

Announcement Regarding the Issuance of Zero Coupon Convertible Bonds due 2023

MIROKU JYOHO SERVICE CO., LTD. (hereinafter the "Company") hereby announces that it has resolved, at its Board of Directors' meeting held on November 28, 2018, to issue Zero Coupon Convertible Bonds due 2023 (bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*)) (the "Bonds with Stock Acquisition Rights") in the aggregate amount of ¥11 billion.

Background and Purpose of the Issuance of the Bonds with Stock Acquisition Rights

Since its foundation in 1977, with the consistent mission of "Contribute to the development of small and mid-sized companies together with tax accountant and certified public accountant firms" over the years, the Company has been supplying management systems and management know-how as well as management information services to tax accountant and certified public accountant firms in Japan and small and mid-sized companies mainly comprised of such tax accountant and certified public accountant firms' clients, and supporting management and business improvement of our customers. The Company has strived to develop and sell high-quality products and services and to provide customer support tailored to customers' specific local needs through its nationwide network of 31 sales and support facilities with a view to continuously improving its corporate value.

In the software related business, which is the Group's core business, the Company supplies tax accountant and certified public accountant firms with product groups supporting them to provide services to their clients in a reasonable and efficient manner, while the Company provides such client companies with a broad range of business systems and maintenance related services including financial and accounting systems, of which the data are compatible with the product groups for tax accountant and certified public accountant firms. In addition, the Company develops solution business for small and mid-sized companies that utilizes ERP (enterprise resource planning) system, of which the core is financial and accounting systems. The continuous deployment of the business in line with the Company's management philosophy and management policy enables the Group to achieve record highs for the seven consecutive terms since the fiscal year ended March 2012.

Currently, the Group focuses on restructuring of a more profitable business portfolio to reach a new growth stage for the fiscal year 2020. More specifically, through (1) dramatic expansion of the existing ERP business, (2) creation of a new platform business (bizsky business), (3) reinforcement of the business succession assistance service for small and mid-sized companies and (4) new development of the portal site business with more than 2.5 million members, the Company promotes expansion in these four business areas, enhances profitability of the entire Group and aims at sustainable improvement of its corporate value.

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). This announcement does not constitute an offer of, or the solicitation of an offer to buy or subscribe for the Bonds or the Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights (together, the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Securities may not be offered or sold within the United States absent registration or an exemption from the registration requirements of the Securities Act. There will be no public offer of Securities in the United States.

In the recent trend of digital transformation, with rapid progress of IT including cloud computing, mobile, block chains, AI and robotic process automation, the development environment for more innovative products and services is being prepared. In such environment, in the existing ERP business and new platform business, the Company intends to create new business opportunities and expand customer base by investing in development and introduction of innovative products and services responding to diversified needs of the customers with high competitive superiority through the use of advanced technologies. In the business succession assistance service for small and mid-sized companies promoted together with the MJS M&A Partners Co., Ltd. (our wholly-owned subsidiary) and the portal site business managed by bizocean Co., Ltd. (our wholly-owned subsidiary), the Company will conduct business investments to strengthen its business foundation and to create new value while it strives to maximize business synergies by utilizing the Group's management resources.

Additionally, the Company is considering an alliance with various operating companies and implementation of M&A as a strategic option in order to promote the restructuring of these business portfolios.

The funds raised this time will be invested, for the purpose of accelerating the growth pace in the existing businesses including the ERP business and realizing new values such as a platform business, in funding of development activities relating to next generation products and services and continuous research and development activities, as well as funding of development activities relating to the improvement and enhancement of the functions of existing products and services, which contribute to maximizing corporate value in light of the business growth potential, profitability and optimal capital structure of the Group.

Use of Proceeds

The net proceeds of the issuance of the Bonds with Stock Acquisition Rights are estimated to be approximately ¥ 11 billion, and are expected to be applied as follows:

- (1) approximately ¥7 billion by the end of March 2021, for funding of development activities relating to next-generation products and services for ERP products and cloud services targeted at the tax accountant and certified public accountant firms and small and mid-sized companies, which comprise the principal customers of the Company, as well as for funding of development activities relating to the creation of a platform business, a new business for the Group;
- (2) approximately ¥3 billion by the end of March 2021, for funding of continuous research and development activities, as well as funding of development activities relating to the improvement and enhancement of the functions of existing products and services; and
- (3) approximately ¥1 billion by the end of November 2018, towards the repurchase of shares of common stock of the Company (the "Shares") by the Company.

With respect to the repurchase of its Shares, the Company has resolved today to set a repurchase plan of its Shares with the total repurchase price of up to ¥1 billion and a repurchase period from November 29, 2018 to November 30, 2018 at

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). This announcement does not constitute an offer of, or the solicitation of an offer to buy or subscribe for the Bonds or the Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights (together, the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Securities may not be offered or sold within the United States absent registration or an exemption from the registration requirements of the Securities Act. There will be no public offer of Securities in the United States.

the same time as the resolution to issue the Bonds with Stock Acquisition Rights. Any repurchase of Shares as described above will take place prior to the Closing Date and the Company intends to apply the proceeds referred to above to, among others, the replenishment of the cash reserves used for the repurchase of its Shares. As the amount for which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent that any such proceeds remain after the implementation of such repurchase, such proceeds may be used for funding of development activities mentioned in (1) and (2) above.

Aims of Scheme

Upon selecting a fund raising method, the Company has considered a method enabling it to prevent immediate dilution in consideration of the existing shareholders and to raise funds for enhancement of the growth business at low cost while securing an option to capital reinforcement, and has determined that the issuance of the Bonds with Stock Acquisition Rights with the following characteristics is the optimal method.

- (1) The capital reinforcement can be expected by aiming conversion of the Bonds with Stock Acquisition Rights into Shares through the provisions stimulating such conversion;
- (2) If the Bonds with Stock Acquisition Rights are converted into Shares in the future, capital reinforcement can be achieved at the conversion price, of which level is higher than the prevailing share price, and the dilution of earnings per share is expected to be prevented; and
- (3) Because the Bonds with Stock Acquisition Rights will be issued with zero coupons and require a payment by the purchaser of the amount greater than the face value of the bonds, financing can be achieved at a low cost.

In addition, with a view to enabling a smooth fundraising transaction through mitigating the potential short-term effect on the market supply and demand of Shares by the issuance of the Bonds with Stock Acquisition Rights, the Company has resolved today to set a repurchase plan of its Shares with the total repurchase price of up to ¥1 billion and a repurchase period from November 29, 2018 to November 30, 2018 at the same time as the resolution to issue the Bonds with Stock Acquisition Rights. Pursuant to such resolution, the Company is scheduled to repurchase its Shares through an off-auction own share repurchase transaction (ToSTNeT-3) on November 29, 2018. If the number of Shares which the Company acquires through such repurchase is short of the number of Shares that the Company plans to repurchase, the Company plans to consider repurchasing its Shares, taking into account the market conditions and various rules, within the period from November 29, 2018 to November 30, 2018.

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). This announcement does not constitute an offer of, or the solicitation of an offer to buy or subscribe for the Bonds or the Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights (together, the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Securities may not be offered or sold within the United States absent registration or an exemption from the registration requirements of the Securities Act. There will be no public offer of Securities in the United States.

Key Terms of Bonds with Stock Acquisition Rights

1. Aggregate Principal Amount	¥11 billion
2. Closing Date	December 14, 2018
3. Maturity Date	December 14, 2023
4. Coupon	0%
5. Issue Price	100.5%
6. Redemption at Maturity	100.0%
7. Call Option	Redemption at 100.0% if the closing price of the Shares for each of the 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first given, is at least 120.0% of the Conversion Price (on or after July 30, 2021)
8. Conversion Price	Undetermined

###

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). This announcement does not constitute an offer of, or the solicitation of an offer to buy or subscribe for the Bonds or the Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights (together, the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Securities may not be offered or sold within the United States absent registration or an exemption from the registration requirements of the Securities Act. There will be no public offer of Securities in the United States.