

Briefing Material on Business Results for the Fiscal Year Ended March 31, 2020

April 1, 2019 – March 31, 2020

May 22, 2020

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.

While prioritizing protecting the lives of its employees and their family members, the Company changed the work process and built and introduced an environment for working from home.

The Company will accelerate companywide business process reengineering (BPR) in view of an organizational structure and new work styles in the post COVID-19 era .

Main internal actions for employees

January

- Distribute face masks, thermometers and other supplies to offices and employees

February

- Introduce in stages, staggered working hours, bypassing offices when visiting and returning from customers and working from home
- Suspend seminars, exhibitions and training activities

April

- Stop employees from conducting sales activities and providing support for customers face to face (Prompting them to make business talks online)
- All employees start working from home in principle

Main actions for customers

February

- Offer two MJS products, namely the iCompass Remote PC2 remote access tool and the iCompass Communication remote support tool, for free for a limited period

March

- Launch a website providing information on support from governmental offices and financial institutions for accounting firms and medium- and small-sized companies

April

- Start providing accounting firms with a function to automatically judge if clients are eligible for financing support, including the Subsidy Program for Sustaining Businesses



Accelerate companywide business process reengineering (BPR) and actions for increasing productivity in view of a fundamental revision to the business implementation structure after the end of the pandemic.

◆ Consolidated earnings

- Consolidated net sales **increased 13.4%** year on year, hitting a new high.
- Consolidated operating income **rose 1.2%** year on year, ordinary income **rose 5.0%**, although it maintained a record high for **nine** consecutive fiscal years.
- The ratio of operating income to net sales was **14.7%** (down 1.8 percentage points year on year).
- Net income attributable to owners of parent was **down 50.7%**.

◆ Management indicators

- Shareholders' equity ratio was **49.6%** (up 2.4 percentage points year on year).
- The current ratio (current assets/current liabilities) was **332.6%** (up 39.4 percentage points year on year).

◆ Customer base and the expansion of service revenues

- The ratio of sales to new companies^{*1} was **28.8%** (up 4.7 percentage points year on year).
⇒ Total sales to new companies **increased 32.3%** year on year.
- Revenues of software maintenance services^{*2} **grew 12.9%**.

◆ Penetration of management conscious of order backlog (at the end of March 2020)

- The order backlog for system installation contract sales^{*3} (non-consolidated) was **4.44 months**^{*4} (down 0.62 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

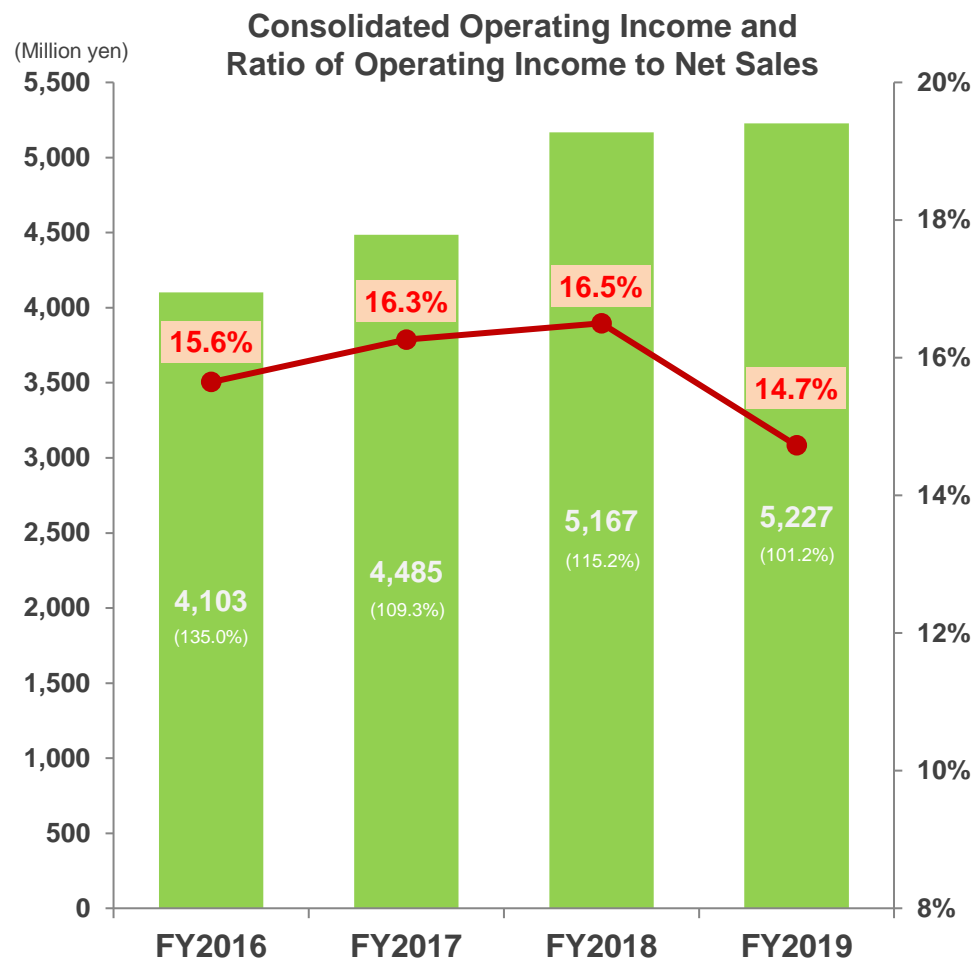
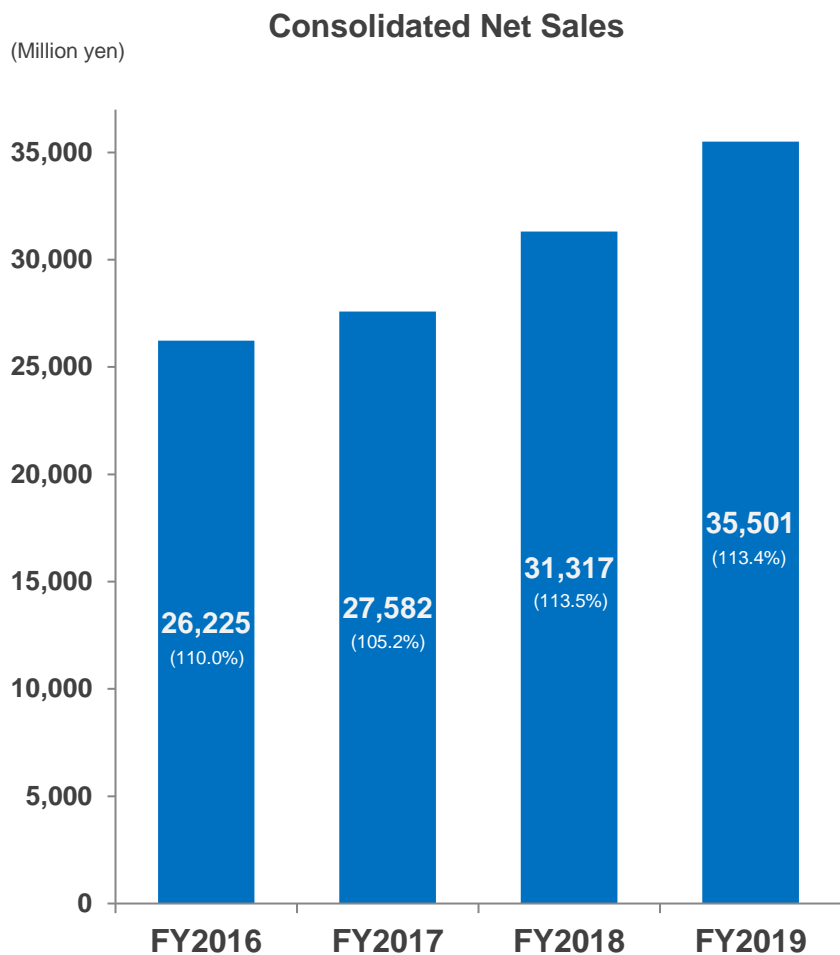


- Sales of hardware was strong in association mainly with the discontinuation of support for Windows 7. Also brisk was sales of useware related to kitting, installation and other services. Despite the impact of the COVID-19 in the fourth quarter, net sales grew 13.4%.
 - Operating income and ordinary income marked all-time highs, although the Company once conservatively revised future profitability of existing cloud products and implemented early amortization of software assets (approx. 1,000 million yen) in consideration of investment in development for intensive efforts to boost competitiveness of future cloud products.
 - Net income attributable to owners of parent declined after the Company posted around 2,500 million yen worth of loss on valuation of software. With respect to web-based products under development, the Company partly revised the direction of new products and the order of priority following changes in customers' needs and in the competitive environment. The Company then judged that the future earnings forecast in software assets classified as a long-term act of development may be subject to material change.
- ⇒ The burden of future amortization of software assets has been reduced, and the Company expects medium-term improvement in profitability.

(Million yen)

Consolidated	FY2018	FY2019	YoY		VS. forecast	
	Actual	Actual	Increase/ decrease	%	Increase/ decrease	%
Net sales	31,317	35,501	4,183	113.4%	1,501	104.4%
Gross profit	19,952	20,532	580	102.9%	-1,367	93.8%
Gross profit margin	63.7%	57.8%	-	-5.9P	-	-
SG&A expenses	14,784	15,305	520	103.5%	-394	97.5%
SG&A ratio	47.2%	43.1%	-	-4.1P	-	-
Operating income	5,167	5,227	60	101.2%	-972	84.3%
Operating income margin	16.5%	14.7%	-	-1.8P	-	-
Ordinary income	5,056	5,311	255	105.0%	-888	85.7%
Ordinary income margin	16.1%	15.0%	-	-1.1P	-	-
Net income attributable to owners of parent	3,730	1,839	-1,891	49.3%	-2,200	45.5%
Net income margin	11.9%	5.2%	-	-6.7P	-	-
Consolidated EPS	119.89 yen	59.59 yen	-60.30 yen	49.7%	-	-

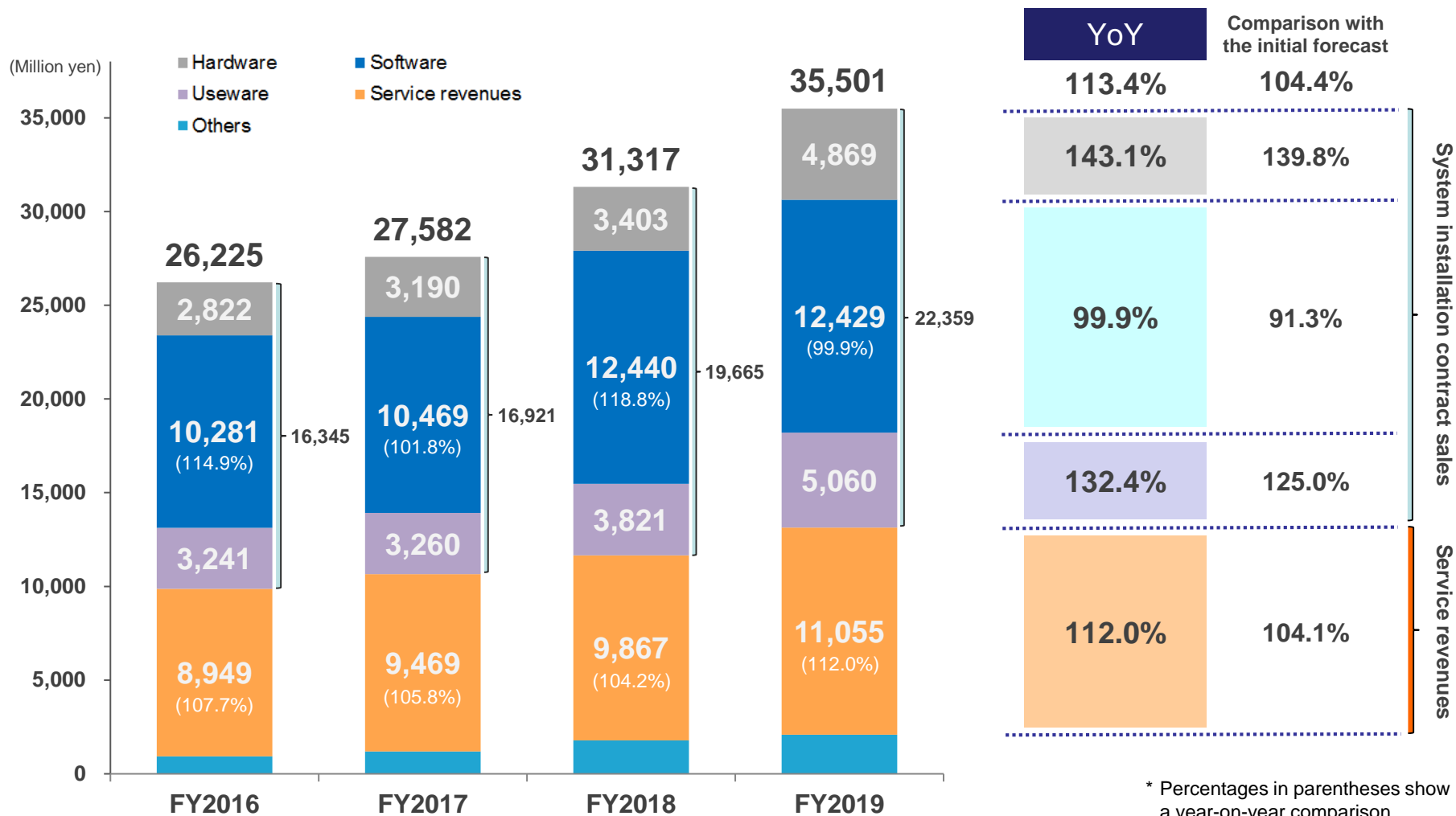
- Consolidated net sales hit a record high, and operating income reached a new high.
- Ratio of operating income to net sales dropped due to early amortization of software assets, but it still hovered around 15%.



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

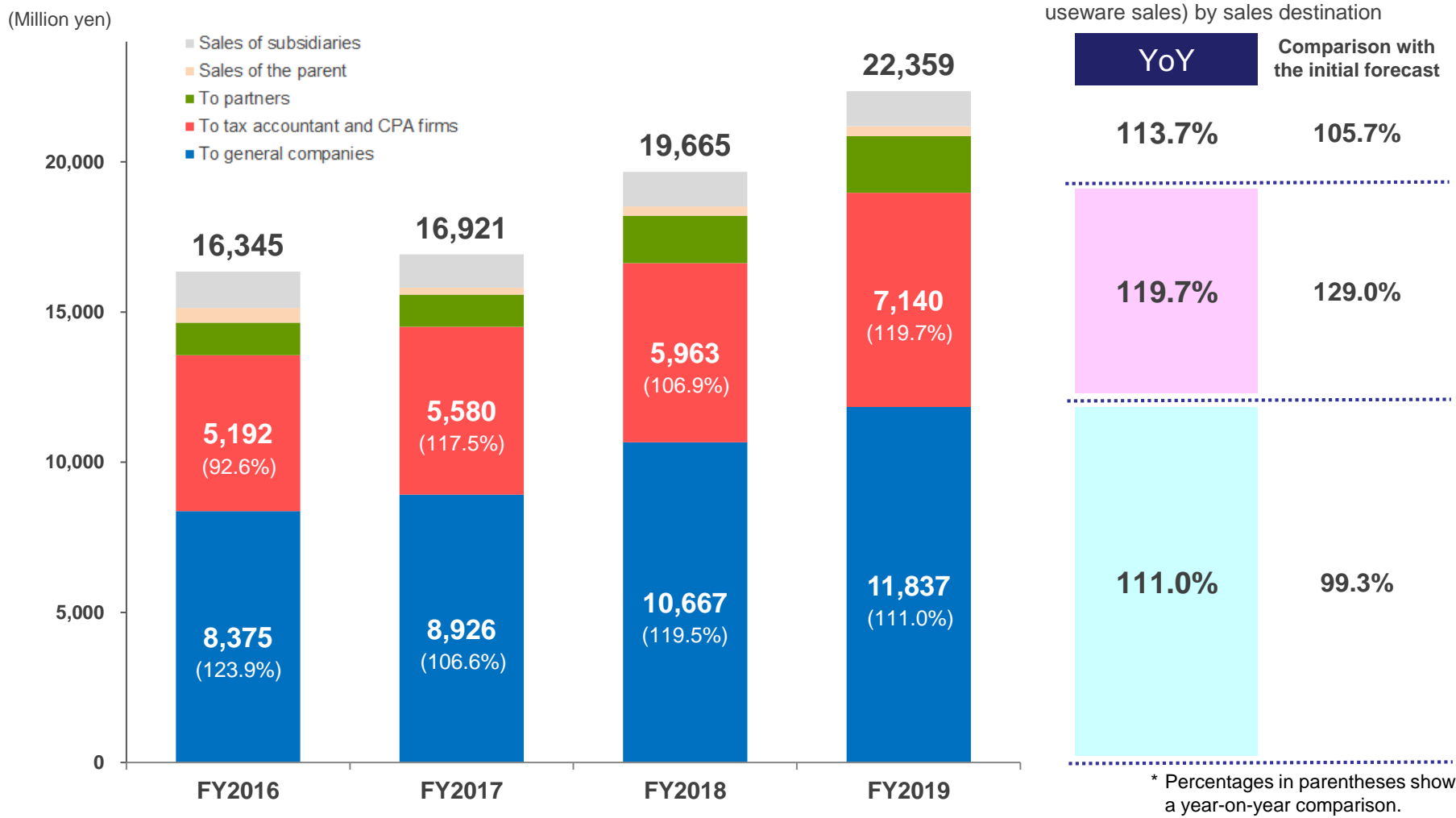
Trends in Consolidated Results

- Sales of hardware and useware increased temporarily, mainly due to the impact of the termination of support for Windows 7.
- Service revenues grew steadily due to an increase in the number of customers attributable to the development of new customers.



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

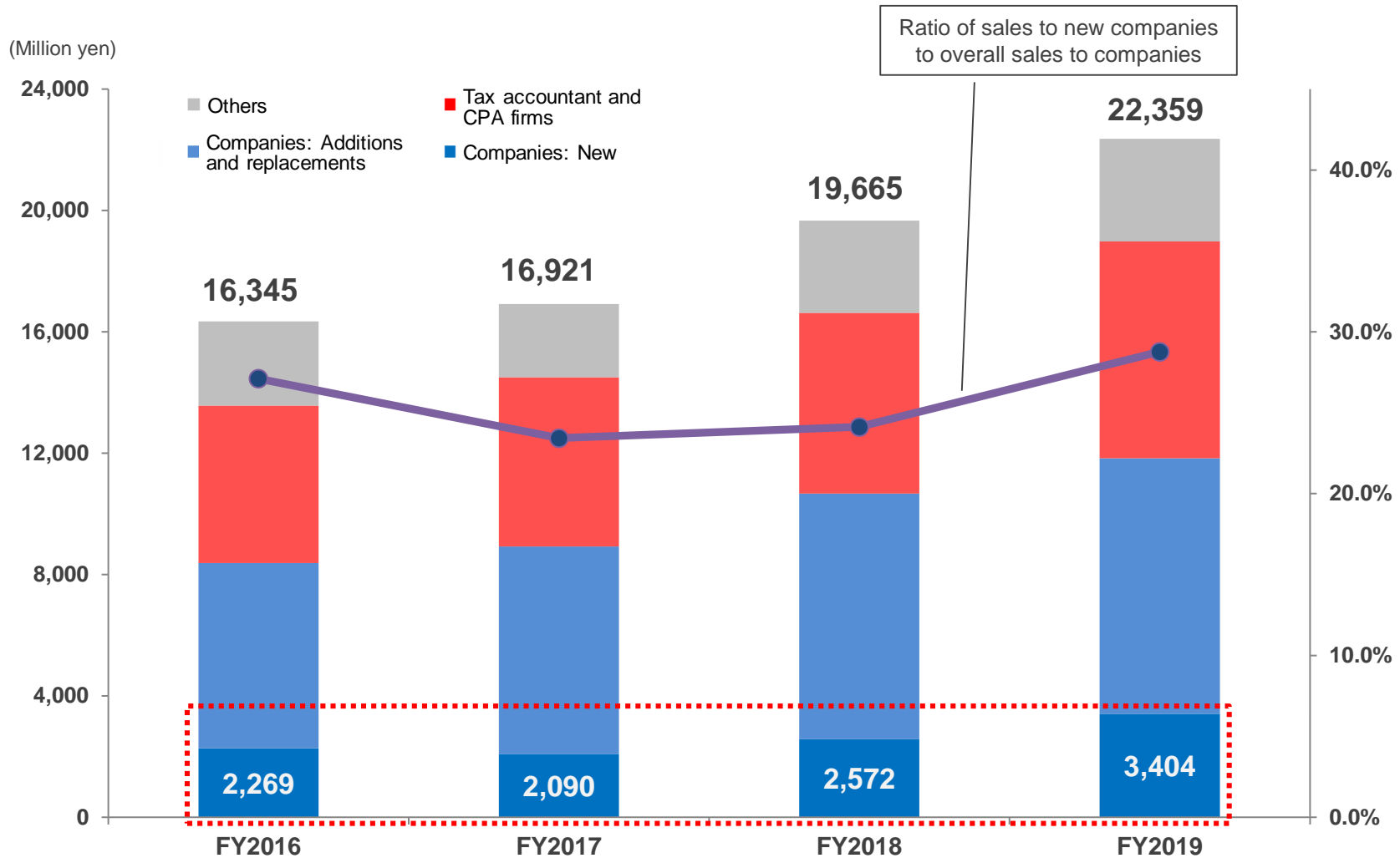
- Tax accountant and CPA firms grew thanks to the demand of existing customers for replacement and additional sales.
- In sales for general companies, sales to new customers rose significantly.



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



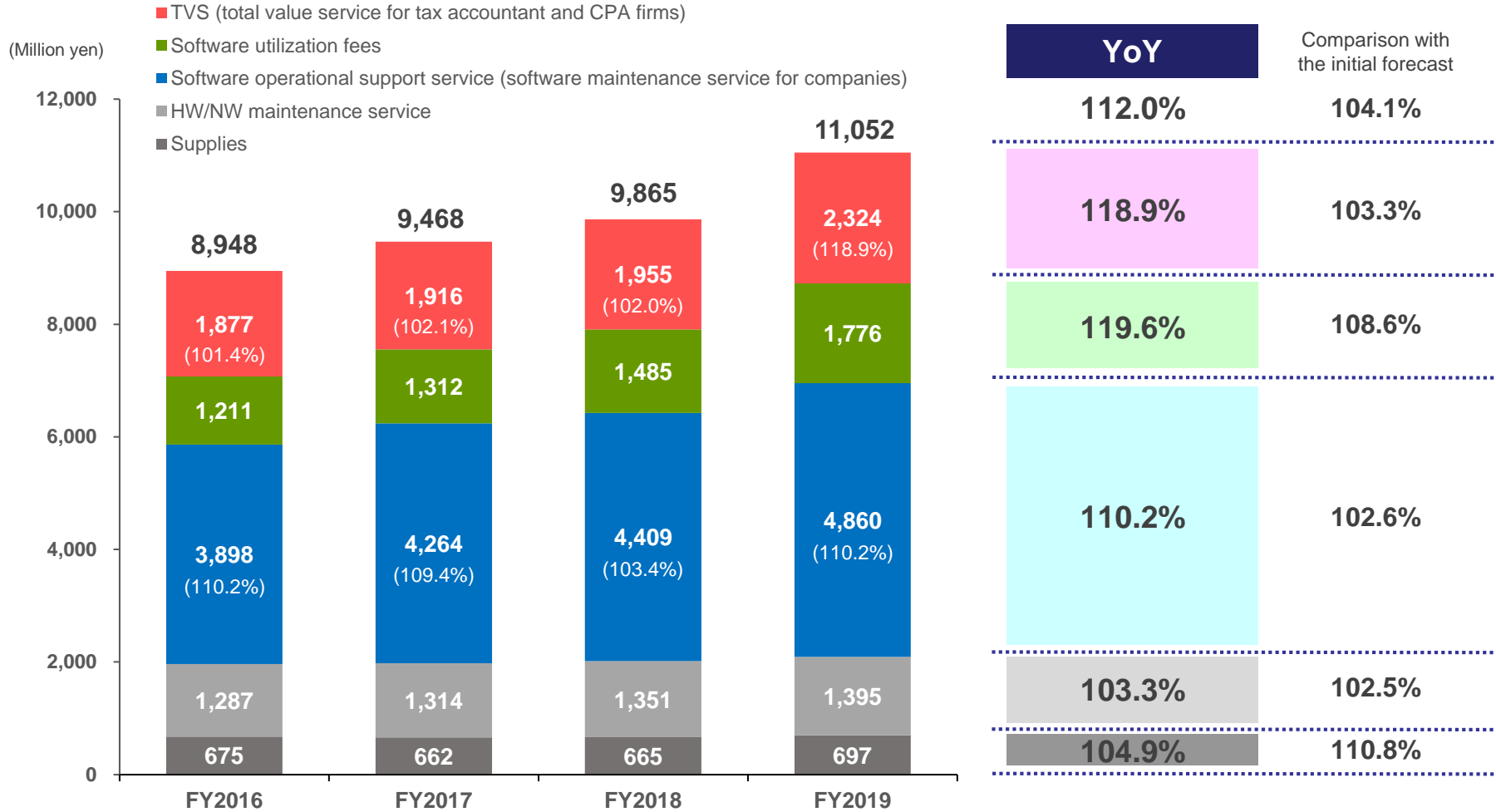
➤ Sales for new companies rose 32.3% and the ratio to corporate sales rose to 28.8% (up 4.7 percentage points year on year).



* 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

- TVS revenues achieved double-digit growth after the price revision in July. Software operational support services grew 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)

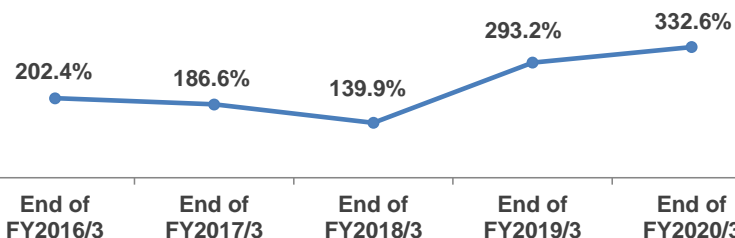


- Soundness was secured thanks to stable financial conditions.
- Return on equity (ROE) declined after the loss on valuation of software was posted as an extraordinary loss.

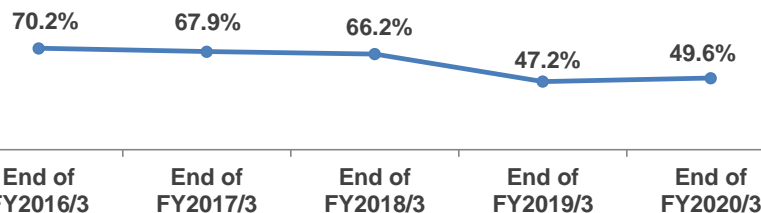
(Million yen)

Consolidated	31-Mar-19	31-Mar-20	Comparison with March 31, 2019	
			Increase/decrease	%
Current Assets	21,962	23,603	1,641	107.5%
Cash and deposits	16,271	17,979	1,708	110.5%
Accounts receivable-trade, etc.	3,747	4,074	327	108.7%
Inventories	1,210	817	-392	67.6%
Other current assets	733	732	-1	99.8%
Fixed assets	16,213	14,716	-1,497	90.8%
Tangible fixed assets	4,299	4,448	148	103.5%
Intangible fixed assets	7,543	4,557	-2,986	60.4%
Investments, etc.	4,370	5,710	1,339	130.7%
Deferred assets	35	28	-7	78.6%
Total assets	38,211	38,348	136	100.4%
Current liabilities	7,491	7,096	-394	94.7%
Accounts payable-trade, etc.	1,324	1,043	-281	78.8%
Debt (including current portion of bonds)	1,102	992	-109	90.1%
Accrued income taxes	1,275	1,139	-135	89.4%
Other current liabilities	3,788	3,920	131	103.5%
Fixed liabilities	12,661	12,222	-439	96.5%
Total liabilities	20,153	19,318	-834	95.9%
Shareholders' equity	17,225	18,013	788	104.6%
Total net assets	18,058	19,029	971	105.4%
Total liabilities and net assets	38,211	38,348	136	100.4%

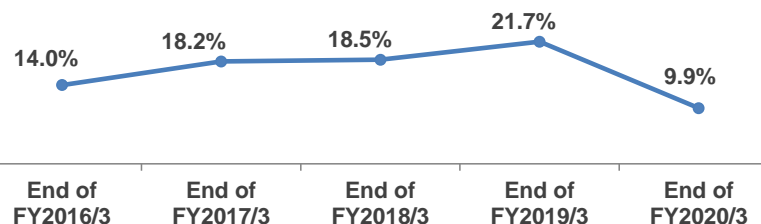
Current ratio = Current assets / Current liabilities



Shareholders' equity ratio = Shareholders' equity / Total assets



ROE = Net income / Shareholders' equity



Statement of Cash Flows (Consolidated, Year on Year)



- Ending balance of cash and cash equivalents stayed at a high level, following the issuance of yen-denominated foreign convertible bonds with a face value of 11,000 million yen in December 2018.

(Million yen)

Consolidated cash flows	FY208	FY2019	Increase/ decrease
Cash flows from operating activities	4,105	5,343	1,237
Cash flows from investing activities	-3,311	-1,998	1,312
Free cash flows	794	3,345	2,549
Cash flows from financing activities	8,956	-1,636	-10,593
Ending balance of cash and cash equivalents	16,041	17,749	1,708

Major Cash Flow Items

Cash flows from operating activities

- Net income before income taxes +2,782 million yen
- Depreciation +2,227 million yen
- Loss on valuation of software +2,516 million yen
- Income taxes paid -2,138 million yen

Cash flows from investing activities

- Acquisition of tangible fixed assets -472 million yen
- Acquisition of intangible fixed assets -1,541 million yen

Cash flows from financing activities

- Repayment of long-term debt -602 million yen
- Dividends paid -1,048 million yen

Forecast of Business Results for FY2020

Management Vision 2020

The MJS Group will strengthen its partnerships with accounting firms and regional financial institutions nationwide and will provide optimal management systems and a timely management information service to SMEs.

The Group will thereby aid SMEs in the continuation, growth and development of their business.

Basic policies

- 1. Enhance the solution business to gain new customers**
- 2. Strengthen partnerships with accounting firms and regional financial institutions**
- 3. Promote the bizsky platform business**
- 4. Drastically reform the development system, actively hire engineers and cultivate human resources**
- 5. Strengthen the Group management**
- 6. Increase productivity through BPR and raise employee satisfaction through work-style reform**

Earnings Plan for FY2020 (Consolidated, Year on Year)



- The Company revised the Management Objectives for Fiscal 2020 because of the impact of the COVID-19.
- The earnings plan was calculated on the assumption that economic activity would gradually increase after the settlement of COVID-19 pandemic in the first or second quarter and that the Company's business circumstances would normalize in the third and subsequent quarters.
- The financial forecasts may be subject to change depending on the state of the COVID-19 .

(Million yen)

Consolidated	FY2019	FY2020	YoY	
	Actual	Plan	Increase/ decrease	%
Net sales	35,501	36,000	498	101.4%
Gross profit	20,532	20,790	257	101.3%
Gross profit margin	57.8%	57.8%	-	±0.0P
SG&A expenses	15,305	17,210	1,904	112.4%
SG&A ratio	43.1%	47.8%	-	+4.7P
Operating income	5,227	3,580	-1,647	68.5%
Operating income margin	14.7%	9.9%	-	-4.8P
Ordinary income	5,311	3,600	-1,711	67.8%
Ordinary income margin	15.0%	10.0%	-	-5.0P
Net income attributable of parent	1,839	2,340	500	127.2%
Net income margin	5.2%	6.5%	-	+1.3P
Consolidated EPS	59.59 yen	75.79 yen	16.20 yen	127.2%
Annual dividend per share	38.00 yen	38 yen (plan)	0.00 yen	100.0%

Revision to Earnings Plan for FY2020

Earnings Plan for FY2020
(announced in May 2019)

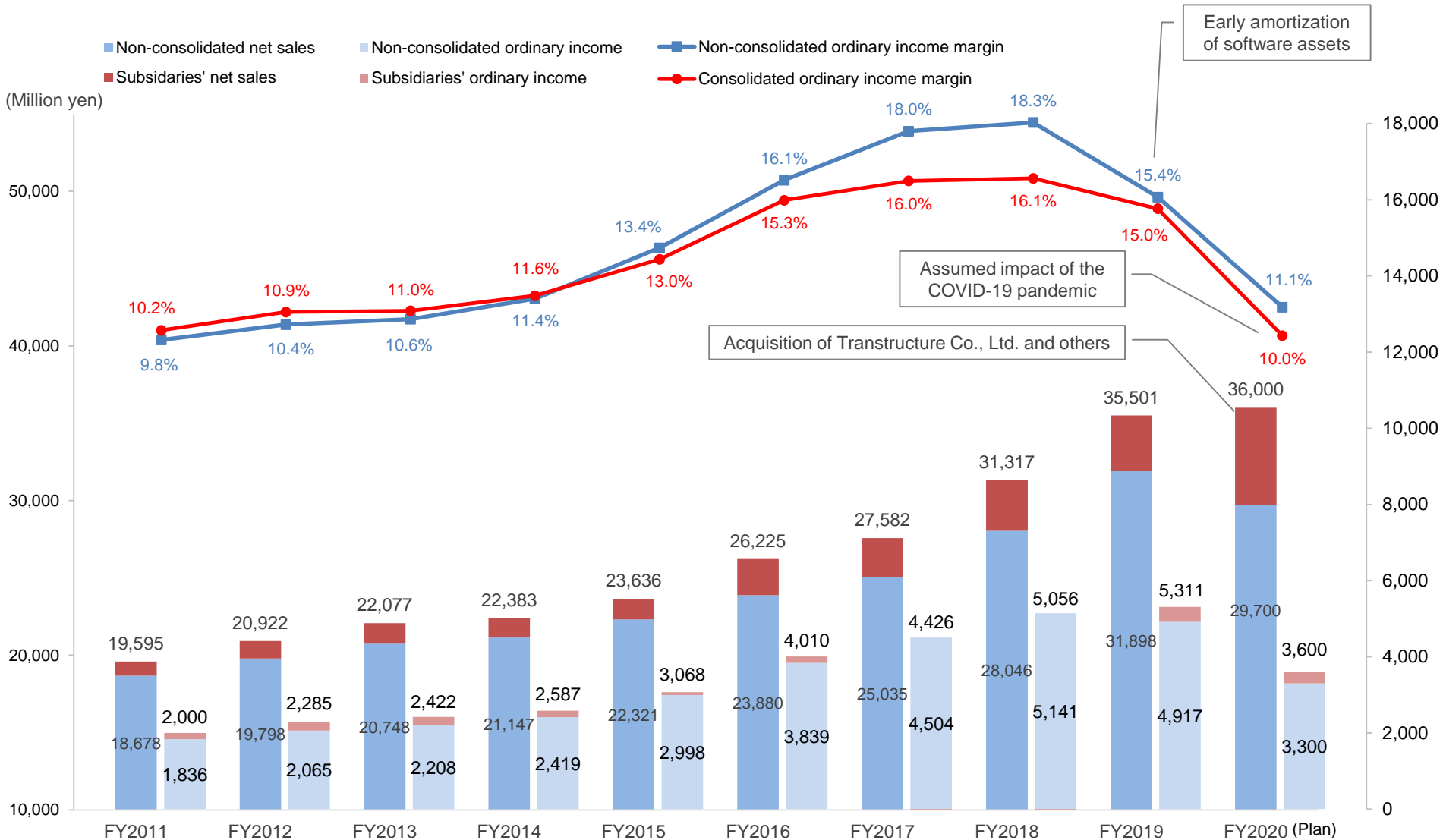
- Consolidated net sales 38.0 billion yen
- Consolidated ordinary income 8.0 billion yen
- Ordinary income margin 21.1%



Earnings Plan for FY2020 (financial forecast)

- Consolidated net sales 36.0 billion yen
- Consolidated ordinary income 3.6 billion yen
- Ordinary income margin 10.0%

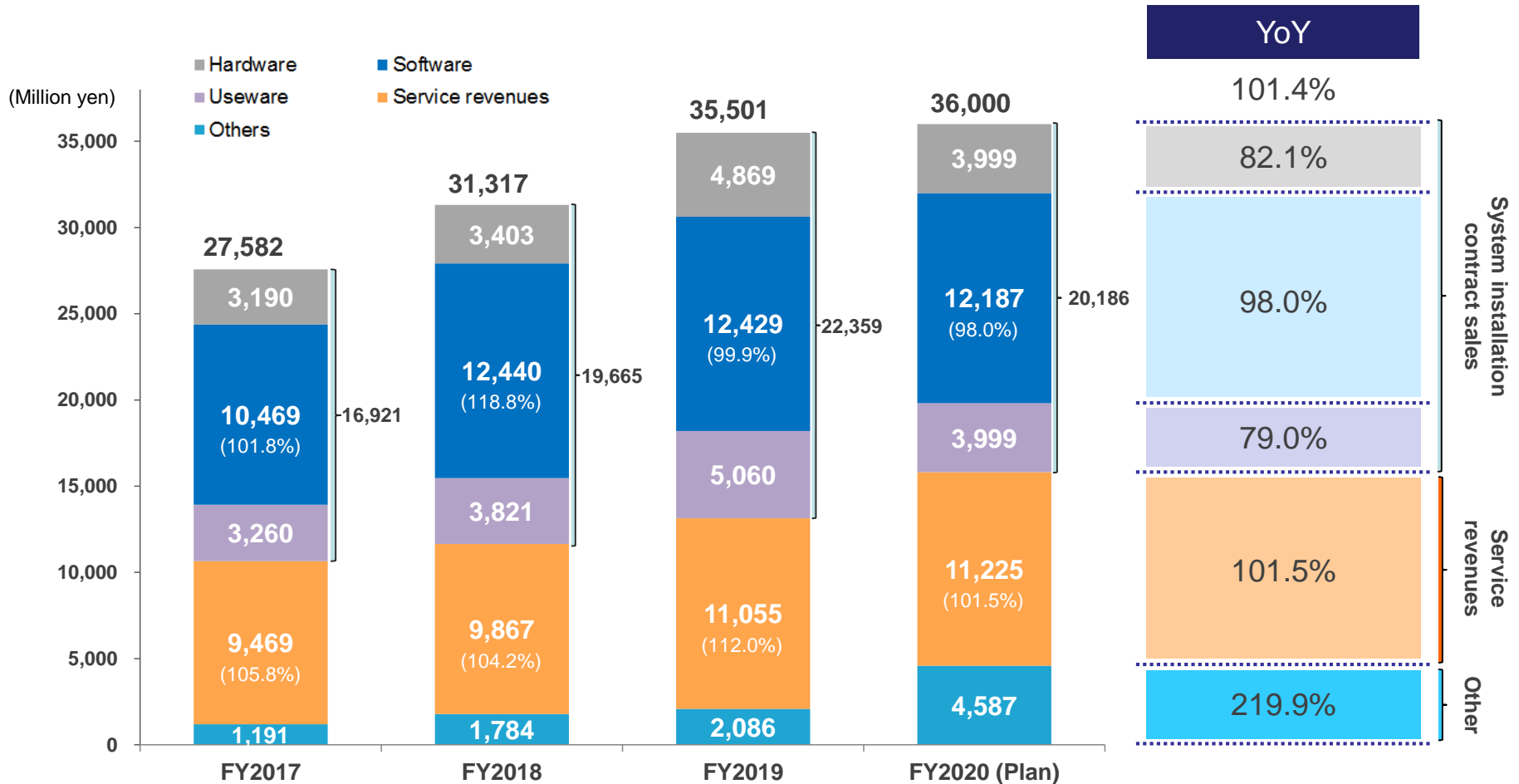
Trends in Consolidated and Non-Consolidated Business Results



* 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.

Net Sales Plan by Item for FY2020

- Impacts of the COVID-19 and a reactionary decline after the special hardware demand in the previous fiscal year are considered.
- For others, a sales increase thanks to Transtructure, which newly became a subsidiary, and M&A is envisioned. (The financial forecasts may be subject to change depending on the state of the COVID-19.)



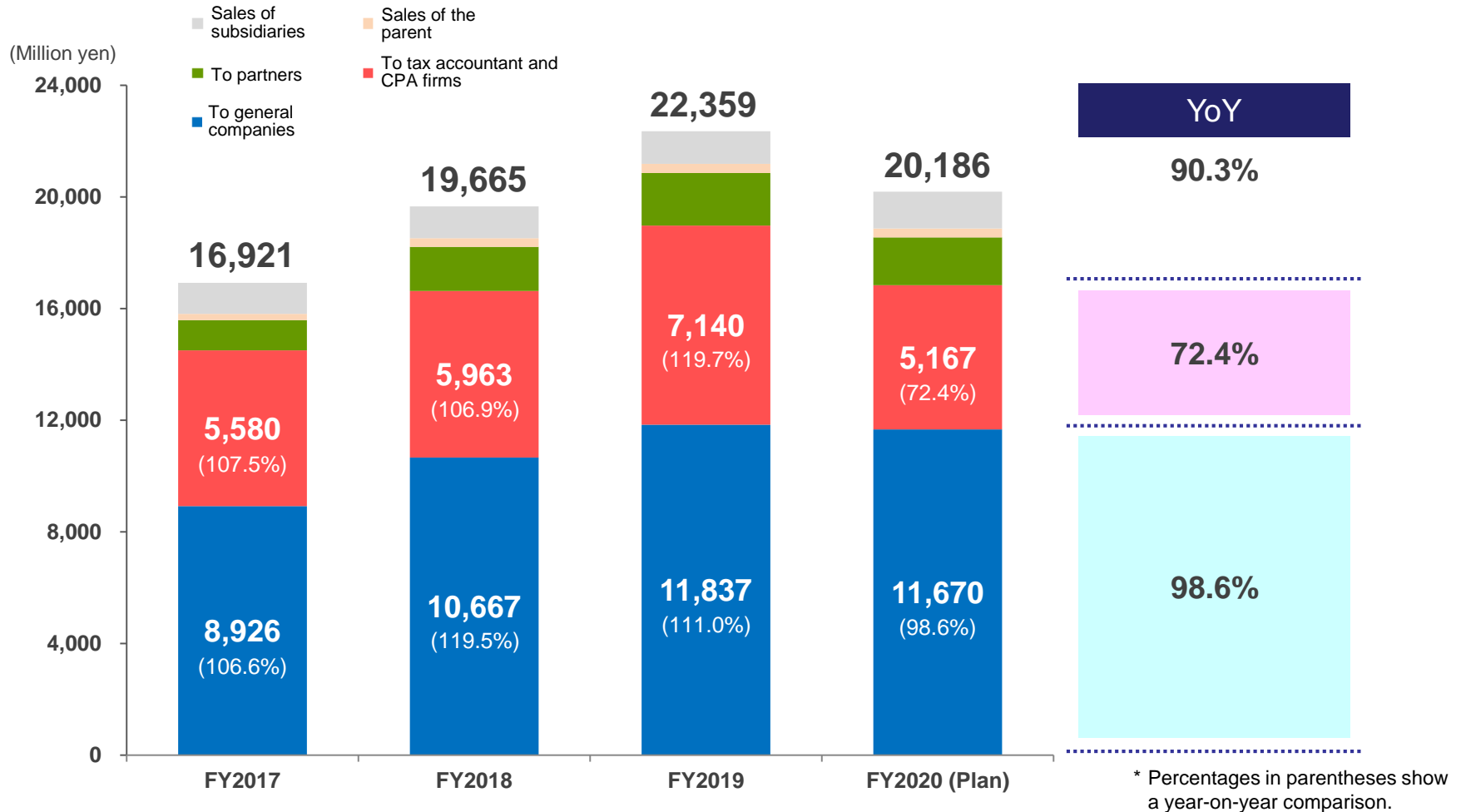
* Sales in others consist mainly of affiliates, including MJS M&A Partners, Bizocean, Adtop and Trastructure, and M&A.

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

Net Sales Plan by Sales Destination for FY2020 (System Installation Contract)



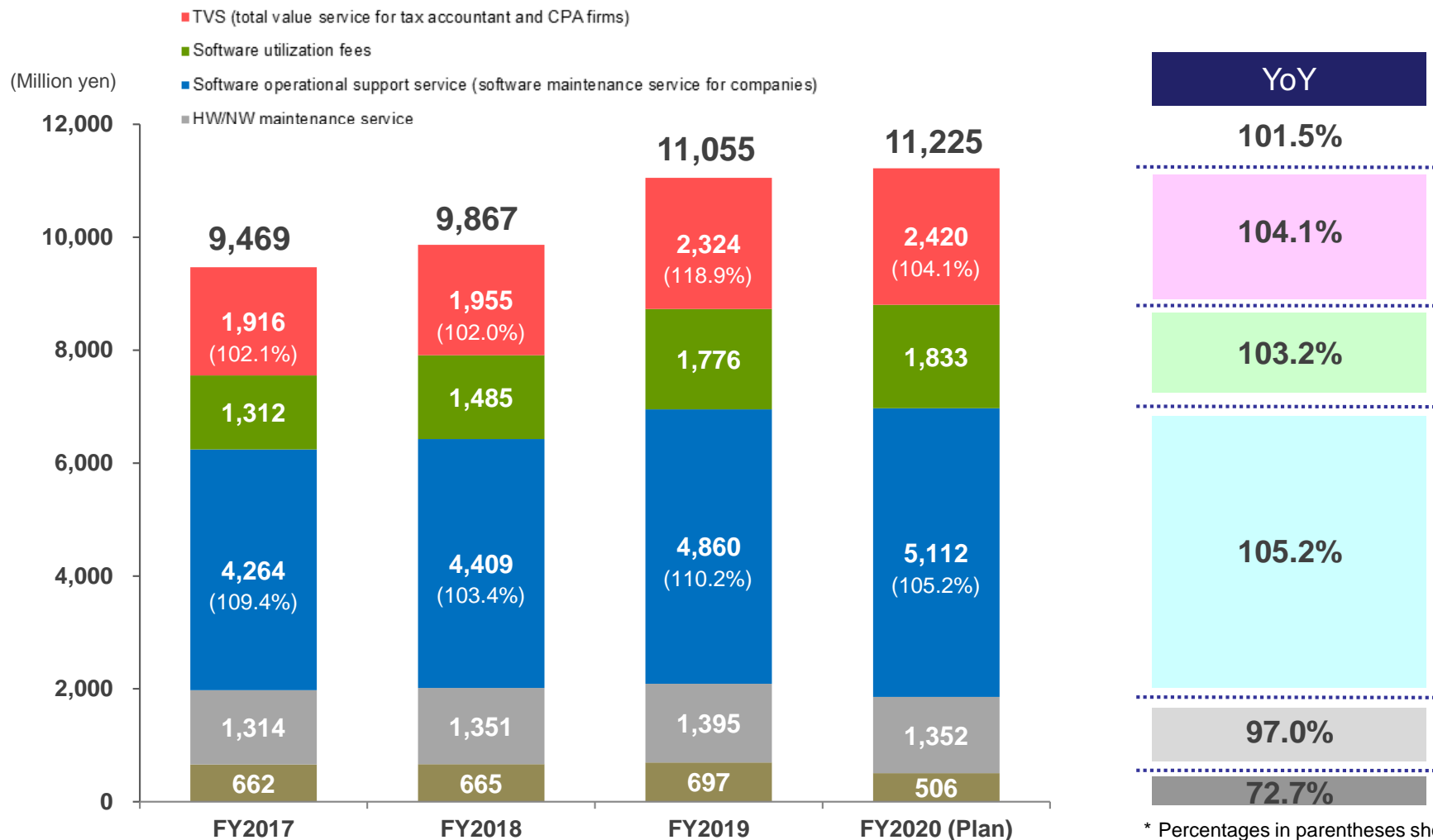
- Sales to accounting firms and to companies are expected to decline due to the impact of the COVID-19 .
(The financial forecasts may be subject to change depending on the state of the COVID-19 pandemic.)



Net Sales Plan of Service Revenues for FY2020

➤ Growth of service revenues is expected to slow down due to a decrease in the acquisition of new customers resulting from the COVID-19.

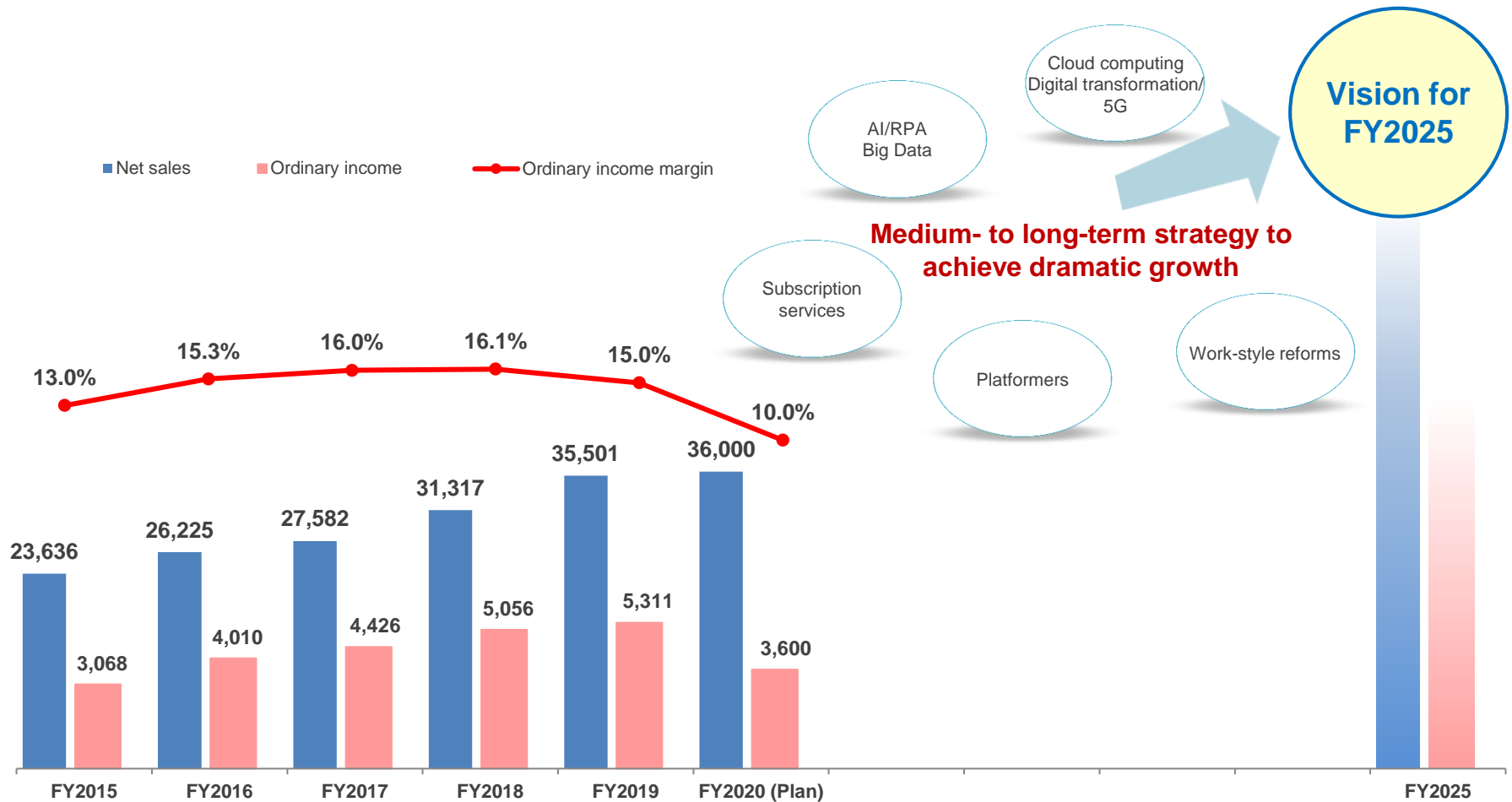
(The financial forecasts may be subject to change depending on the state of the COVID-19.)



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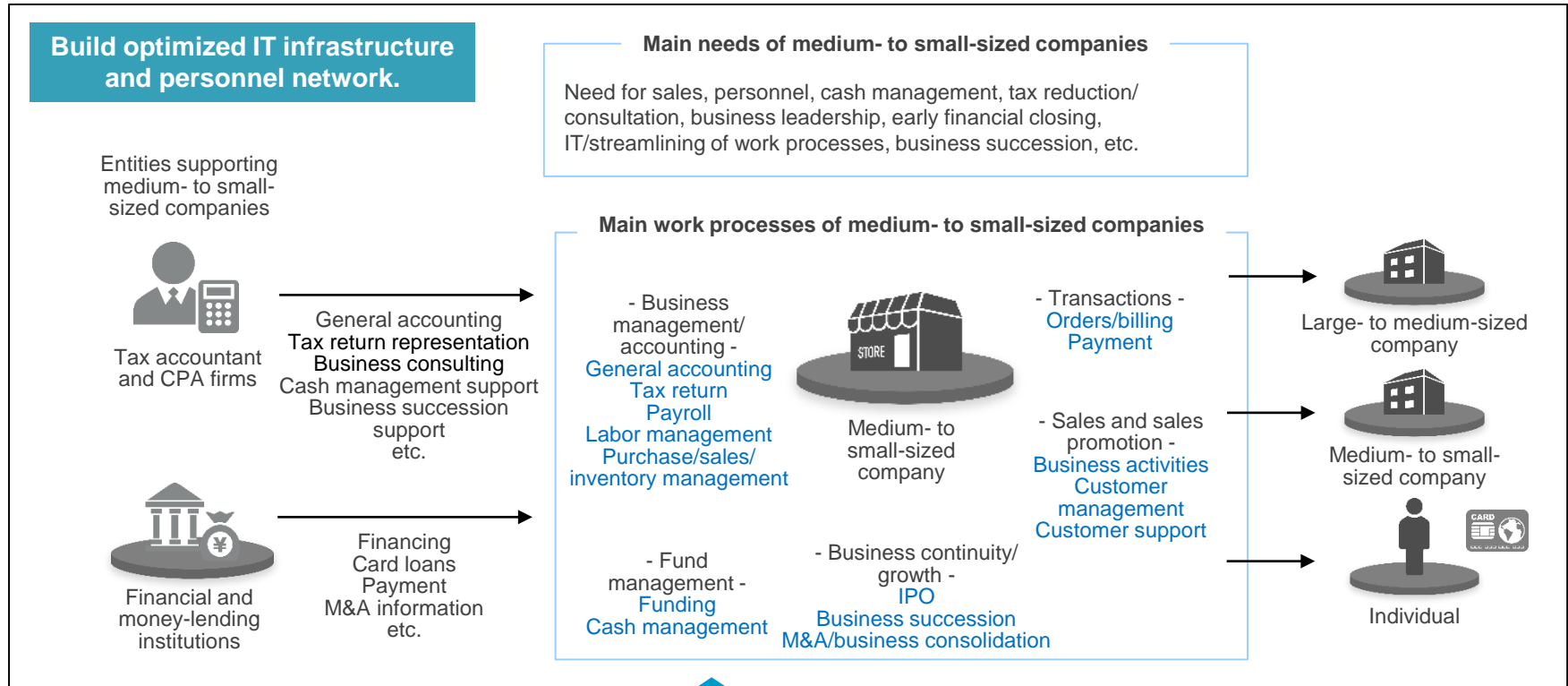
Outlook towards Fiscal 2025

- In addition to accelerating the growth of the existing ERP business, create and expand new businesses with highly profitable business models.
- Implement positive M&A activities to make the Group's management more advanced and diversified.
- Learn lessons from the coronavirus crisis to accelerate business continuity planning (BCP), business process reengineering (BPR) and work-style reforms in pursuit of sustainability.



Expanding bizsky Platform Business to Offer Comprehensive Support to Medium- and Small-Sized Companies

- The bizsky platform offers a wide variety of cloud services. Expand this business to operate a comprehensive solution for medium- and small-sized companies through a solid network with accounting firms and financial institutions.



プラットフォーム

Offering a wide variety of cloud services

Accounting, tax work, HR, payroll & attendance, placing/receiving orders, sales management, expenses settlement, electronic contract, finance, account aggregation services, CFM, payment, security, API coordination, etc.

API

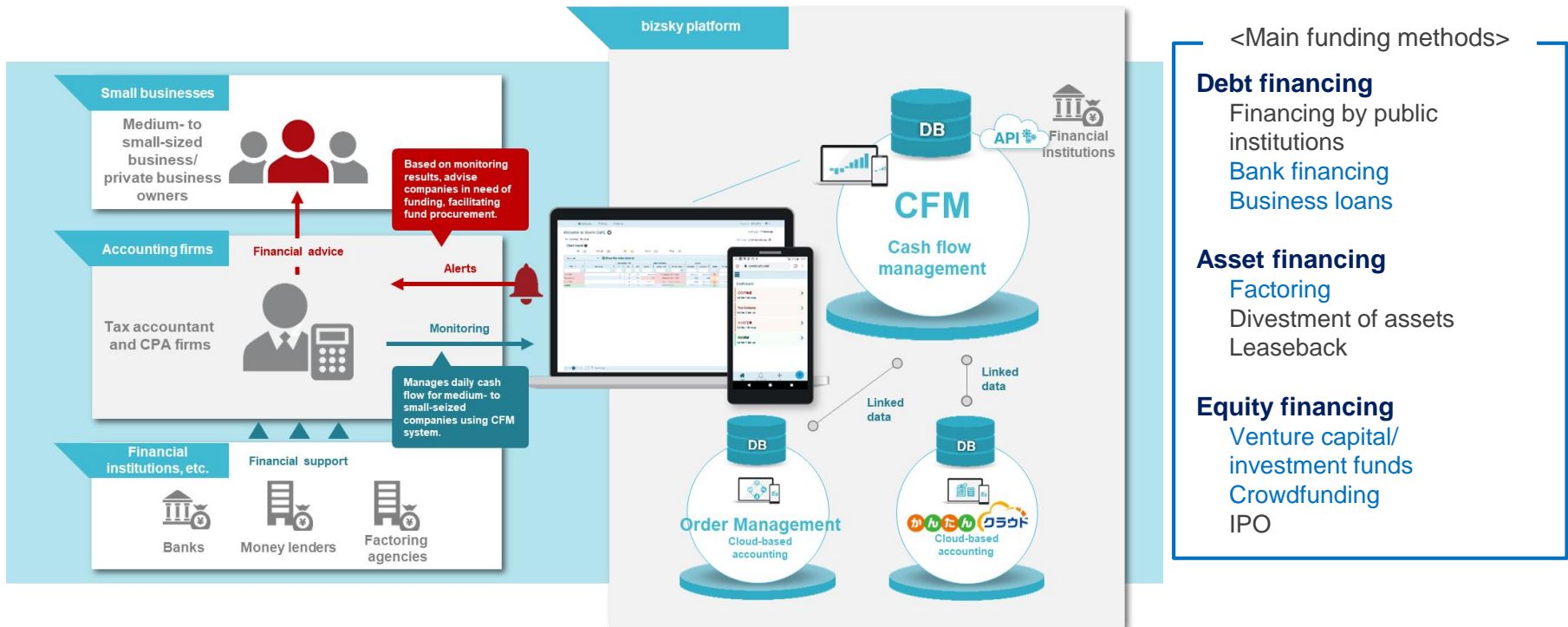
Links to other companies' services

- Building a framework where tax accountant and CPA firms act as CFO for medium- to small-sized companies, providing cash management BPO services.

Enable medium- to small-sized companies to streamline their operations through use of cloud services and to reliably optimize funding and fund management using cash management BPO services.

1. Provide framework for new cash management BPO services through a combination of IT solutions, expert knowledge, and a range of financial services.
2. Offer CFM system, cloud-based accounting services, and cloud-based order management services.
3. Financial institutions provide various financial services based on financial data backed by tax accountant and CPA firms.

<Image of new financial services>



<Main funding methods>

Debt financing

Financing by public institutions
Bank financing
Business loans

Asset financing

Factoring
Divestment of assets
Leaseback

Equity financing

Venture capital/
investment funds
Crowdfunding
IPO

Partnerships with Regional Financial Institutions for Regional Revitalization

- In addition to the business alliance with Shinsei Bank, the Company will strengthen partnerships with regional financial institutions to help medium- and small-sized companies with business improvement in collaboration with financial institutions across the country and to encourage regional revitalization and to stimulate regional economy.

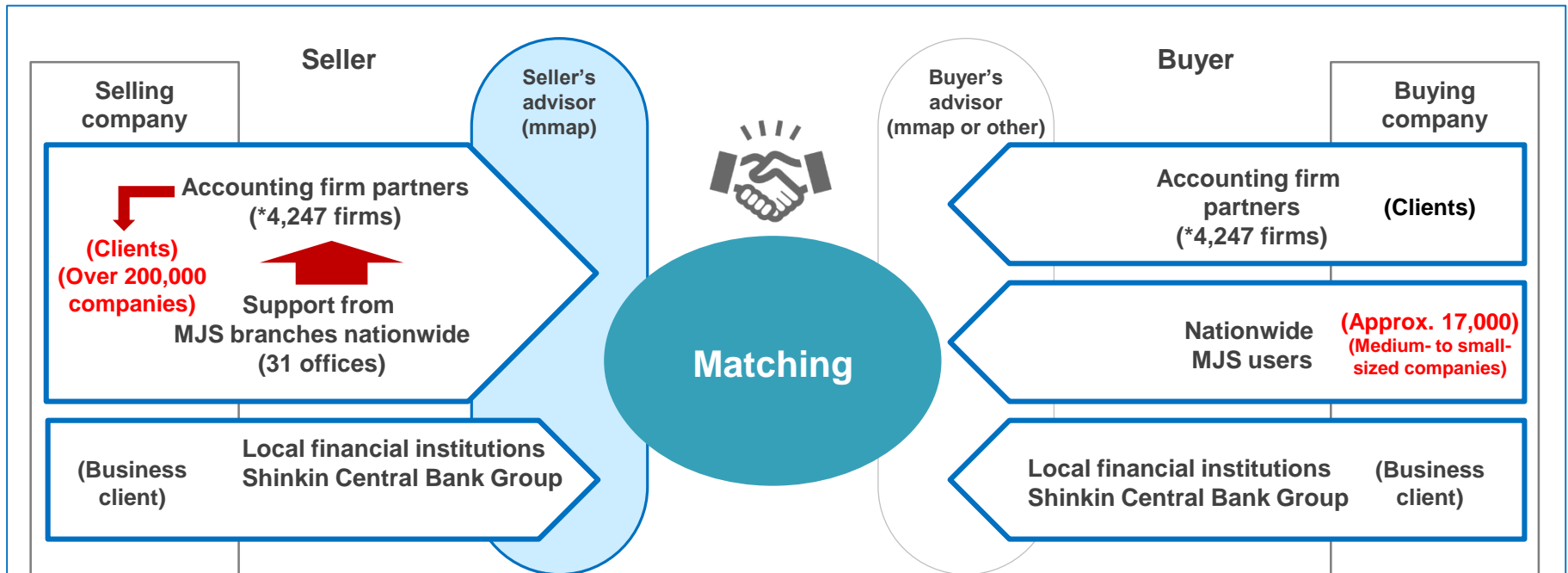


MJS is offering its ERP products and cloud services to medium- and small-sized companies in regions to help them increase operational efficiency and productivity.

MJS and a subsidiary, mmap, work with regional financial institutions and accounting firms to help medium- and small-sized companies in the regions with business succession or continuation.

MJS promotes API linkage agreements for securely linking account data with accounting software and others with a view toward creating new financial services.

- Seeking out business transfer needs using MJS’s nationwide branch network and many accounting firm partners, matching sellers with buyers via network of financial institutions and MJS users (to support growth of medium-sized companies in particular).

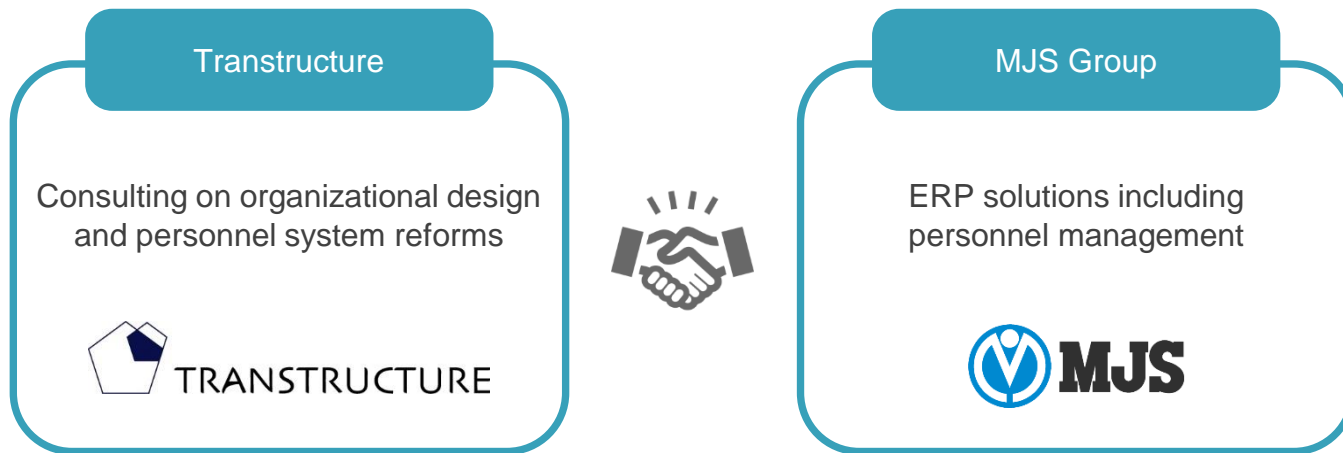


* Number of partner accounting firms as of Mar. 31, 2020

- Promote business partnership agreement with accounting firms, using MJS’s nationwide branch network.
- Provide accounting firm partners with the “Corporation Evaluation System,” which calculates the client’s business value, free of charge.
- Collaborate with financial institutions across Japan, as partners to exchange information on business succession projects.
- Collect information on the business transfer needs of MJS users nationwide to help match buyers with companies looking to sell.

- Actively seek capital alliances and M&A with solution companies that will produce synergy with the MJS Group. As part of the M&A strategy, Transtructure Co., Ltd. was made into a subsidiary in April.

Combine the MJS Group's strengths in solutions based on ERP systems and nationwide sales as well as support with Transtructure's excellence in consulting on organization and personnel affairs to offer higher value-added solutions to customers



Jointly providing both companies' solutions and expertise to increase customer value and to expand the customer base

- April 2019
 - Participated as an exhibitor at the 10th Cloud Computing Expo Spring, part of Japan IT Week (Spring, Part 2), the largest IT exhibition in Japan
 - Fact-finding survey on responses to tax reforms such as consumption tax hikes and reduced tax rates
 - MJS's sales management software product was registered as a product eligible for a reduced tax rate subsidy
 - A new TV ad starring Hikaru Takahashi started airing on April 27
- May
 - Participated as an exhibitor at the 4th Accounting and Finance Expo, the industry's only specialist trade show for accounting and finance professionals
 - Participated as an exhibitor at Plus IT Fair 2019 held in Tokyo and Osaka
 - Participated as an exhibitor at Digital Innovation 2019: Cloud Days, the only tour event offering an experience at the forefront of the digital revolution
- June
 - Participation is free of charge: MJS Solution Seminar & Fair 2019, a nationwide comprehensive fair hosted by MJS, is held from June 12 in 14 cities across Japan
 - Development of partnerships to support an increase in the productivity of small- and medium-sized businesses
 - MJS completed registration as an electronic payment agency
 - MJS concentrates its three development divisions in Tokyo at Nakano Central Park South
- July
 - Participated as an exhibitor at Accounting Firm Summit: Innovation 2019, where participants learn about the latest trends and IT information in the accounting industry
 - MJS and the Shimane Bank, Ltd. established a business alliance to promote the revitalization of local economies and business activities of small- and medium-sized businesses
 - [The money collection service, "Rakutasu Collection" started providing services on July 4](#)
 - MJS started selling non-life insurance products of Tokio Marine & Nichido Fire Insurance Co., Ltd.
 - MJS and the Eighteenth Bank, Ltd. established a business alliance to promote the revitalization of local economies and business activities of small- and medium-sized businesses
 - MJS's cloud service alliance platform "MJS-Connect" and Info Mart Corporation's electronic invoicing system "BtoB Platform Seikyusho" started API sharing
- September
 - Partnership for raising productivity in the financial accounting segment of small- and medium-sized businesses
 - Guide to the 44th Nationwide Unified Training Sessions: Hakodate Event held by Miroku Kaikeijinkai
 - MJS established new business alliances with subsidiaries of two local banks in Chiba Prefecture
 - [MJS will start providing tax accountant and CPA firms with "MJS AI Audit Support," a journal and balance checking system using AI, in November](#)
 - Account Tracker, which allows one-time acquisition of multiple pieces of financial information, received the Judges' Special Award at FinTech Awards 2019
 - Fact-finding survey on the promotion of cashless transactions of business owners, tax accountants and certified public accountants

- October 2019
 - Participated as an exhibitor at Kaikei Jimusho Hakurankai 2019, a trade show that showcases the latest IT information and knowhow in the accounting industry
 - Participated as an exhibitor at Enterprise ICT 2019 as part of Nikkei XTECH EXPO 2019
 - Participated as an exhibitor at the fourth Kansai Accounting and Finance Expo, Japan's only trade show for accounting and finance professionals
- November
 - MJS' products supported the electronic filing of the inheritance tax return launched in October 2019
- December
 - The cumulative total transferred through MJS' Rakutasu Furikomi and Rakutasu Kyuyo Furikomi transfer services exceeded 300 billion yen
- January 2020
 - MJS and Topaz Capital established a business alliance on business succession and business financing
 - [bizocean] Resumes created on smartphones can be printed at around 58,000 convenience stores all over the country
 - Participated as an exhibitor at Cloud & BRX Expo Osaka, a trade show specializing in cloud computing for cost-cutting and operation streamlining
 - Sponsored the 18th Shinjuku City Half Marathon and Citizens Health Marathon
 - Formed CSR partnerships for the 2020 season with the Tokyo Verdy football club in the J.League and the Nippon TV Tokyo Verdy Beleza women's football team.
 - Participated as an exhibitor at the second Nagoya Accounting and Finance Expo, the largest trade show for accounting and finance professionals in the Chubu region
- February
 - MJS and Kirayaka Bank, Ltd. established a business alliance to stimulate the regional economy and to encourage the business activities of medium- and small-sized companies
 - [bizocean] Business alliance in the development of new services concerning file sharing and simultaneous editing
 - [bizocean] Start of special feature on templates for contracts and other documents in compliance with the revised Civil Code
 - MJS and Resona Bank, Ltd. signed an agreement on business matching to stimulate the regional economy and to encourage business activities of medium- and small-sized companies
- March
 - MJS' financial and accounting software acquired certification for the fulfillment of statutory requirements for electronic bookkeeping software
 - MJS made Transtructure Co., Ltd., one of Japan's largest independent companies engaging in consulting on organization and personnel affairs, into a subsidiary
 - [bizocean] Resumes created on smartphones became possible to be printed in A3 size at around 58,000 convenience stores all over the country
 - MJS and the Shinkin Central Bank Group established a business alliance to strengthen support for business succession and M&A for medium- and small-sized companies in different regions

Company Name	Miroku Jyoho Service Co., Ltd. (First Section of the Tokyo Stock Exchange, Code: 9928, Industry: Information & Communication)		
Representative Director	Nobuhiko Koreeda, Chairman of the Board	Major Shareholders	NK Holding Co., Ltd. (32.9%) The Master Trust Bank of Japan, Ltd. (4.2%) SSBTC CLIENT OMNIBUS ACCOUNT (3.7%) Nobuhiko Koreeda (3.4%) NTT PC Communications Incorporated (3.3%) THE CHASE MANHATTAN BANK (3.0%) Japan Trustee Services Bank, Ltd. (2.7%) * Excluding treasury stock owned by the Company.
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	4,113
		Shareholding ratio by foreigners	19.52%
		Employees (consolidated)	1,640
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 2020

Investor Relations Contact

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