmap then establishes advisory agreements with these companies and provides support services. Revenue from the services comprises advisory fees received in the form of commissions when an M&A is successfully concluded. Expenses include introduction fees paid to introduction partners.

mmap's personnel structure currently has limited human resources of five people. It also concludes advisory partner agreements with tax accountant and CPA firms that have expertise to conduct joint business support services. As of the end of October 2015, mmap had approximately 120 introduction partner firms, and approximately 50 advisory partner firms. It is targeting a total of 500 agreement partners by the end of March 2016 and a total of 3,000 by the end of March 2017.

Currently, mmap is conducting sales activities mainly in the Tokyo Metropolitan Area, and has already achieved a track record of successful agreements, with over 30 cases currently in progress. Looking ahead, the number of introductions is expected to increase in line with the increase in agreement partners, and mmap is aiming to achieve profitability from FY3/17 onwards.

In other new businesses, MJS is developing a new cloud service for companies, which it plans to launch from April 2016 onward.

(2) Sales forecasts by customer and by product category

The results forecast for FY3/16 has been left unchanged from the initial plan, and no revision has been made to the forecasts by customer and product category. Therefore, based on the progress to date for 1H FY3/16, there may be some fluctuation in the results for each 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. The progress rate through to the end of Q2 was more or less in line with the plan at 49.5%, and with the order backlog at a high level, it is highly likely that the company will achieve the full-year target.

In particular, sales for tax accountant and CPA firms were initially expected to decline due to a decrease in replacement demand. However, the company has seen strong sales of security-related products to such firms ahead of the introduction of the Social Security and Tax Number System, and sales now seem likely to surpass the initial target. Sales to small/mid-sized companies achieved a progress rate of 42.7% for 1H, and achievement of the initial target will hinge upon the degree to which the company can restore its progress through the increase in MJS My Number and information security-related sales. Other sales have also seen a low progress rate of 35.2%, and the company will aim to achieve its initial target by strengthening sales to partner companies and increasing sales of its subsidiaries.

Sales by customer (system installation contracts sales)

	(unit: ¥mn)				
	FY3/13	FY3/14	FY3/15	FY3/16 E	1H progress rate
Net sales	13,891	14,541	14,229	15,057	49.5%
Small/mid-sized companies (new customers)	1,796	1,705	2,100	-	-
Small/mid-sized companies (existing customers)	4,592	5,015	4,932	-	-
Small/mid-sized companies	6,388	6,720	7,032	8,164	42.7%
Tax accountant and CPA firms	5,329	5,104	4,880	3,734	76.6%
Other	2,174	2,717	2,317	3,159	35.2%
(Composition ratio)					
Tax accountant and CPA firms	38%	35%	34%	-	-
Small/mid-sized companies	46%	46%	49%	-	-
(New customers within small/mid-sized companies)	28%	25%	30%	-	-
Partners and others	16%	19%	16%	-	-
(Growth rate)					
Net sales	7.8%	4.7%	-2.1%	5.8%	-
Tax accountant and CPA firms	27.2%	-4.2%	-4.4%	-23.5%	-
Small/mid-sized companies	-5.8%	5.2%	4.6%	16.1%	-
Other	13.5%	25.0%	-14.7%	36.3%	-

Source: Company 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 MJS My Number and ERP systems for small/mid-sized companies and increase sales at subsidiaries. Also, from the anticipated progress in acquiring new customers, service revenues are forecast to rise 2.6% to ¥7,872mn, and with the 1H progress rate over half way at 51.5%, the company is highly likely to exceed the full-year targets. Other sales are expected to increase 38.9% to ¥671mn atop growth in Internet advertising revenue from the information website “bizocean.”

Sales Trends by Product Category (consolidated basis)

	(unit: ¥mn)				
Business Segment	FY3/13	FY3/14	FY3/15	FY3/16 E	1H progress rate
System installation contract sales	13,891	14,541	14,229	15,057	49.5%
Hardware	2,621	2,717	2,639	2,666	54.8%
Software	8,605	9,176	8,954	9,788	47.2%
Useware	2,664	2,646	2,635	2,602	53.0%
Service revenues	6,783	7,173	7,671	7,872	51.5%
Other	246	362	483	671	48.0%
Total	20,922	22,077	22,383	23,600	50.1%
(YoY)					
System installation contract sales	7.8%	4.7%	-2.1%	5.8%	-
Hardware	22.9%	3.7%	-2.9%	1.0%	-
Software	2.0%	6.6%	-2.4%	9.3%	-
Useware	15.1%	-0.7%	-0.4%	-1.2%	-
Service revenues	3.5%	5.7%	6.9%	2.6%	-
Other	65.3%	47.2%	33.1%	38.9%	-
Total	6.8%	5.5%	1.4%	5.4%	-

Source: Company materials

Management targets: net sales of ¥26bn, ordinary income of ¥4bn, ROE 15%

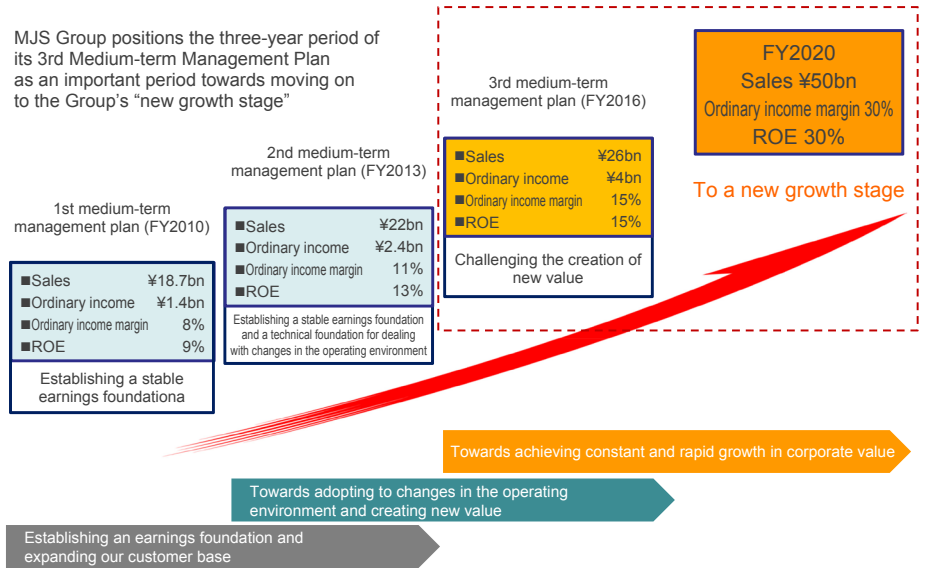
(3) 3rd Medium-term Management Plan

MJS'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 ¥26bn, ordinary income of ¥4bn, net income of ¥2.45bn, ROE of 15%, and an ordinary income margin of 15%. The company's policy is to pursue the following growth strategies.

Positioning of the 3rd Medium-term Management Plan and future management targets

MJS Group positions the three-year period of its 3rd Medium-term Management Plan as an important period towards moving on to the Group's "new growth stage"



Source: Company materials

○ Expanding business with partners

MJS 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 the sales via 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 partner 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 MJS's products. MJS will increase sales via partner companies by strengthening its relations with them.

○ **Initiatives for new businesses**

As a new business, there are major expectations for the future growth in mmap's service supporting the business succession and revitalization of small/medium-sized companies described above. The MJS's customers include 8,400 tax accountant and CPA firms and their clients, 500,000 small- and medium-sized companies. If the company increases its partnership agreements with tax accountant and CPA firms, it can be said to have extremely large growth potential.

MJS will also focus its efforts on the Internet business. Currently, the members of its business information website, bizocean have grown to in excess of 1.6 million people and advertising revenues are now expected to expand to as high as around ¥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 these new businesses grow steadily from FY3/18 onwards, MJS should have in its sights its next management targets, of net sales of ¥50 billion and an ordinary income margin of 30% in fiscal 2020.

■ Comparative Share Price Valuation

Rising expectations for growth of the new business revitalization support service

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 40% from around the ¥600 level at the end of 2014 to around ¥850 currently. The company has performed well considering that over the same period the Nikkei Stock Average has risen 13%, and the simple average of the 12 corporate peers has climbed about 35%.

Factors in this performance include a focus on the company in relation to the Social Security and Tax Number System as well as steady expansion in earnings, and mounting expectation for the growth of the new business revitalization support service, and so forth.

As of November 30, 2015, comparing the share price index with industry peers, the expected PER and actual PBR were lower than the 12-peer average. With regard to profitability, both ROE and ROA were at a high level compared with the average, suggesting that the stock is somewhat undervalued.

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 positioned as a key investment indicator; and expectations for future contributions from the new business revitalization support services.



MIROKU JYOHO SERVICE

9928 Tokyo Stock Exchange
First Section

17-Feb.-16

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	5,510	701,166	22.1	6.5	29.5%	27.6%	1.7%
4768	Otsuka Corporation	TSE 1st	Dec.	5,980	566,911	24.0	3.4	14.1%	12.6%	1.6%
4684	OBIC	TSE 1st	Mar.	6,210	555,657	24.2	3.6	14.8%	16.8%	1.2%
9719	SCSK	TSE 1st	Mar.	4,795	497,660	21.2	3.6	16.8%	9.6%	1.5%
4733	OBC	TSE 1st	Mar.	6,470	243,157	31.2	2.7	8.6%	11.2%	0.9%
9746	TKC	TSE 1st	Sep.	3,110	82,515	20.1	1.3	6.7%	8.4%	2.4%
6935	JDL	TSE 1st	Mar.	1,592	53,978	17.4	0.7	3.8%	4.3%	2.5%
9928	MIROKU JYOHO SERVICE	TSE 1st	Mar.	977	31,153	17.2	2.4	14.0%	16.1%	1.5%
9629	PCA	TSE 1st	Mar.	1,494	10,236	78.1	0.9	1.2%	1.8%	2.1%
3763	Pro-Ship	JQ	Mar.	2,315	8,607	11.5	1.4	12.3%	15.9%	3.0%
4828	Toyo Business Engineering	TSE 1st	Mar.	1,387	8,321	37.8	2.6	7.0%	7.1%	1.0%
3836	Avant	JQ	Jun.	1,498	7,031	12.3	2.5	20.5%	16.6%	1.5%
Total, mean value for 12 companies					2,058,195	23.4	2.8	12.1%	11.1%	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. Oracle Japan data is from Japan Company Handbook figures since it does not disclose company forecasts.
3. Share prices are closing prices on January 6, 2016
Source: Prepared by FISCO

Consolidated 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	13,485	13,714	14,324	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)				
Net income	38.73	45.29	55.76	57.42
Net assets	310.1	402.3	411.5	-
Dividend	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	64.5	62.1	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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