

Briefing Material on Business Results for the Fiscal Year Ended March 31, 2019

April 1, 2018 – March 31, 2019

May 20, 2019

Miroku Jyoho Service Co., Ltd.

■ Information stated in this material

In this material, numbers are rounded off to million yen, and ratios are rounded to the nearest one decimal place.

■ Note to forward-looking statements

The aim of this material is to provide information on the business, management strategies and business results of the Company's Group, and not to solicit investment in securities issued by the Company. Forward-looking statements related to the Group such as forecasts, projections, targets and plans contained in this material are based on the Company's judgment and assumptions on the basis of information currently available to the Company, and do not guarantee or promise the accuracy and completeness of the information. Please note that actual results and business developments of the Group may differ materially from these forward-looking statements due to various risks, uncertainties and other factors.

◆ Consolidated earnings

- Consolidated net sales **increased 13.5%** year on year, hitting a new high.
- Consolidated operating income **rose 15.2%** year on year, reaching a record high for the **eighth** consecutive year, as did ordinary income and net income.
- The ratio of operating income to net sales was **16.5%** (up 0.2 percentage points year on year).

* Ref. The non-consolidated ratio of operating income to net sales of MJS was **17.8%** (up 0.5 percentage points year on year).

◆ Management indicators

- Shareholders' equity ratio was **47.2%** (down 19.0 percentage points year on year).
- The current ratio (current assets/current liabilities) was **293.2%** (up 153.3 percentage points year on year).

} Influenced by the issuance of euroyen-denominated CBs

◆ Customer base and the expansion of service revenues

- The ratio of sales to new companies*¹ was **24.1%** (up 0.7 percentage points year on year).
⇒ Total sales to new companies increased **23.0%** year on year.
- Revenues of software maintenance services*² **grew 3.0%**.

◆ Penetration of management conscious of order backlog (at the end of March 2019)

- The order backlog for system installation contract sales*³ (non-consolidated) was **5.89 months** (down 0.03 months from the beginning of this fiscal year).

*1 The ratio of sales to new companies = Sales to new companies/Sales to companies (sum total of hardware, software and useware sales)

*2 Software maintenance services = Sum total of total value service for tax accountant and CPA firms (TVS) and software operational support service for companies

*3 System installation contract sales: Sum total of hardware, software and useware sales

*4 Months for order backlog at the end of the period are calculated based on the plan for sales recorded in the fiscal year under review.

Summary of Consolidated Earnings



- Total net sales grew 13.5%, reflecting an increase in sales of core ERP products to SMEs as well as a rise in service revenues.
- An increase in base pay for employees led to a rise in labor expenses and SG&A expenses. Even so, sales growth resulted in record highs for operating income, ordinary income and net income.

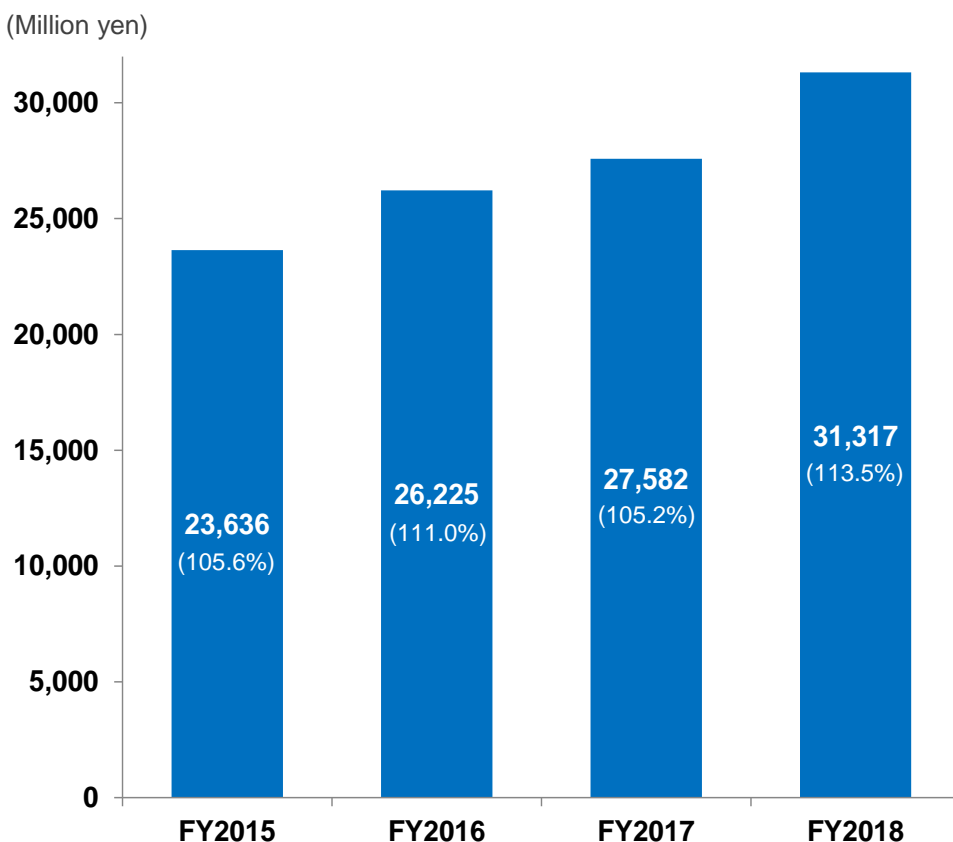
(Million yen)

Consolidated	FY2017	FY2018	YoY		VS. forecast	
	actual	actual	Increase/ decrease	%	Increase/ decrease	%
Net sales	27,582	31,317	3,734	113.5%	717	102.3%
Gross profit	18,292	19,952	1,659	109.1%	-207	99.0%
Gross profit margin	66.3%	63.7%	-	-2.6P	-	-
SG&A expenses	13,806	14,784	978	107.1%	-325	97.8%
SG&A ratio	50.1%	47.2%	-	-2.9P	-	-
Operating income	4,485	5,167	681	115.2%	117	102.3%
Operating income margin	16.3%	16.5%	-	+0.2P	-	-
Ordinary income	4,426	5,056	630	114.2%	56	101.1%
Ordinary income margin	16.0%	16.1%	-	+0.1P	-	-
Net income attributable to owners of parent	2,877	3,730	853	129.7%	440	113.4%
Net income margin	10.4%	11.9%	-	+1.5P	-	-
Consolidated EPS	92.05 yen	119.89 yen	27.84 yen	130.2%	-	-

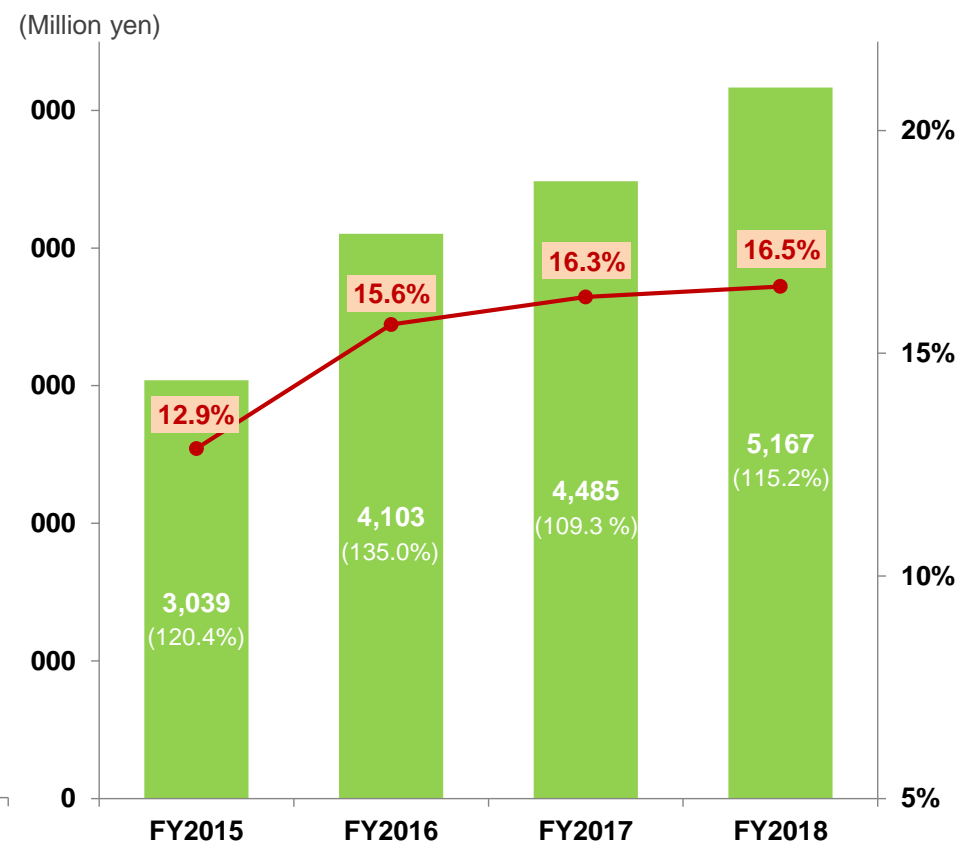
Trends in Consolidated Results

- Consolidated net sales hit a record high, and operating income reached a new high for the eighth consecutive year.
- The ratio of operating income to net sales also remained steady.

Consolidated Net Sales



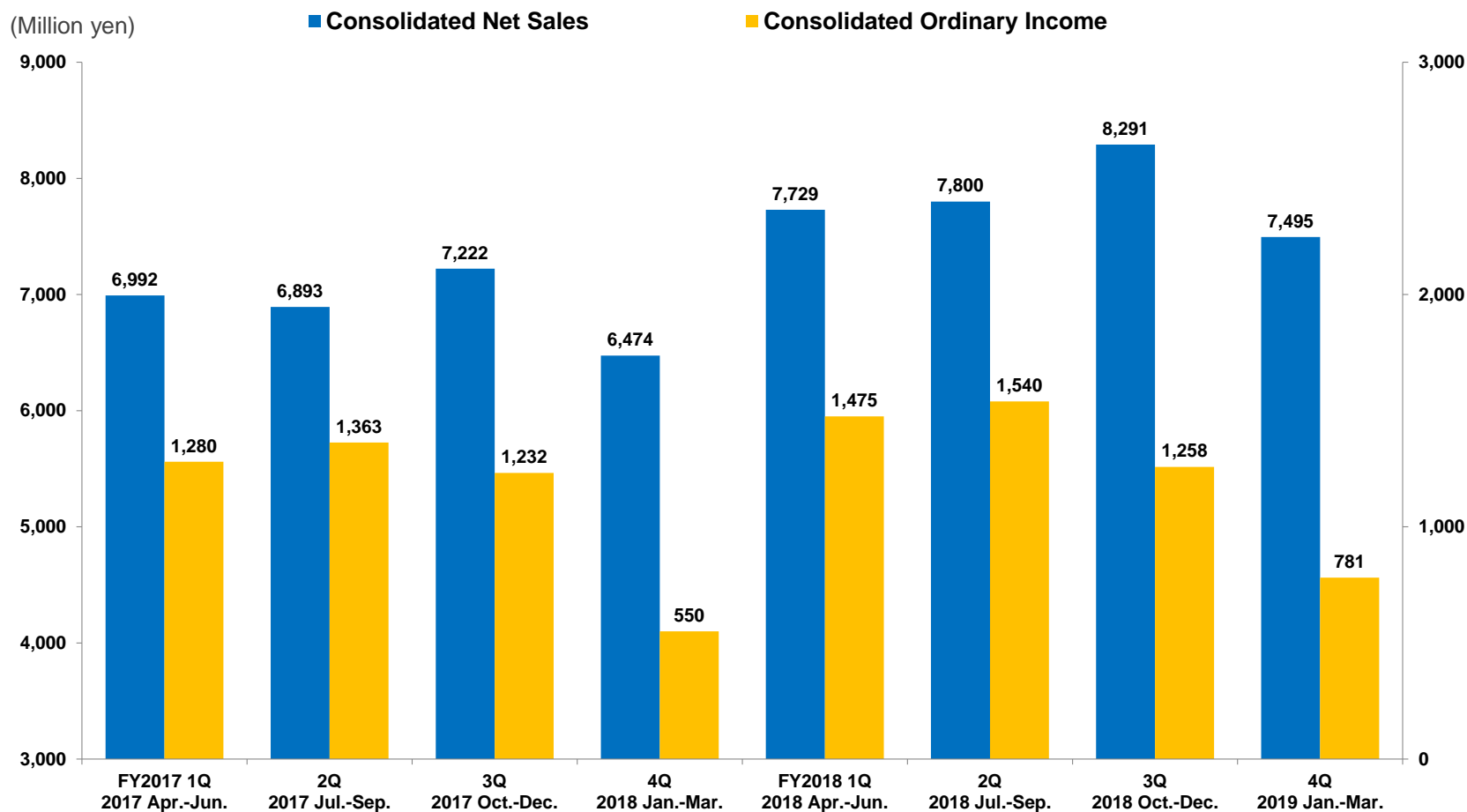
Consolidated Operating Income and Ratio of Operating Income to Net Sales



* Percentages in parentheses show a year-on-year comparison.

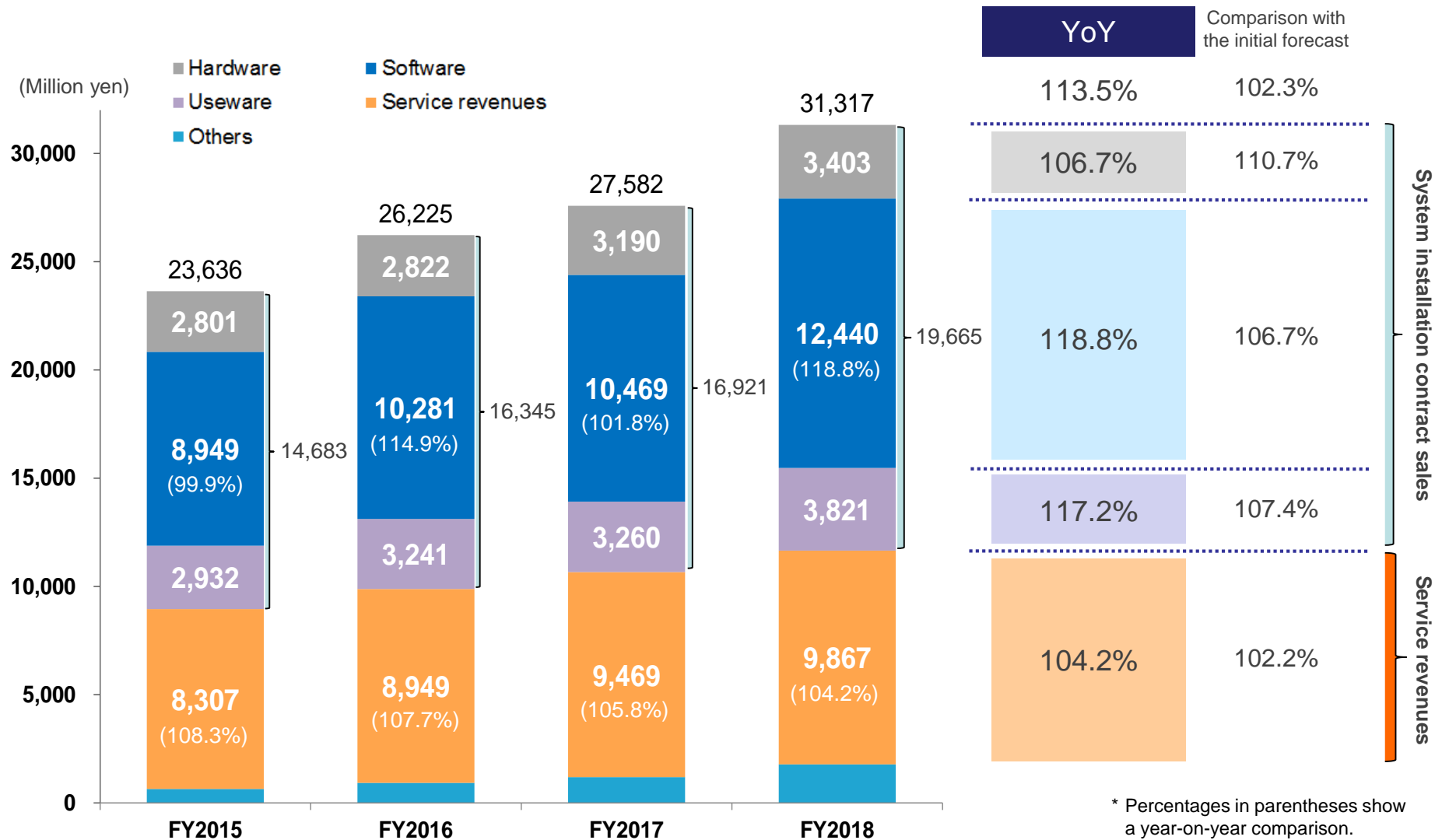
Trends in Consolidated Results (By Quarter)

- The fourth quarter is a period in which accounting firms are busy with tax return services and sales tend to be smaller. However, total net sales for the full year surpassed the planned level and order backlog remained flat.
- A proportion of income tends to be high in the first half of the fiscal year and low in the second. For the second half, provisions for fiscal year-end bonuses, improvement in the working environment and other measures for boosting employee satisfaction were implemented and an investment loss on equity method was posted. As a result, ordinary income dropped but still exceeded the full-year income plan.



Trends in Consolidated Results

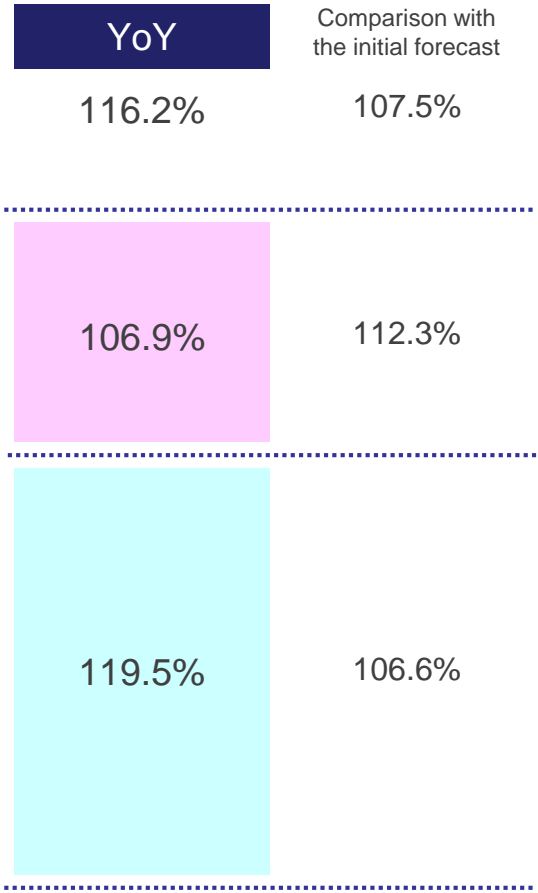
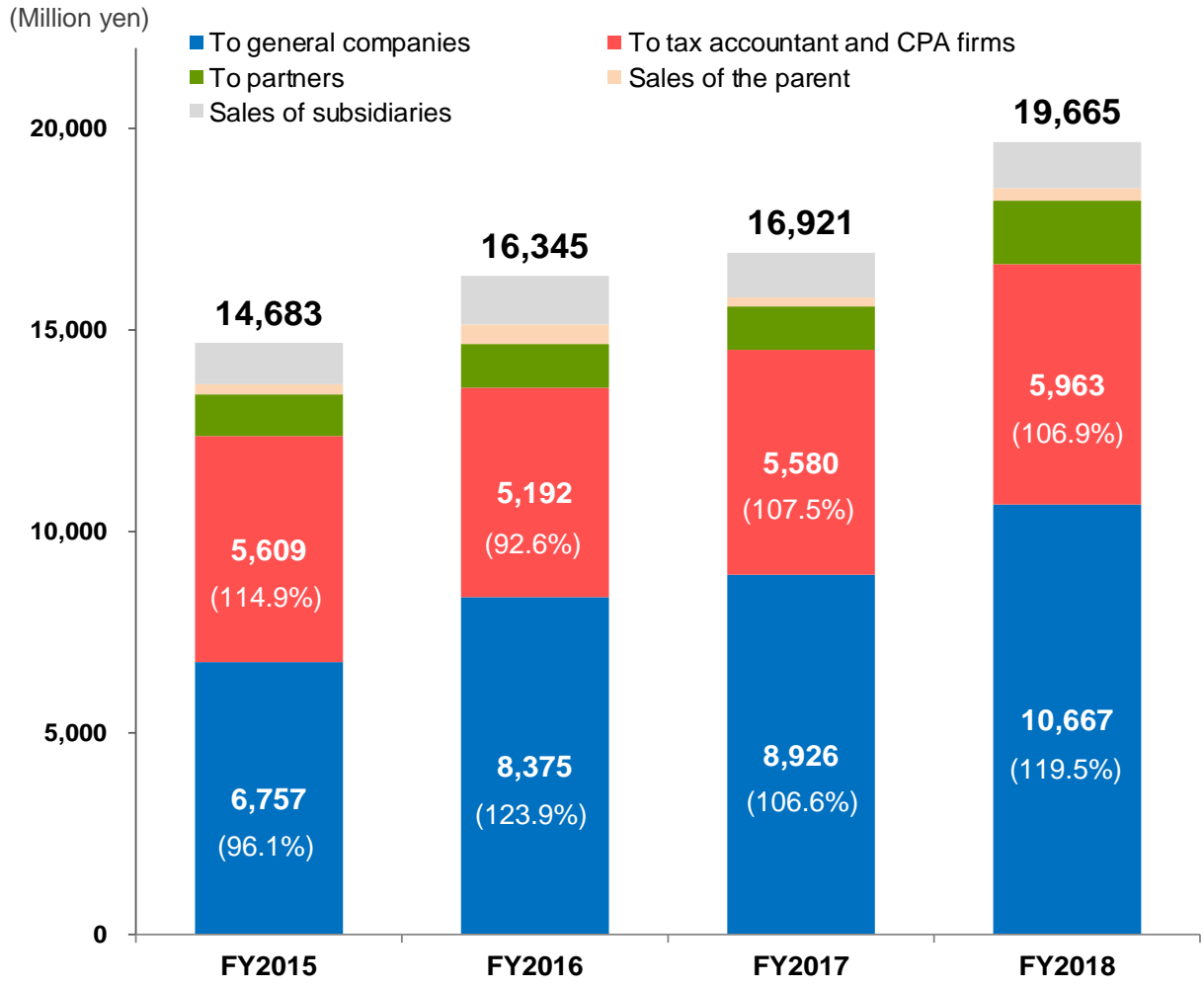
➤ Sales of core ERP software products to SMEs increased, and service revenues rose steadily as a result of an increase in the number of customers.



Trends in Sales by Sales Destination* (System Installation Contracts) (1)

- Sales to tax accountant and CPA firms increased thanks to the continuous demand of existing customers for replacement.
- Sales for general companies and partners rose significantly after acquiring new customers and meeting demand for replacement.

* Breakdown of system installation contract sales (sum of hardware, software and useware sales) by sales destination

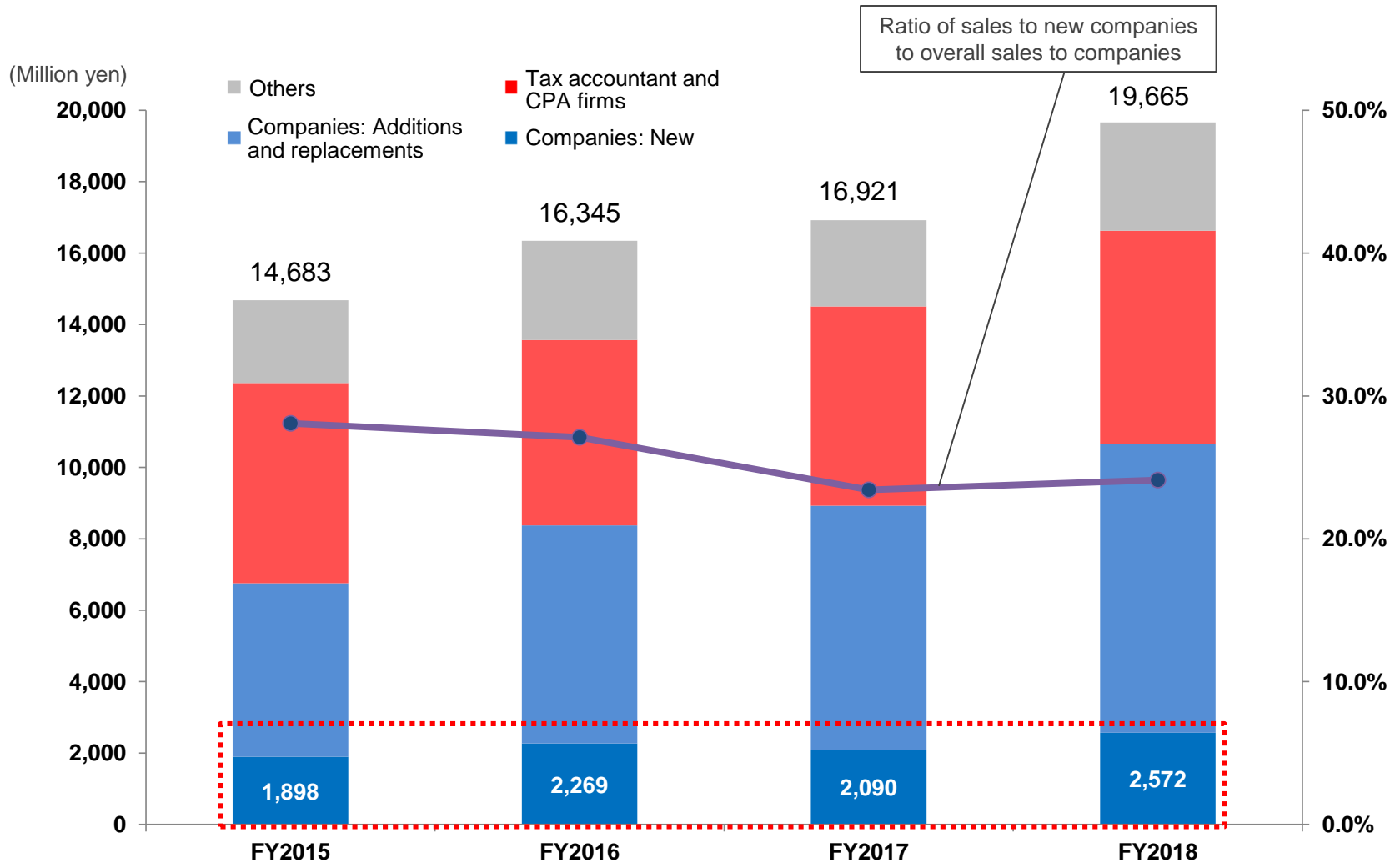


* Percentages in parentheses show a year-on-year comparison.

Trends in Sales by Sales Destination (System Installation Contracts) (2)



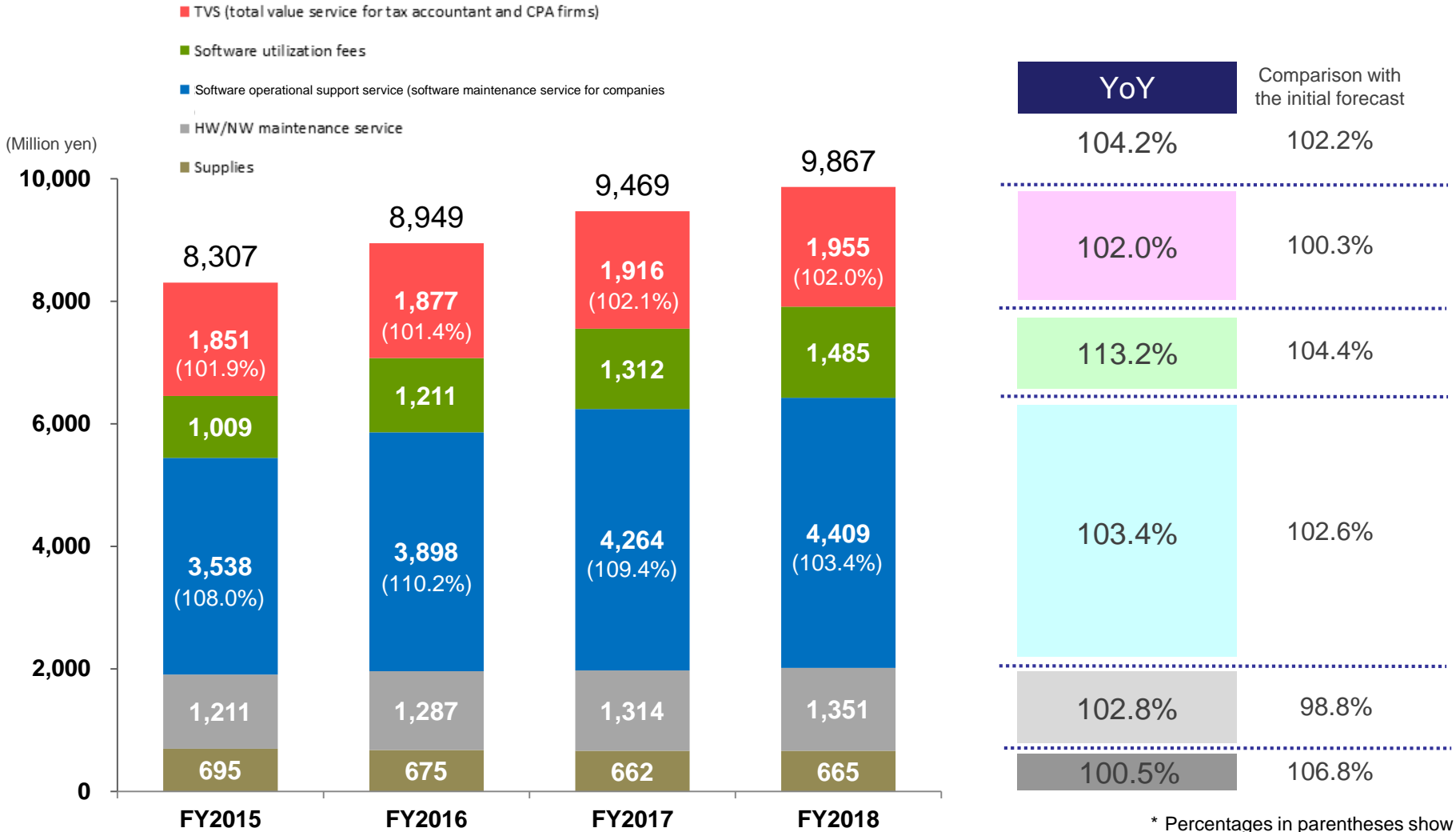
- Strong sales were achieved in ERP products to existing SME customers for replacement.
- Moreover, sales to new customers increased by 23% and the ratio of sales to new companies was kept above 20%.



* The ratio of sales to new companies to overall sales to companies excludes sales of the parent and sales of subsidiaries.

Trends in Breakdown of Service Revenues

- Revenues from TVS and software operational services increased steadily.
- Sales of simple accounting software for small business operators (software utilization fees) also rose steadily.



* Percentages in parentheses show a year-on-year comparison.

Balance Sheet

(Consolidated, Comparison with the End of the Previous Fiscal Year)

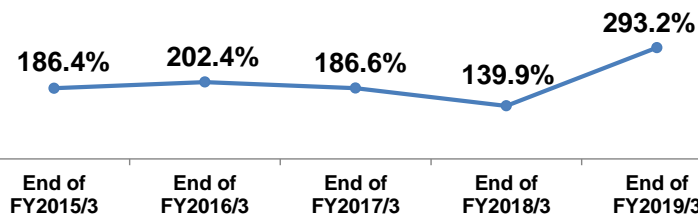


- Soundness was secured thanks to stable financial conditions.
- Euroyen-denominated convertible bonds totaling 11 billion yen were issued in December 2018.

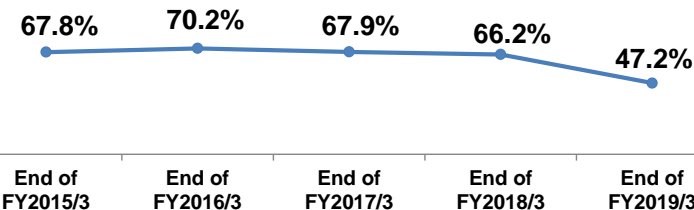
(Million yen)

Consolidated	March 31, 2018	March 31, 2019	Comparison with March 31, 2018	
			Increase/decrease	%
Current Assets	11,338	21,962	10,623	193.7%
Cash and deposits	6,520	16,271	9,750	249.5%
Accounts receivable-trade, etc.	3,160	3,747	587	118.6%
Inventories	972	1,210	237	124.4%
Other current assets	685	733	47	106.9%
Fixed assets	13,227	16,213	2,985	122.6%
Tangible fixed assets	4,224	4,299	75	101.8%
Intangible fixed assets	4,249	7,543	3,294	177.5%
Investments, etc.	4,754	4,370	-384	91.9%
Deferred assets	0	35	35	
Total assets	24,566	38,211	13,645	155.5%
Current liabilities	8,105	7,491	-613	92.4%
Accounts payable-trade, etc.	1,082	1,324	242	122.4%
Debt (including current portion of bonds)	2,651	1,102	-1,549	41.6%
Accrued income taxes	906	1,275	369	140.7%
Other current liabilities	3,465	3,788	323	109.3%
Fixed liabilities	183	12,661	12,478	6887.0%
Total liabilities	8,289	20,153	11,864	243.1%
Shareholders' equity	15,338	17,225	1,887	112.3%
Total net assets	16,277	18,058	1,781	110.9%
Total liabilities and net assets	24,566	38,211	13,645	155.5%

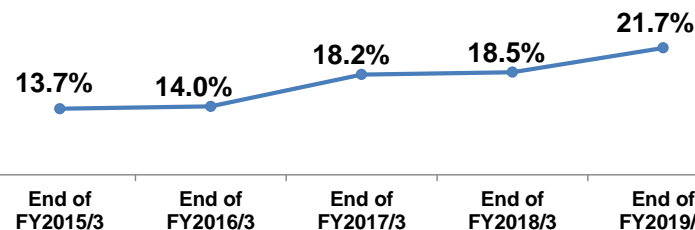
Current ratio = Current assets/Current liabilities



Shareholders' equity ratio = Shareholders' equity/Total assets



ROE = Net income/Shareholders' equity



* Changes were made to some figures because the Partial Amendments to Accounting Standards for the Tax Effect Accounting, etc. were applied retroactively to FY2017 and prior fiscal years.

Statement of Cash Flows (Consolidated, Year on Year)



- An increase in cash flows from operating activities covered cash outflows from investing activities, including investments in development, led to a hike in free cash flows.
- Cash inflows from financing activities grew after issuance of euro-yen convertible bonds, with the face value of 11 billion yen, in December 2018.

(Million yen)

< Major Cash Flow Items >

Consolidated cash flows	FY2017	FY2018	Increase/ decrease
Cash flows from operating activities	3,392	4,105	713
Cash flows from investing activities	-3,255	-3,311	-56
Free cash flows	137	794	657
Cash flows from financing activities	-83	8,956	9,039
Ending balance of cash and cash equivalents	6,290	16,041	9,750

Cash flows from operating activities

- Net income before income taxes +5,503 million yen
- Depreciation +951 million yen
- Gain on sales of investment securities -493 million yen
- Increase in accounts receivable - trade -450 million yen
- Income taxes paid -1,581 million yen

Cash flows from investing activities

- Acquisition of tangible fixed assets -244 million yen
- Acquisition of intangible fixed assets -3,904 million yen
- Acquisition of investment securities -156 million yen
- Sales of investment securities +1,044 million yen

Cash flows from financing activities

- Issuance of bonds +11,016 million yen
- Acquisition of treasury stock -1,000 million yen
- Dividends paid -842 million yen

Forecast of Business Results for FY2019

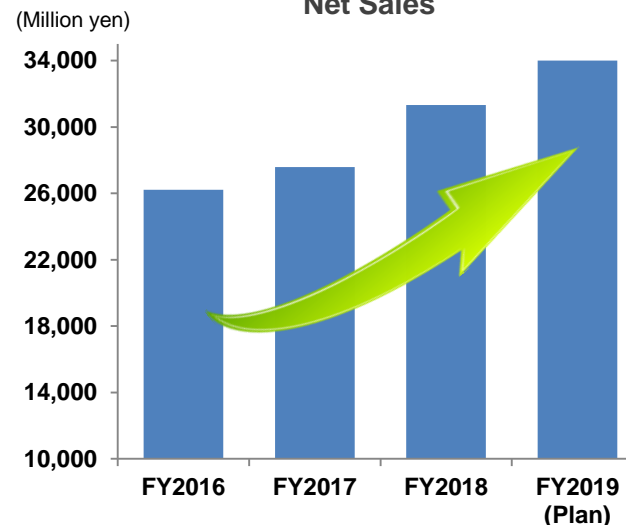
Earnings Plan for FY2019 (Consolidated, Year on Year)

- Strive for sales and income growth and record-high income both for the ninth straight year.
- Achieve a ratio of operating income to net sales of more than 18% and build a structure for earning higher profit.

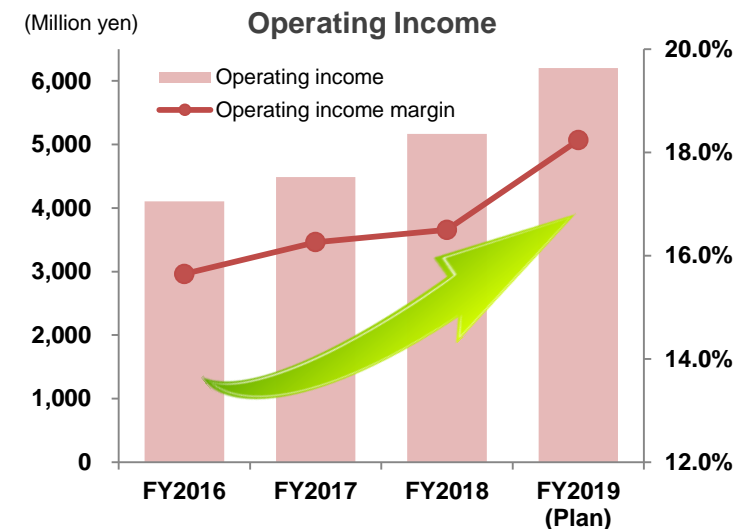
(Million yen)

Consolidated	FY2018	FY2019	YoY	
	actual	plan	Increase/ decrease	%
Net sales	31,317	34,000	2,682	108.6%
Gross profit	19,952	21,900	1,947	109.8%
Gross profit margin	63.7%	64.4%	-	+0.7P
SG&A expenses	14,784	15,700	915	106.2%
SG&A ratio	47.2%	46.2%	-	-1.0P
Operating income	5,167	6,200	1,032	120.0%
Operating income margin	16.5%	18.2%	-	+1.7P
Ordinary income	5,056	6,200	1,143	122.6%
Ordinary income margin	16.1%	18.2%	-	+2.1P
Net income attributable to owners of parent	3,730	4,040	309	108.3%
Net income margin	11.9%	11.9%	-	±0.0P
Consolidated EPS	119.89 yen	130.86 yen	10.97 yen	109.2%
Annual dividend per share	34 yen	38 yen (plan)	4.00 yen	111.8%

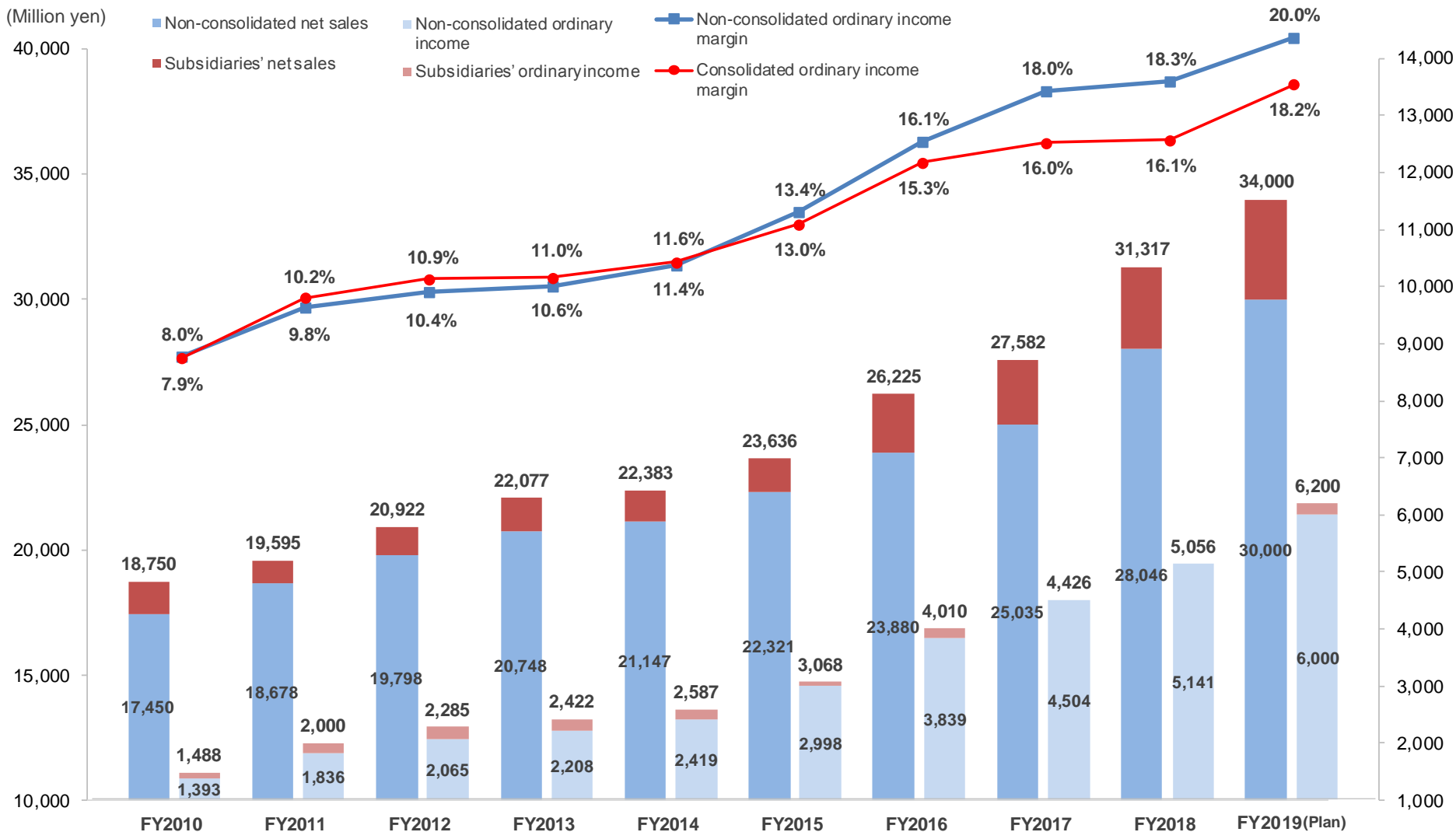
Trends in Consolidated Net Sales



Trends in Consolidated Operating Income



Trends in Consolidated and Non-Consolidated Business Results



* 1. Subsidiaries' net sales and ordinary income figures represent values after offsetting intra-group transactions.
 2. Subsidiaries' ordinary income includes the results of equity-method affiliates.

Expand non-consolidated business results while bolstering the management and business systems of consolidated subsidiaries

1. Business environment (laws, regulations and subsidies)

- Take advantage of subsidies for IT introduction, subsidies for readiness for a reduced consumption tax rate and the taxation system for encouraging SMEs' investments.
- Capture demand related to workstyle reforms and boosting operational efficiency following the revision to the Labor Standards Act.

2. Upgrade sales teams and appeal of solutions

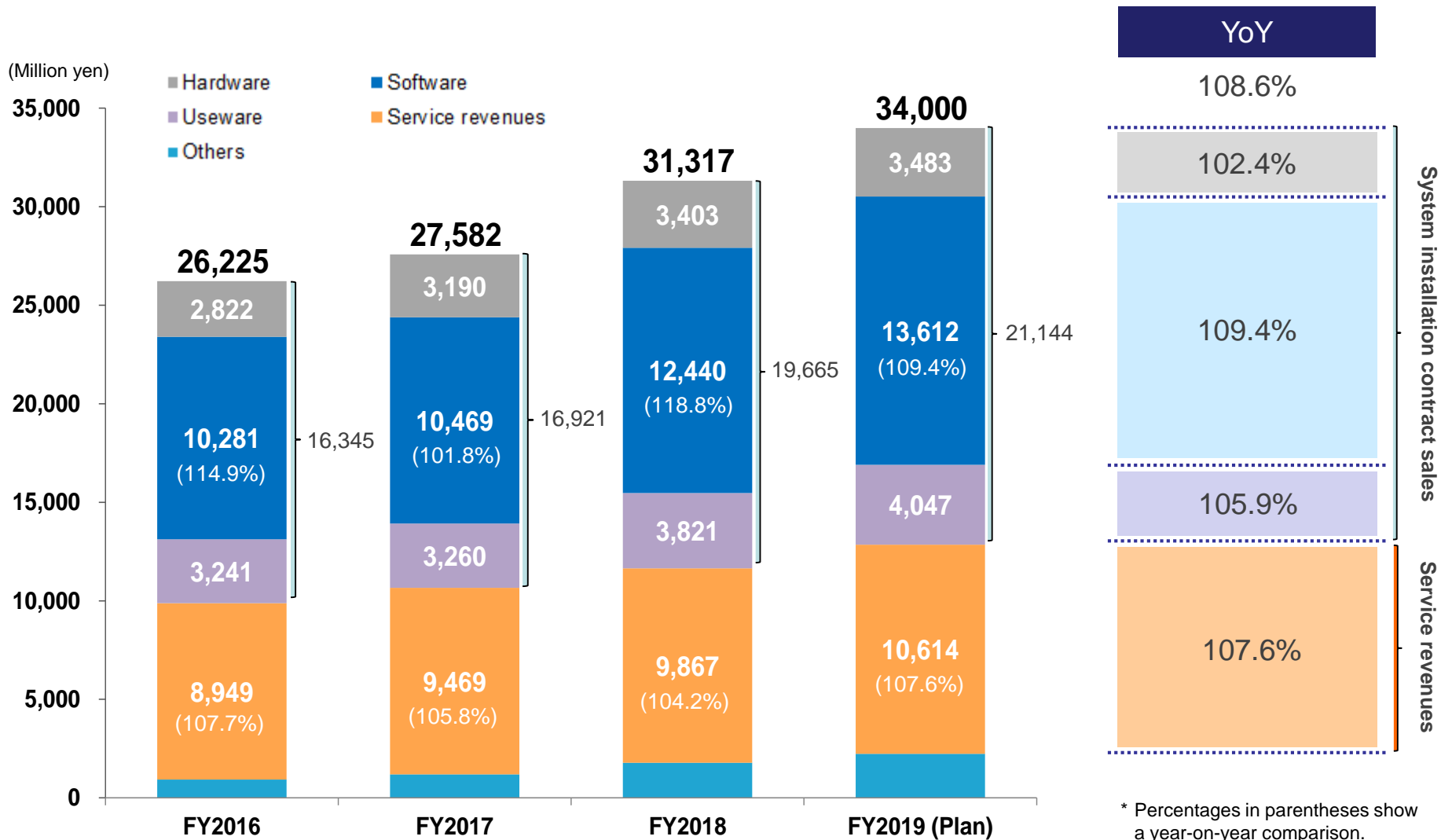
- Divide the sales and support teams in urban areas into those serving accounting firms and those serving medium-sized corporations so that individual teams promote solutions with greater focus on their respective targets with a view to business enlargement.
- Upgrade functions of cloud products that support workstyle reform and expand sales of sales management and POS products ready for a reduced consumption tax rate.

3. Partnerships

- Enhance collaboration with Miroku Kaikeijinkai Associations to accelerate IT introduction among accounting firms' SME clients.
- Forge closer partnerships with regional financial institutions to encourage SMEs in regions with IT introduction.

Net Sales Plan by Item for FY2019

➤ Under favorable circumstances with a consumption tax hike and introduction of a reduced tax rate system in October and the continuation of IT introduction subsidies, continue intensive efforts for sales expansion of ERP products for SMEs and expect to see a massive rise in software sales.

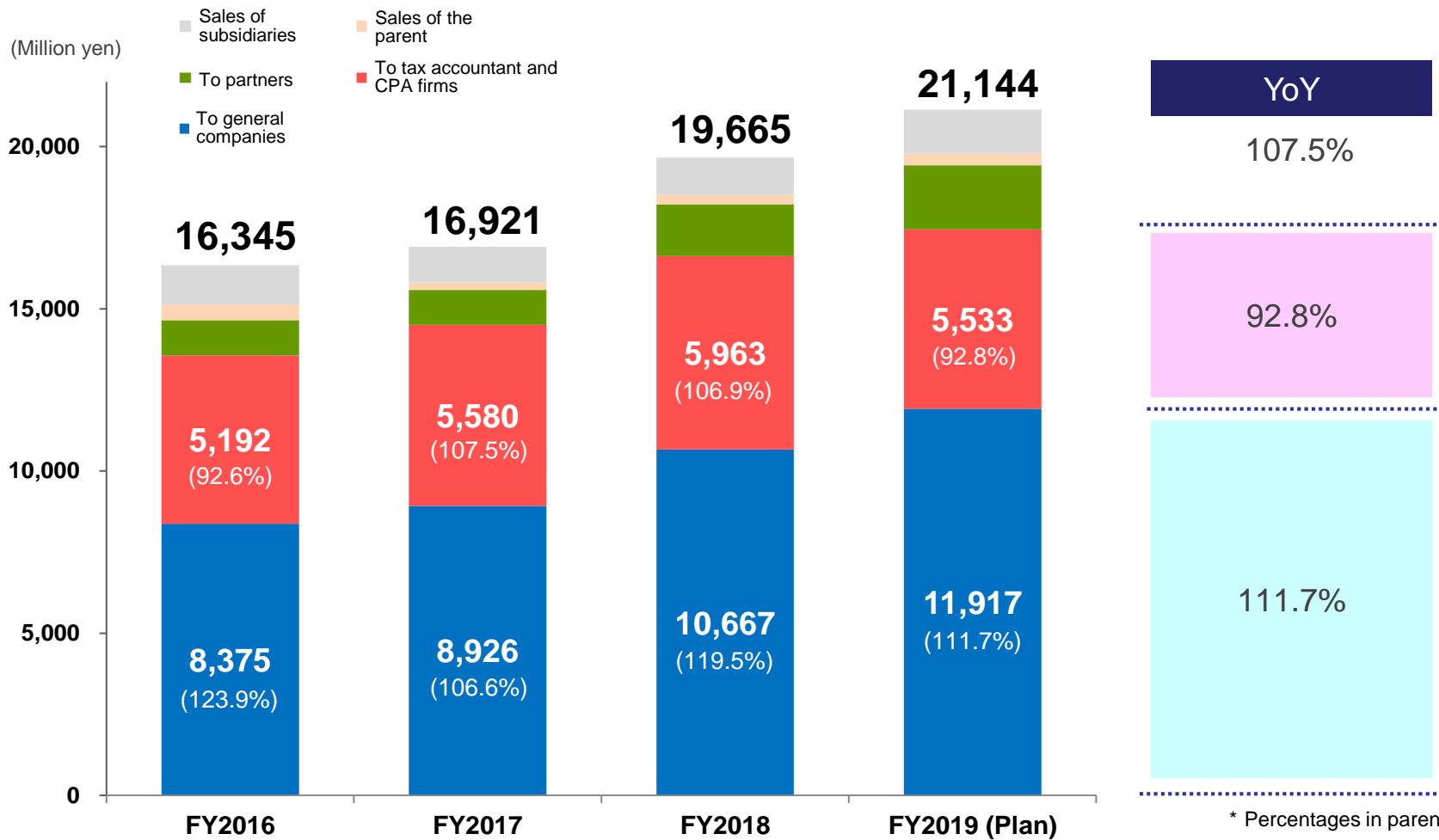


Net Sales Plan by Sales Destination for FY2019

(System Installation Contract)



- Sales to companies are expected to increase after intensive efforts to cultivate new customers for ERP products and capture replacement demand among existing customers.
- Sales to tax accountant and CPA firms are expected to decrease due to a gradual shift to single-year license contracts.

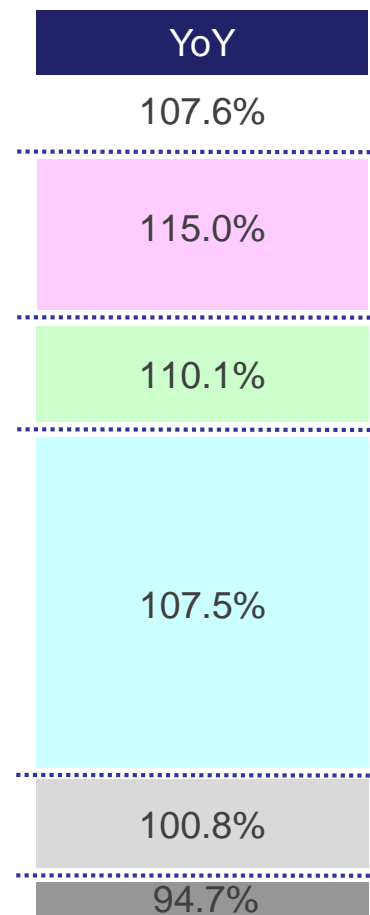
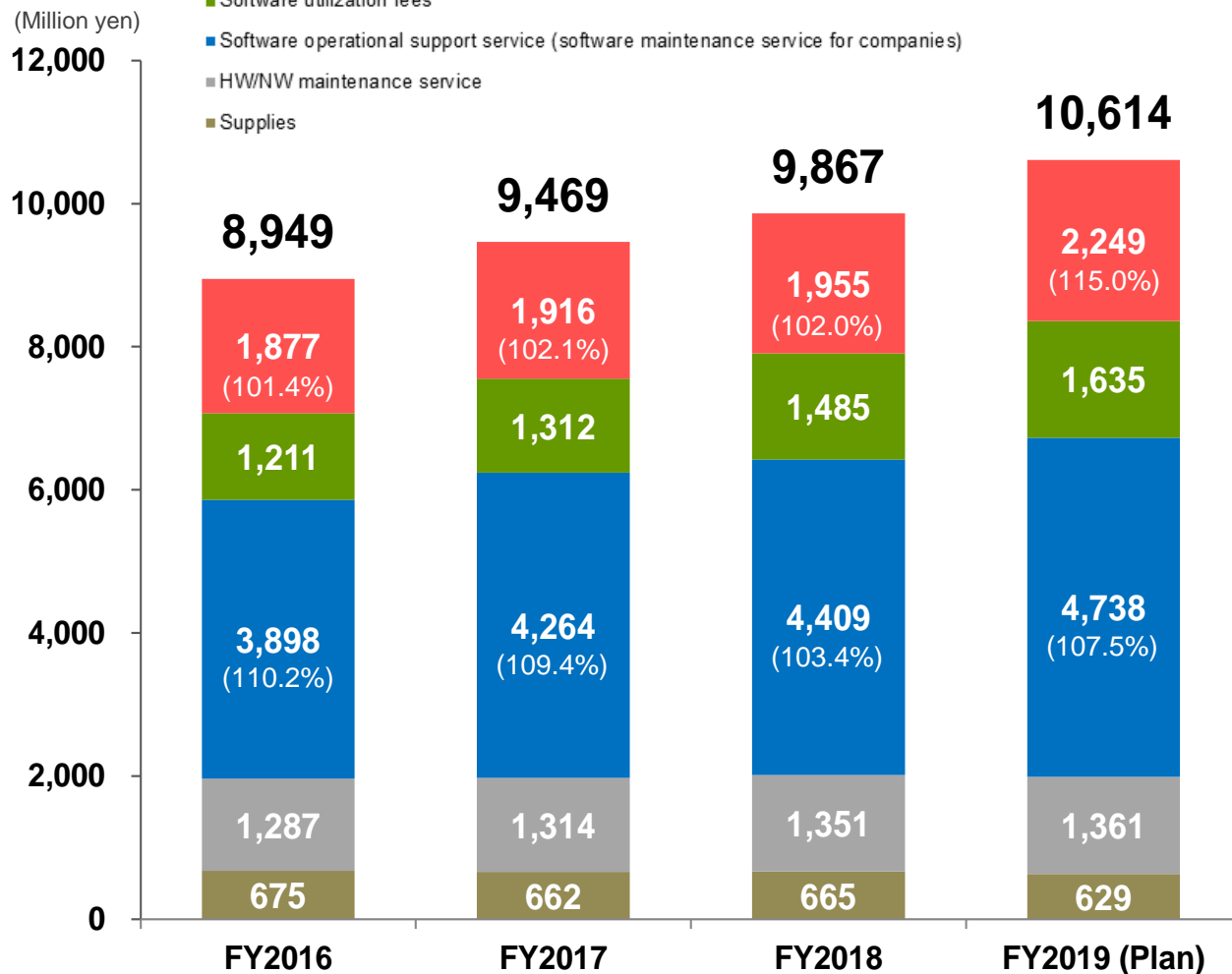


* Percentages in parentheses show a year-on-year comparison.

Net Sales Plan of Service Revenues for FY2019

- Revenues from software license fees are expected to increase steadily through the expansion of cloud services for accounting firms' clients.
- Revenues from software operational support services are expected to grow through efforts to cultivate new customers for ERP products for companies.

- TVS (total value service for tax accountant and CPA firms)
- Software utilization fees
- Software operational support service (software maintenance service for companies)
- HW/NW maintenance service
- Supplies

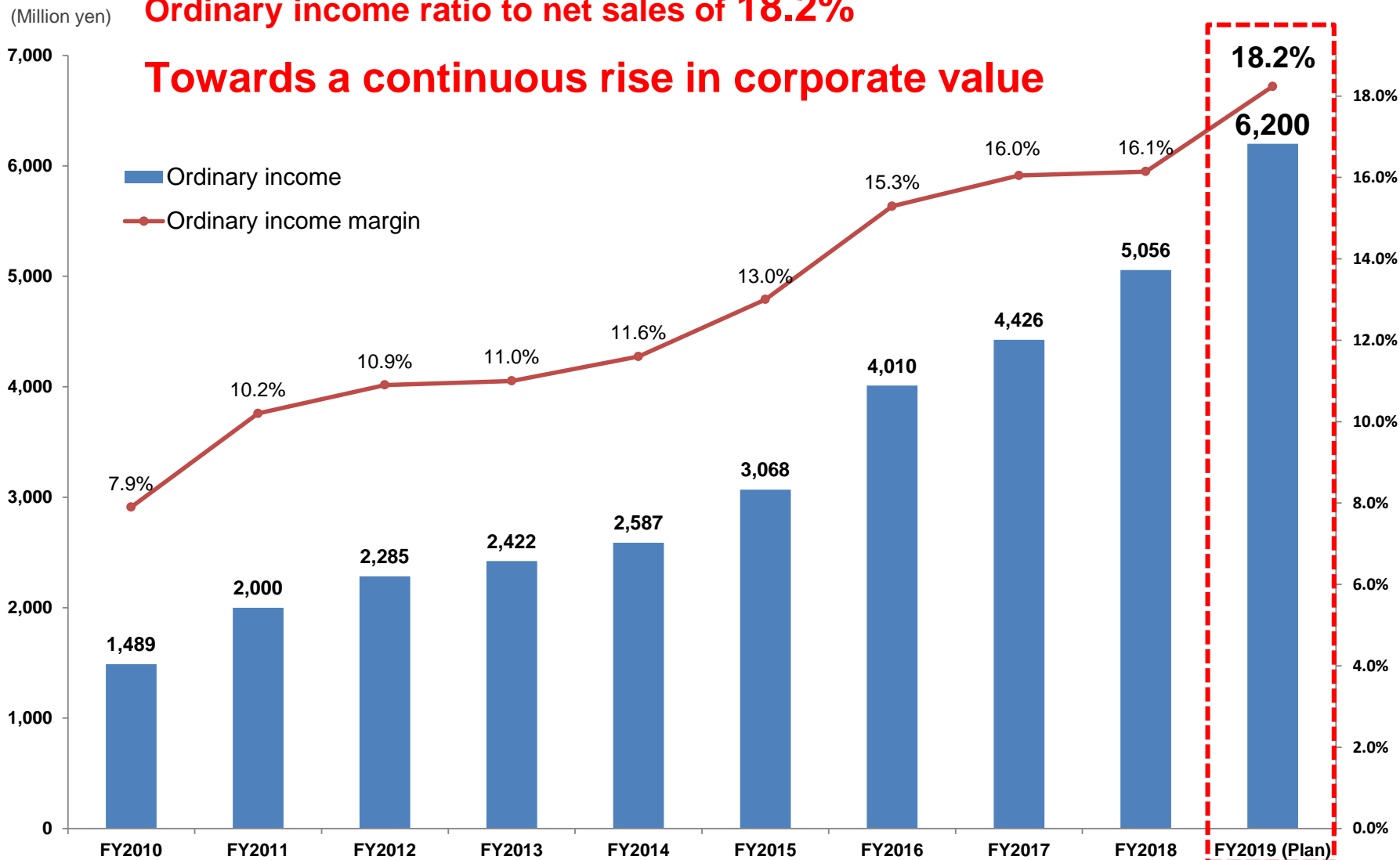


* Percentages in parentheses show a year-on-year comparison.

Ordinary income of 6,200 million yen

Ordinary income ratio to net sales of 18.2%

Towards a continuous rise in corporate value



- April 2018**
- MJS releases *Kantan Cloud Kaikei* and *Kantan Cloud Kyuyo*, new cloud services for SMEs and self-employed individuals: Easy-to-use cloud-based accounting and payroll systems for higher operational efficiency and speed.
 - MJS raises pay for general employees by 11.4% on average: 20,000 yen added to base pay in addition to regular pay rise.
 - MJS sponsors *Miroku-no-Michi Reconstruction Project* by the Eurasian Cultural Exchange Center of Tokyo University of the Arts to support the conservation and continuation of cultural heritage on the Silk Road: In association with the origin of the company name *Miroku*.
 - A fact-finding survey on office management to business operators, tax accountants and certified public accountants reveal that they started management for reasons of fulfillment (wishing for independence and support for SMEs) and around 50% will retire in their 70s.
 - MJS exhibits at the 9th Cloud Computing Expo Japan Spring, one of Japan's largest exhibitions specializing in cloud computing.
 - Bizsoft adopts Miroku Webcash International's *Account Tracker* account aggregation service to its *Tsukaeru Series* of accounting software.
 - MJS and Fuji Xerox collaborate to release the *Cloud Service Hub for MJS* accounting support solution for computerization and cloud sharing of supporting documents.
- May**
- MJS releases a new video clip featuring Rei Kikukawa on Tue., May 1, 2018: Do not miss her speaking gently in a stylish news anchor outfit.
 - MJS exhibits at Cloud Days 2018 exhibitions on digital innovation: Presenting its solutions in Kyushu, Nagoya and Sapporo.
- June**
- MJS supports companies with IT introductions as the IT introduction support operator: Exhibiting at Plus IT Fair 2018 in 10 cities across Japan.
 - MJS releases a new *Workflow* feature on the *Edge Tracker* cloud service for enhancing operational efficiency through real-time, time-saving and visualization features.
 - MJS embarks on direct sales of *Kantan Cloud Series* of cloud-based accounting and payroll services for SMEs and self-employed individuals.
 - MJS begins dealing with ORIX Life Insurance products: Offering medical insurance and other products in tertiary fields to meet customers' needs.
 - MJS exhibits at the 3rd Accounting and Finance Expo, Japan's only trade show for accounting and finance professionals: Proposing optimal solutions matched with a variety of needs for SMEs and the self-employed.
- July**
- MJS releases a new tax affairs system branded *MJS Zeimu NX-Plus*.
 - MJS forms a business alliance with the Daito Bank.
- August**
- MJS launches data linkage with *CryptoLink Hojin Kaikei* cryptocurrency accounting data creation tool for businesses.
 - MJS to organize MJS Solution Seminar & Fair 2018, an admission-free event for SMEs, in nine cities across the country from Sep. 6.
 - MJS announces findings of its fact-finding survey to business operators, tax accountants and certified public accountants on IT introduction.
- September**
- MJS launches linkage between its *MJS-Connect* cloud service collaboration platform and PFU's *Scan Snap* document scanners to facilitate the computerization of cumbersome management for supporting documents.
 - MJS exhibits at Kaikeihaku 2018, an event showcasing the latest IT information and know-how in the accounting industry.

- October 2018**
- MJS exhibits at Security Solution 2018 as part of Nikkei XTECH EXPO 2018.
 - The announcement of Federation of Miroku Kaikeijinkai Associations to hold the 43rd national workshop in Okinawa.
 - MJS exhibits at the 3rd Kansai Accounting and Finance Expo, Japan's only trade show for accounting and finance professionals.
- November**
- [MJS releases *Kantan Cloud Kaikei Plus* and *Kantan Cloud Kyuyo Plus* cloud-based accounting and payroll services for SMEs and self-employed individuals.](#)
 - MJS and Okinawa Miroku Kaikeijinkai Association become members of the IT Innovation and Strategy Center Okinawa, a public-private joint body for ICT-assisted industrial development in Okinawa Prefecture.
 - Miroku Webcash International's *Account Tracker* account aggregation service is adopted for LINE Kakeibo.
- December**
- MJS forms a business alliance with the Jonan Shinkin Bank.
 - MJS forms a business alliance with the Fukuho Bank to stimulate regional economy and SMEs' business activities.
 - MJS participates in IBM Japan's *Kaikei Data on Cloud Platform*.
- January 2019**
- Yoichiro Hirano, President and CEO of Asteria, is appointed as blockchain advisor for MJS.
 - MJS exhibits in the 3rd Kansai Cloud Computing Expo trade show on cloud computing.
 - MJS forms a capital alliance with DAN Venture Capital.
 - MJS sponsors the 17th Shinjuku City Half Marathon and Citizens Health Marathon.
 - MJS forms a business alliance with Bank Invoice.
 - MJS forms 2019 season CSR partnerships with the Tokyo Verdy football club and with the Nippon TV Beleza women's football team.
 - MJS exhibits in the 1st Nagoya Accounting and Finance Expo, Japan's only trade show for accounting and finance professionals.
 - MJS is accredited by the Ministry of Economy, Trade and Industry as an organization for supporting companies in information processing (Smart SME Supporter).
- February**
- Miroku Webcash International, a subsidiary of MJS, completes its registration as an electronic settlement agent.
 - MJS forms a business alliance with Seibu Shinkin Bank to stimulate the regional economy and SMEs' business activities.
 - MJS forms an alliance with the Hokuriku Bank to stimulate the regional economy and SMEs' business activities.
- March**
- MJS commences API linkage between its *MJS-Connect* and the *Misoca* invoice creation software.
 - MJS commences API linkage between its *MJS-Connect* with the *Smaregi* cloud-based POS cash registers.
 - MJS commences API linkage between its *MJS-Connect* with the MakeLeaps cloud invoice management software.
 - MJS executes a partnership agreement with Credit Saison.

Company Name	Miroku Jyoho Service Co., Ltd. (First Section of the Tokyo Stock Exchange, Code: 9928, Industry: Information Technology)		
Representative Director	Nobuhiko Koreeda, Chairman of the Board	Major Shareholders	NK Holding Co., Ltd. (29.1%) Miroku Jyoho Service Co., Ltd. (11.3%) The Master Trust Bank of Japan, Ltd. (4.2%) Japan Trustee Services Bank, Ltd. (4.2%) SSBTC CLIENT OMNIBUS ACCOUNT (3.7%) THE CHASE MANHATTAN BANK (3.5%) Nobuhiko Koreeda (3.0%) NTT PC Communications Incorporated (3.0%)
Representative Director	Hiroki Koreeda, CEO and President		
Founded	November 1977		
Capital	3,198 million yen	Number of shares outstanding	34,806,000
Business	Computer and information service-related business centered on the provision of business package software, computer hardware, supplies, and maintenance services to tax accountant and CPA firms and their client companies and general companies.	Number of shareholders at term end	3,673
		Shareholding ratio by foreigners	16.33%
		Employees (consolidated)	1,557
Place of Business	Head office: Tokyo; Development center: Tokyo and Nagaoka; Branch: Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka and others; Sales office: Gunma, Himeji and Matsuyama; Service center: Doto (East Hokkaido)		
Major Group Companies	NTC Co., Ltd. MSI Co., Ltd. LEAD Co., Ltd. MJS M&A Partners Co., Ltd. Cloud Invoice, Inc.	Miroku Webcash International Co., Ltd. bizocean Co., Ltd. MJS Finance & Technology Co., Ltd. Adtop Co., Ltd.	

Company Information Materials

May 2019

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