Alpha-Win Company Research Report

PCA
(9629 TSE Prime)

Issued: 7/12/2024

Alpha-Win Capital Research Department
https://www.awincap.com/

● Summary

Business Description

・PCA CORPORATION (hereinafter, the "Company") is an independent software manufacturer specialized in packaged enterprise system software. It is a major specialized player in the industry.
・The Company was founded in 1980. Since then, it has been providing enterprise software mainly to small/medium-sized companies. The Company's mission is to contribute to society as a "Management Support Company" that supports companies in streamlining management and operation, with a focus on providing enterprise system software that realizes high levels of automation.

Last Fiscal Year's Financial Results and This Fiscal Year's Forecast

・In the previous fiscal year (FY2024; note that the Company's fiscal year is March-ending, i.e., FY2024 ended in March 2024), the Company posted net sales of 15,018 million yen (+15.7% YoY), operating profit of 2,309 million yen (+79.2% YoY), and profit attributable to owners of the parent (hereinafter, "net profit") of 1,611 million yen (+82.5% YoY). The Company upwardly revised its financial forecast during the fiscal year, but its net sales exceeded this revised plan by +168 million yen (+1.1% vs. plan).
・Compared to the plan, operating profit was 480 million yen greater (+26.2% vs. plan) and net profit also was 376 million yen greater (+30.4% vs. plan). These were due to a greater-than-expected improvement in the gross profit margin and the SG&A expense ratio, which resulted in a rise in the operating profit margin. Dividends were significantly increased to 81 yen per share, compared to the initial plan of 17 yen and the revised plan of 62 yen.

・Alpha-Win Research Department had expected profits to be somewhat higher than the Company's revised forecast, but the actual results were even greater. While sales were largely in line with our forecast, the improvement in profit margins was more than expected. The main reason for the difference from the results is thought to be the decrease in provision costs associated with the recalculation of retirement benefit obligations due to rising interest rates (caused profits to increase by 170 million yen compared to the Company's plan).

・Because of strong, new demand for cloud services, the number of corporate users of its cloud services has increased steadily (from 21,022 at the end of FY2023 to 22,899 at the end of FY2024). Consequently, sales of the cloud services increased by +25.4% YoY, driving the overall sales growth (contributed to 74% of the total increase in sales).
・The implementation of double-digit price revisions for all services and products in July 2023 is also considered to have contributed significantly to the increase in sales and profits. The Company also benefited from the two major law revisions (the new invoicing system and revised Electronic Books Preservation Act), but their contribution to sales growth is estimated to have been limited to a few hundred million yen.
・There were increases in costs such as labor costs, personnel expenses, and system usage fees, as well as R&D expenses and subcontracting costs for the Hub series' product development, but these were fully offset by the increase in sales.

・In each quarter, both sales and profits increased YoY. In Q4 of the fiscal year before the previous (FY2023), the Company posted operating and ordinary losses due to greater strategic investments in development, but profit was posted in Q4 of the previous fiscal year since the situation has normalized.

・The proportion of Company's subscription businesses (maintenance & cloud services) has increased to 73.5% of net sales (+2.0 percentage points YoY), which has increased the stability, continuity, and profitability of the Company's business.

・The Company has announced its forecasts for the current fiscal year (FY2025): net sales of 16,507 million yen (+9.9% YoY), operating profit of 2,357 million yen (+2.1% YoY), and net profit of 1,656 million yen (+2.8% YoY). It expects steady growth in the current fiscal year, especially for the cloud services, but also expects profit margins to deteriorate due to higher subcontracting costs and personnel expenses. Profit growth rate is therefore expected to be modest compared to the sales growth rate. The Company plans to pay a dividend of 83 yen per share, an increase of 2 yen per share compared to the previous fiscal year.

・Like in FY2024, the Company is not disclosing its forecasts for the first half.

Alpha-Win Research Department's Forecast of Financial Performance

・Based on the Company's forecast for the current fiscal year and interviews, we have reviewed our forecasts for the current and the next fiscal year and added a new forecast for the fiscal year after the next, or FY2027. We have upwardly revised our sales and profit forecasts for the current and the next fiscal year and expect the Company to increase sales, profits, and dividends over the next three fiscal years.

・We have raised our forecasts for the current fiscal year (from our previous forecast to our current forecast) from 15,800 million yen to 16,500 million yen for net sales (nearly the same amount as the Company's forecast), from 2,400 million yen to 2,500 million yen for operating profit (+143 million yen compared to the Company's forecast), and from 1,460 million yen to 1,700 million yen for net profit (+44 million yen compared to the Company's forecast). Since the Company has revised its dividend policy, we also raised our dividend forecast from 73.0 yen to 84.0 yen (+1 yen compared to the Company).

・The Company's forecast of a nearly double-digit sales growth rate over the previous fiscal year seems somewhat ambitious, given the termination of product sales (products sold by the parent company) and the associated decline in the sales of maintenance service. However, we have made the same sales forecast as the Company, since the full effect of the price hike made in the previous fiscal year (in July) will be seen in the current fiscal year, the cloud services are remaining strong and maintaining a high growth rate, and continued growth is expected for the solutions and others. Factors that may cause results to deviate from the forecast are the sales trend of PCA Hub series and its costs, including development and subcontracting costs, as well as the business performance of the new businesses including the acquired company Dreamhop.

・The Company's profit forecast seems conservative. Therefore, we believe that the Company's profit plan is fully achievable, especially since the Company will likely be able to control costs to a certain extent.

・Assuming that the global economy will settle down and domestic companies will continue to perform well, we predict that the Company will increase sales, profits, and dividends over the medium term as its cloud business grows, the PCA Hub series contributes to its business performance, and the medium-term plan's measures are implemented, even while continuing to make upfront investments in the next fiscal year and beyond. We predict that the annual profit growth rate over the medium to long term (on a normalized basis excluding any event-driven high demand) will be 6-8%, with the cloud business continuing to support its growth.

Competitiveness

・The Company has a customer base of approx. 240,000 companies. It has a high brand recognition and top-level market share in accounting and finance software targeting small/medium-sized companies. It is especially taking a lead as the top player in enterprise system cloud services in these fields.

・Its strength is its concentration of resources in its field of expertise as a specialist, enabling the development of products and support services that meet various customer needs ahead of its competitors, including needs related to changes in tax and other regulations. It also has a stable customer base and can provide high-quality products and services at reasonable prices.

Business Strategy

・The Company is working on its medium-term management plan for the three years starting in FY2022. Numerical targets for the final year or FY2025 (this fiscal year) are as follows: net sales of 15 billion yen or more (of which, subscription-based sales are 9.5 billion yen or more), consolidated operating profit of 2.5 billion yen or more (consolidated operating profit margin of 16% or more), ROE of 10% or more, DOE of 2.5%, and dividend payout ratio of 30%. Based on the current fiscal year's initial forecast made at the beginning of the fiscal year, net sales, DOE, and dividend payout ratio are expected to exceed the medium-term targets, while operating profit (and margin) and ROE are likely to fall short, whose improvement will be the next challenge.

・The PCA Group's growth strategy is to provide total solution services centered on software. It is executing four priority measures (establishing a strong revenue base for the core businesses; creating new business opportunities; strengthening monozukuri or the creation of things with a focus on safety, security, and anticipation of needs; and establishing a highly profitable and sustainable management foundation). It has been proactively working on the SDGs while expanding its subscription business, strengthening its product development capability, and meeting digitalization needs.

・Its biggest challenges are to put onto track the new businesses that it has started (PCA Hub, PCA Subscription, hyper, and the healthcare business) and raise is profit margins as well as the return on invested capital.

Stock Characteristics and Price

・The Company is seen as a defensive, domestic-demand-oriented, and small-cap growth stock that is positively impacted by the work-style reform and tax reforms, with anticipation of business growth and expansion in the subscription businesses.

・However, the volatility of business performance and share price tends to increase before and after periods of event-driven high demand.

・Over the past eight years, the Company has outperformed the TOPIX and its competitors. The share price has especially soared after the Company announced changes to its capital and dividend policies (policy to strengthen shareholder returns) in January of this year, significantly outperforming the index and its competitors.

・The valuation of the Company's stock based on the current fiscal year's forecasts is somewhat high compared to the average of all stocks listed on the Prime Market of the Tokyo Stock Exchange (TSE) in terms of P/E and P/B. However, the stock seems undervalued in terms of its dividend yield of 3.6%.

・The majority of its business is subscription-based, so its business is stable and has long-term viability. Also, the subscription business still has a high growth potential, meaning that continued growth of sales and profit is anticipated in the current fiscal year and beyond. Considering the expected growth in EPS and subsequent dividend hikes, we believe that there is an upside to the share price over the medium to long term.

・For the time being, the share price and financial performance will likely be impacted by the quarterly trends in business performance, growth rate of the cloud business, whether the new businesses will succeed (especially PCA Subscription and PCA Hub), and whether there will be changes in the tax or accounting system. The Company's new medium-term management plan, which will start in the next fiscal year, will also be a key point.

Shareholder Return

・The Company has announced the following policy: "We will strengthen our capital policy to quickly achieve an ROE of 10% and a positive EVA spread. Until we at least achieve these two goals, we will pay dividends at a dividend payout ratio of 100% as our new shareholder return policy." Therefore, for the meantime, the Company is expected to increase its dividend in the next fiscal year and beyond as it increases profits. It is also anticipated to further strengthen shareholder returns through share buybacks and stock splits in line with the rise in the share price.

【9629 PCA Sector: Information & Communication】 Figure A

FY		Net Sales (million yen)	YoY (%)	Operating Profit (million yen)	YoY (%)	Ordinary Profit (million yen)	YoY (%)	Net Profit (million yen)	YoY (%)	EPS (¥)	BPS (¥)	Dividend (¥)
2021	*A: Old Standard*	*13,308*	*-6.7*	*2,314*	*-16.8*	*2,340*	*-16.7*	*1,668*	*-8.1*	*83.50*	*791.64*	*11.33*
2022	*A: Old Standard*	*15,142*	*13.8*	*2,516*	*8.7*	*2,542*	*8.6*					
2022	A: New Standard	13,382	0.6	2,655	14.7	2,697	15.2	2,367	41.9	118.36	847.14	24.00
2023	New Standard (the same applies to the rest)	12,981	-3.0	1,288	-51.5	1,326	-50.8	883	-62.7	44.16	870.38	17.00
2024	A	15,018	15.7	2,309	79.2	2,343	76.6	1,611	82.5	80.48	932.76	81.00
2024	CE (latest forecast)	14,850	14.4	1,829	41.9	1,867	40.7	1,235	40.0	61.79		62.00
2024	E (latest forecast)	14,950	15.2	2,000	55.3	2,030	53.1	1,300	47.2	64.89	916.76	95.00
2025	CE	16,507	9.9	2,357	2.1	2,391	2.1	1,656	2.8	82.70		83.00
2025	CE: Medium-Term Plan	15,000	-0.1	2,500	8.3							
2025	New E	16,500	9.9	2,500	8.3	2,530	8.0	1,700	5.5	84.86	936.57	84.00
2026	New E	18,340	11.2	2,650	6.0	2,680	5.9	1,800	5.9	89.85	942.43	89.00
2027	New E	20,400	11.2	2,850	7.5	2,880	7.5	1,925	6.9	96.09	949.52	96.00

(Notes) A: actual results. CE: the Company's estimate/forecast. E: Alpha-Win Research Dept.'s estimate/forecast. New E: current, new forecast. Past years were retroactively revised for the stock split (3-for-1) conducted on October 1, 2021 (for EPS, BPS, and dividend). The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., have been applied starting in FY2022. "Old Standard" is the previous revenue-recognition standard. "New Standard" is the new revenue-recognition standard.

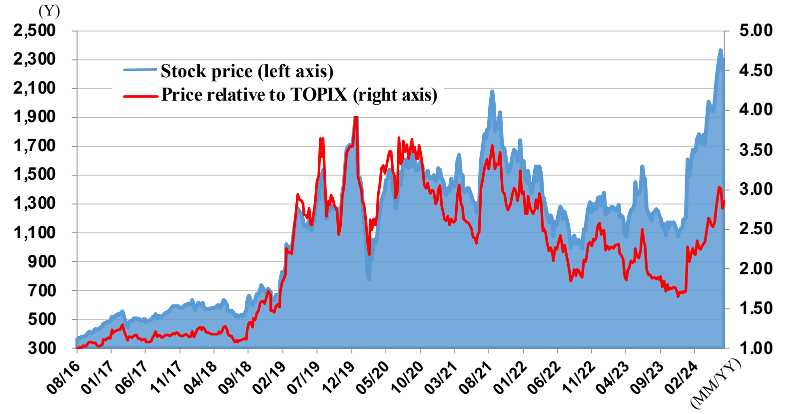
(Note) In the text and figures of this Report, the values for the same item may not match completely with each other or with the Company's announced values due to rounding, rounding during the calculation process, format of display, etc.

【 Stock Price and Valuation Indicators: 9629 PCA 】 Figure B

Item	7/12/2024	Item	P/E	P/B	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	2,300	Forecast for Last FY	28.6	2.5	3.5%	100.6%
Shares Outstanding (thou.)	22,000	Forecast for This FY	27.1	2.5	3.7%	99.0%
Market Capitalization (million yen)	50,600	Forecast for Next FY	25.6	2.4	3.9%	99.1%
Dilutive Shares (thou.)	0	Forecast for Fiscal Year After the Next	23.9	2.4	4.2%	99.9%
Equity Ratio at the End of Last FY	55.7%	Dividend on Equity (DOE) at the End of Last FY	9.0%	Last FY's ROE		8.9%

(Note) Forecasts were made by Alpha-Win Research Dept.

【Stock Chart (end-of-week prices) : 9629 PCA】 Figure C



【Performance】		
Period	Return	vs. TOPIX
1 month	-2.8%	-5.9%
3 months	17.6%	12.1%
6 months	43.3%	29.8%
12 months	52.4%	27.8%

(Notes) Reflects stock price and index values through the closing price on 7/12/2024. The return for the 1-month period is the comparison between the closing price on June 28 and July 12. Similar for the other periods. Prepared by Alpha-Win Research Dept.

(Note) From the fourth week of August 2016 to the end of the second week of July 2024 (closing price on 7/12)

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Note: 1) Upon translating to English, when the page numbers differed from the original Japanese version, they were adjusted to those of the English version of the report. 2) The Company's fiscal year is March-ending, i.e., FY2025 ends in March 2025.

1. Company Overview

◆ **Major specialized player in the industry with 44 years of history, developing and providing enterprise system software for small/medium-sized Japanese companies**

(1) Enterprise system: Part of a company's information system that deals with matters directly related to business, such as financial accounting, production control, sales management, inventory management, purchases, HR, and payroll. A general term for back-office applications. Also called the mission-critical system, it serves as the important core system for operations/services.

◆ **The PCA Group is composed of the Company and 3 subsidiaries.**

(2) Work management system: Also called the attendance management system, it manages/utilizes various data on working hours. Can automatically aggregate data such as working hours and prepare data to link with payroll software. Provided as an on-premises or cloud-based system.

◆ Major Specialized Player in the Enterprise System Software Industry

PCA CORPORATION (hereinafter, the "Company") is an independent, mid-tier company in the software industry. Founded in 1980, it has 44 years of history. It is a specialist in developing and providing software (software prepared for use in certain operations) for enterprise systems[1], such as those for accounting and tax. It is a major, specialized player for such software targeting small/medium-sized companies.

About 240,000 companies are active users of the Company's products. Sales toward ordinary companies comprise greater than 90% of net sales. With regards to the size of the corporate customers, the Company is especially strong in business toward small/medium-sized and mid-tier companies with 20 to 300 employees. 80% of the Company's sales are through distributors (the remaining 20% are direct sales). Its customers are diversified. By monetary value, many of its major customers are large companies. Its largest customer has usually been Ricoh Co., Ltd. (listed on the Tokyo Stock Exchange's Prime Market; securities code 7752), which accounts for about 27% of net sales. The second largest customer is Fujifilm Business Innovation Corporation, accounting for about 12% of net sales (both in FY2024). Its accounting software has been used by over 8,000 public benefit corporations in total; it is the top player in the market for this customer segment.

As of the end of June 2024, the PCA Group consists of a total of four companies: the Company and three consolidated subsidiaries (Figure 1).

1. KEC Corporation (implementation support for PCA's products/services, sales of business software, etc.; wholly owned and founded in 1998 by the Company)
2. Xronos Inc. (development/sales of work management system[2]; business was acquired in 2001 and the Company has an 88% stake)
3. Dreamhop Co., Ltd. (mental-health-related business; acquired in October 2020; wholly owned)

【Figure 1】Overview of the Three Consolidated Subsidiaries
(Words in green indicate the main updates since the previous report)

(Ref) Prepared by Alpha-Win Research Dept. based on each company's website

Company Name	1. KEC Corporation	2. Xronos Inc.	3. Dreamhop Co., Ltd.
Main Office Location	Fujimi, Chiyoda-ku, Tokyo (PCA Building)	Kanda Neribeicho, Chiyoda-ku, Tokyo	Iidabashi, Chiyoda-ku, Tokyo
	3 sales offices in Osaka, Nagoya, and Kyushu	6 sales offices in Sapporo, Sendai, Nagoya, Osaka, Hiroshima, and Fukuoka	Sales offices and bases in the 2 cities of Osaka and Yokohama
Business Description	Sales of packaged business software such as PCA Accounting and PCA Payroll, maintenance of network systems, software installation support, professional support for implementation, and various user support	Work management (attendance management) systems (sales terminated on June 30, 2024), in-house development of time clocks, and their sales and maintenance services.	HR/labor solutions and mental-health-related businesses (providing stress check tests and feedback for early detection of persons with mental health problems, and providing services for preventing leave of absence and job separation), occupational health physician services (consultation with occupational health physicians; the necessary amount of time can be chosen individually), harassment prevention (law compliance, liability insurance, and training), and health management (solutions such as revitalizing the organization and improving productivity)
Customers	More than 20,000 companies (in Japan)	Xronos Performance ・Number of user accounts (million users): 1.7 ⇒ 1.9 ⇒ 2.5 ⇒ 2.6 ⇒ 2.6 ・Number of companies using Xronos Performance: 9,385 (6/7/2023) ⇒ 10,149 (12/6/2023) ⇒ 10,462 (2/6/2024) X'sion ・Number of user accounts (persons): 431,784 ⇒ 515,412 ⇒ 682,465 ⇒ 755,708 ⇒ 768,641 ・Number of companies using X'sion: 4,406 (6/7/2023) ⇒ 4,938 (12/6/2023) ⇒ 5,100 (2/6/2024) (As of Nov. 15, 2021 ⇒ May 9, 2022 ⇒ June 7, 2023 ⇒ Dec. 6, 2023 ⇒ Feb. 6, 2024; info on its website; note that updated information has not been disclosed on its website)	1,500 companies; 16,000 offices; more than 2,000,000 users PCA Corporation; Ministry of Health, Labour and Welfare; Ministry of the Environment; Ministry of Land, Infrastructure, Transport and Tourism; Tokyo Metropolitan Government; Kanagawa Prefecture; Saitama Prefecture; Chiba Prefecture; City of Yokohama; Osaka City; City of Sapporo; various other government organizations and companies of the private sector. Used by companies and organizations of a scale of 10-100,000 people.
Founded	April 1988	May 2011 (business acquired)	October 2020 (date acquired; founded in June 2005)
Capital (million yen)	10	60	96.5 (capital increased from 56.5 million yen)
PCA's Stake	100%	88%	100%
Number of Employees (most recent)	42	127 (as of 4/1/2024)	18
Sales (for the most recent period)	Not dislocsed	2,802 million yen (FY ended Mar. 2024; information on its website; +11% YoY sales growth)	Not disclosed
Management Policy	Same as PCA	Formulates its own medium-term plan: working on "investments for future growth" and "steady performance growth"	Same as PCA
Category of Consolidated Sales	Mostly other operating revenue, plus products, merchandise, maintenance, and cloud	Mostly product sales and cloud sales, plus maintenance and other operating revenue	Other operating revenue
Website URL	https://www.kec-sp.com/page1	https://www.xronos-inc.co.jp/	https://www.dreamhop.com/
Trends in Business Performance and Recent Situation	Business performance tends to be generally linked with the performance of PCA. Due to the COVID-19 crisis, its business performance had been somewhat stagnant, but is now recovering.	Intense competition, but since it is a growing market, there is potential for development in areas such as construction. Solid business performance among the consolidated subsidiaries and profitability seems high (Alpha-Win estimates net profit to be several hundred million yen). Working on shifting to the cloud, strengthening related services, and acquiring new customers.	Strengthening projects for the private sector through collaboration with PCA; started providing group analysis and consulting services for stress checks as well; expanding business into areas with added value. However, it still seems to be posting a net loss due to upfront investments.

- **Consolidated-to-parent-company sales ratio has stably been around 1.1-1.3. The summed ordinary profit of the consolidated subsidiaries (consolidated minus parent) has been a surplus.**

The ratio of consolidated sales to parent company's sales has stably been around 1.1-1.3, indicating that the parent company's financial performance has a high weight (Figure 2).

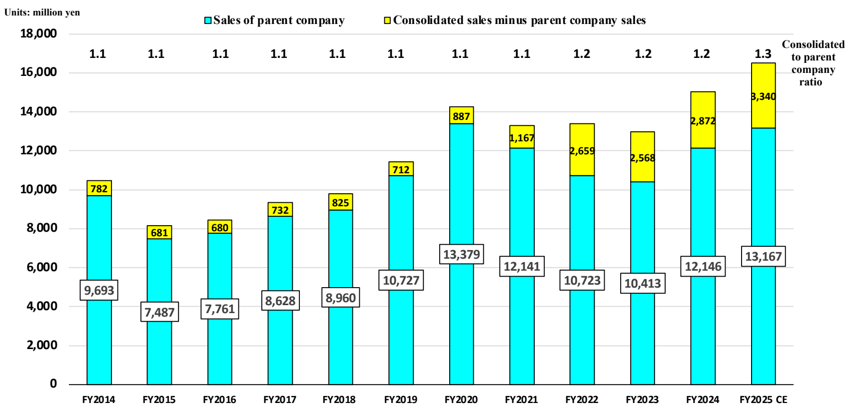
Although each subsidiary's profit/loss is not disclosed, the ratios of consolidated to parent-company ordinary profit have been in the range of 1.0-1.6 during the fiscal years that the Company has posted a net profit (including this fiscal year's forecast).

Additionally, the summed profit/loss of the subsidiaries, calculated by consolidated minus parent-company ordinary profit, has been a surplus since FY2016 (note that the Company's fiscal year is March-ending, i.e., FY2016 ended in March 2016) (Figure 3).

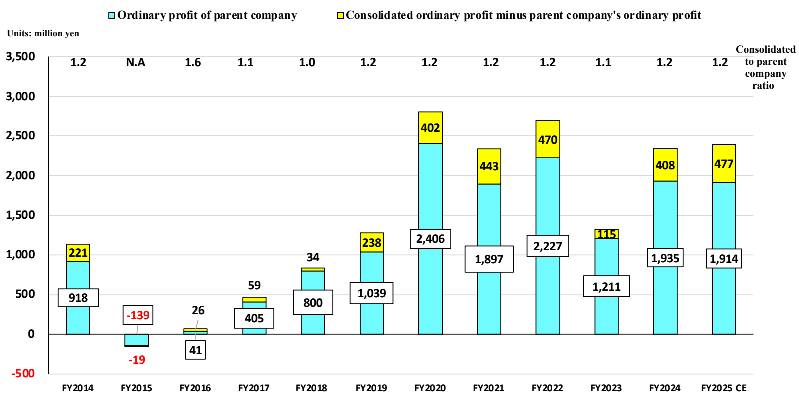
Among the subsidiaries, Xronos seems to be continuing to contribute the most to the financial results, thanks to the work-style reform. Its sales were 1.5 billion yen in FY2019, 2.1 billion in FY2020, 2.16 billion yen in FY2021, 2.21 billion yen in FY2022, 2.53 billion yen in FY2023 (+15% YoY), and 2.8 billion yen in FY2024 (+11% YoY). For FY2025, Xronos had previously expected sales to be 4 billion yen (according to Xronos's former website).

Although Xronos's profit is not disclosed, it has mostly likely been posting a profit, along with KEC, and contributing positively to consolidated profits.

【Figure 2】Ratio of Consolidated to Parent Company's Sales **(ratios shown on upper portion of graph)**



【Figure 3】Ratio of Consolidated to Parent Company's Ordinary Profit **(ratios shown on upper portion of graph)**



(Ref) Figures 2 and 3 were prepared by Alpha-Win Research Dept. based on the securities report. CE: the Company's plan.

- **Founded by certified public accountants**

The name of the Company comes from the five founders who were certified public accountants (CPA); the letters CPA were shuffled into the meaningful name **P (Professional) C (Computer) A (Automation)**.

- **Rich in cash. Debt-less management.**

The Company's financial standing is firm, rich in cash and debt-less. Compared to its net sales of 15 billion yen (last fiscal year's result) and total assets of 33.6 billion yen, it has 20.9 billion yen in cash and deposits (+3.1 billion yen compared to the end of March 2023), which is equivalent to 62% of total assets and 16.7 months' worth of average monthly sales (values as of the end of March 2024; the same applies below). In addition, it owns more than 2.8 billion yen in securities, which are mainly corporate bonds and listed stocks.

- **FCF is positive. The balance of cash & deposits is increasing and exceeding annual sales. Its financial standing its firm.**

Its free cash flow (FCF) has been positive excluding a certain period in the past, and cash and deposits on the balance sheet (B/S) have been generally increasing (Figure 4). Its equity ratio is 55.7% and current ratio is 201.5%, indicating financial soundness.

【Figure 4】Change in Cash Flow (CF) (units: million yen)

Units: million yen	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Operating CF ①	627	488	141	847	1,048	547	1,427	1,533	1,270	2,141	3,328	1,632	3,684	2,641	3,456
Investing CF ②	-405	-127	185	-407	-750	-606	-627	-395	1,715	-80	-719	253	708	-308	112
Financing CF	-207	-210	-205	-215	-216	-284	-214	-215	-216	-572	-225	-355	-254	-606	-457
FCF (①+②)	222	361	326	440	299	-60	800	1,137	2,985	2,061	2,609	1,885	4,392	2,333	3,568
Cash and Deposits (on B/S)	6,817	5,970	5,493	6,621	6,606	6,154	6,612	7,487	7,269	7,280	10,716	11,749	16,090	17,819	20,934

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary
(Note) Cash and deposits shown are values from the balance sheet, not values used in the CF calculation.

◆ Business Philosophy

- **The Group's basic business policy is to "aim for a more rational business management with clear vision."**

The Company's business philosophy was clearly declared as "customer-first" when it made its first public offering in March 1994. Then, in 2010, it laid out its mission statement, the three key ideas of its business philosophy, and 34 rules for the code of conduct, and announced that the basic business policy of the PCA Group is to "aim for a more rational business management with clear vision."

- **The mission statement is to "contribute to society by developing and providing packaged enterprise system software that enables high-level automation."**

The Company's mission statement is to "contribute to society by developing and providing packaged enterprise system software that enables high-level automation." While its corporate culture is down-to-earth and homely, the Company is also characterized as having a pioneering spirit in the rather conservative industry, conducting R&D and launching new products and services ahead of its competitors.

The following are the three key ideas of the Company's business philosophy:
1) We will always be customer-first.
2) We will aspire to become a highly profitable company over the long term with sound management.
3) We will treat employees like family and create a homely culture.

◆ Renewed Tagline and Product Brand

Tagline

- **The new tagline is "When Work Transforms"**

As the new brand message, the tagline was renewed to "When Work Transforms." Aspiring to become a company that grows together with all its customers and partners, it aims to help improve back-office productivity, understand and support the working people, and contribute to its corporate customers' customer success for their greater development (Figure 5).

【Figure 5】New Tagline

働く、が変わるとき。

PCA

(Ref) The Company's website

Branding

- **Renewed the names and logo designs of its product series. The rebranding is aimed at raising recognition as a subscription brand.**

In January 2022, the Company rebranded the names and logos of its products and services. It created new product names and logos linked with PCA Cloud and PCA Subscription[3]. Through these changes, it aims to raise its brand recognition as *PCA of subscription services* (Figure 6).

(3) PCA Subscription: Instead of purchasing or owning packaged software, monthly or annual fixed fees are paid for its use. Not cloud-based; operating environment is built and managed in-house.

The following is the meaning of the logo:

> The "P" in PCA is "P" as in "Professional." It is also the "P" as in "Person" and "Partner." It's not just the creators of the accounting software, but also the people who use it and the people who connect the creators and the users. We are committed to ensuring that the power of each and every working person will help companies, the economy, and the society evolve always toward a bright future. From foundation until now, the logo of PCA has been alongside each and every working person, with the reassuring face of a person looking toward tomorrow in the middle of each "P."

【Figure 6】New Brand Logo

PCAクラウド

PCAサブスク

PCAクラウド PCAサブスク

(Ref) The Company's website

2. Business Description and Business Model

◆ **Enterprise systems are mission critical. Stability and reliability are crucial elements since they are used inside companies.**

◆ Enterprise System Software Crucial for Efficient Business Operations

The Company's core business is enterprise systems that support internal business operations. Unlike systems that simply work on PCs, an enterprise system is a computer system that supports a series of processes throughout all business operation flows within a company. Since it is mission-critical for business operations, it is required to be reliable, efficient, stable, convenient, secure, and expandable.

The main methods for building an enterprise system are package-based system development and original system development. Generally, the method of combining sold packaged software into a system has advantages such as short development time, cheapness, and having relatively few bugs. On the other hand, its disadvantage is the difficulty in customizing the system to a company's business characteristics, operations, management styles, and other specific needs.

As for original software development and implementation, outsourced development and in-house development are the two methods. In either case, the advantage of an original system is that it is easier to use since it can be customized to a company's needs and operations. However, development cost and time are greater, and it will need revisions, addition of functions, and maintenance after implementation. Micro-sized, small-sized, medium-sized, and mid-tier companies especially tend to find the development, implementation, and operation of original software difficult due to financial, staff, and time constraints.

(4) Accounting software: Application software for the recording, processing, and integrated management of accounting data

(5) HR and payroll software: Software for payroll calculations and HR management

In response to this, the Company has developed original enterprise system software that specifically meets the needs of one-person businesses and micro-sized (SOHO), small, medium-sized, and mid-tier companies in areas such as accounting[4], finance, HR and payroll[5], sales management, purchase and inventory management, and tax. The enterprise system software is either packaged (on-premises: conventional products operated in-house by a corporate user) or cloud-based (a service in which a corporate user can use the enterprise system software via the Internet easily and at a low cost without having to prepare its own server). The Company had been selling and providing its software through either direct or indirect channels (sales of packaged software were terminated in March 2024).

Additionally, the Company has not only been developing and selling enterprise system software, but it has also been expanding its business by providing proposal-based consulting services. With its subsidiaries, it has also been providing various support services such as maintenance service and implementation/operation support. Going forward, the Company plans to further strengthen these businesses.

◆ **Provides about 26 types of originally developed enterprise system software**

◆ Business Model with High Marginal Profit Ratio and Long-Term Viability

The Company provides a total of about 26 types of software (counted by product name, including options). Its business model is based on the mass production of a limited number of types of products. Due to the nature of its business, its marginal profit ratio is high.

- **80% of sales come from originally developed products and services.**

Its original products and services (products/maintenance/cloud) account for 80% of net sales, while the remaining 20% are from other companies' products (purchased merchandise) in the merchandise and other operating revenue categories. From the development to the release of a new product, approximately two years and a corresponding amount of cost are necessary. Version upgrades (revision updates), which are prepared as needed, are released usually in a one- to two-year cycle. In recent years, however, software functions have become so enhanced that customers now tend to purchase less in response to this version upgrade cycle.

- **Entry barrier is high since credibility and proven track record are necessary.**

Since these types of software are related to operations that must be highly reliable, and since software replacements give rise to issues of cost, labor, and data continuity, their users show little interest in proactively or frequently replacing their current software with an alternative of a different company.

Therefore, customer loyalty and contract repeat rates are high (50% to 90% or greater depending on the type of software). The barrier to market entry is high because credibility and brand recognition are a must in this industry and since companies have been able to adjust toward coexistence within the market to a certain extent by taking strong positions in different niches.

◆ Expansion of the Highly Stable and Profitable Subscription Businesses

- **Sales are divided into five categories. Focused on the subscription-based businesses.**

Until FY2016, sales and profit/loss had been disclosed for the four business segments targeting general businesses, non-profit organizations, medical, and cloud. Since FY2017, though, all business segments have been consolidated into one. Instead, sales are disclosed for five sales categories (types): products, merchandise, maintenance service, cloud services, and other operating revenue (also called solutions) (Figure 5). Profit and loss by segment are no longer disclosed.

【Figure 7】Sales Classification (by category)

Sales Classification by Category	Contents	FY2024 (results)		
		Sales (million yen)	% of Net Sales	Est. Gross Profit Margin
Products	Sales of original packaged software (accounting, sales management, purchasing and inventory management, payroll, HR, etc.)	1,222	8.1	About 65%
Merchandise	Sales of other companies' products such as ledger sheets	532	3.6	About 30%
Maintenance Service	By signing up to PSS membership, users can receive inquiry and support services from call centers	3,568	23.8	About 75%
Cloud Services	Subscription service for software provided via the cloud	7,467	49.7	About 70%
Other Operating Revenue	Sales of other companies' products such as software/hardware combined with its original products; also called as solutions	2,227	14.8	About 40%
Total & Average		15,018	100.0	Result: 64.2%
Reference		Estimated weighted average: 64.9%		

(Ref) Prepared by Alpha-Win Research Dept. based on the securities report and interview. Gross profit margins have been estimated by Alpha-Win.
(Note) Maintenance service and cloud services are the subscription-based businesses.

- **Subscription-based businesses (maintenance service & cloud services) constitute the majority, accounting for 73.5% of net sales.**

In recent years, sales of the cloud services of the Company's packaged software have grown significantly, becoming the Company's growth driver with regards to both the overall sales and profit. Since FY2021, sales of the cloud services have been the largest among the sales categories, followed by maintenance service. The sum of these two categories, or subscription-based revenue (also called the "stock business" in Japanese), accounted for about 73.5% of net sales. The maintenance and the cloud services, with their high gross profit margins and contract repeat rates, have been stable sources of profit and contributing to greater stability of business and profit.

On the other hand, sales of products and solutions (other operating revenue) tend to be impacted by event-driven high demand, replacement cycles, and version upgrades.

Consolidated sales breakdown by the operation type of software is not disclosed. However, sales are diversified, with the sales of accounting software predicted to be the largest in proportion (about 15% of net sales), followed by software for sales management, purchase/inventory management, and then lastly payroll and HR.

The Company has commented that the profit margins of each operation type of software do not greatly differ between one another, but the main accounting software is generally the most profitable.

The percentage of new software sales or version upgrade sales in net sales changes every year, but the percentage of version upgrades has always been greater than 50%. Note that the Company's on-premises products tend to be installed and used by users on a single PC (stand-alone).

◆ Cloud Business as the Growth Driver

- **Rapidly shifting from sales of packaged software to the cloud/subscription-based business model**

For many years, the Company had been focused on the business of selling conventional packaged software, also known as on-premises software. However, as the Internet became more sophisticated and widely used, it predicted that the demand for cloud services will rise due to its convenience and cost performance. Therefore, in 2008, the Company started providing cloud services more than ten years ahead of its competitors. Since then, it has been providing cloud versions of all of its on-premises software.

- **The rapidly growing cloud business is based on a subscription-based, stable business model. Taking a lead in the market as the single and obvious top player, the Company has a strong competitive edge.**

In the cloud business, users pay fees continuously for some span to use the software (subscription model). Like the maintenance service, it is attractive as a stable, subscription-based business model (average monthly fee of about 30 thousand yen per corporate user). Due to its cost structure, this business has relatively small variable costs such as those for server maintenance, manufacturing, sales, and logistics. It therefore has a high marginal profit ratio.

The Company leads the industry as the top player in cloud-based, enterprise system software targeting small/medium-sized companies. In recent years (2017-2018), its competitors have also entered the cloud market in full scale as their "first year of the cloud." However, due to the advantages and points of differentiation listed below, the Company is expected maintain a competitive edge against its competitors for the meanwhile.

- Providing a wide variety of sophisticated software for business operations
- Originally developed, open architecture; low cost
- Economies of scale are in effect, with already more than 22,000 corporate users of the cloud services: well profitable.
- Therefore, it has a price advantage compared to competitors.
- More than ten years' worth of operation expertise
- User-friendly, with WebAPI[6] allowing linkage with other companies' cloud services (linkage already possible with about 60 companies, including Kintone[7] of Cybozu)
- In PCA Cloud on AWS[8], service is available 24 hours, 365 days.

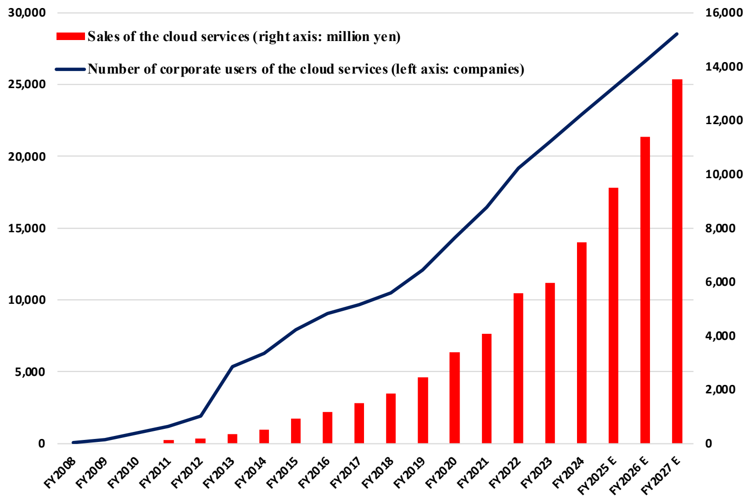
(6) API (Application Programming Interface): Interface/network to use software; connects the software and the program.

(7) Kintone: Cloud service for building business app on a web database, provided by Cybozu. Allows easy system building and linkage with other systems.

(8) AWS: Stands for Amazon Web Services; the collective name for the cloud computing services provided by Amazon. The on AWS version enables the use of PCA's cloud services on the AWS server.

The Company has been focusing on cloud services for more than a decade, and both the number of corporate users and sales have been growing steadily (Figure 8 and Figure 22 on page 27). The growth had temporarily slowed down with the expansion of business scale, but both the sales and the net increase in the number of users are recovering on a quarterly basis (Figure 23 on page 27). The business will most likely continue to be the growth driver.

【Figure 8】Change in the Number of Corporate Users of PCA Cloud (nonconsolidated figures) and Consolidated Sales of the Cloud Services



(Ref) Prepared by Alpha-Win Research Dept. based on the Company's financial results briefing materials and interview. "E" represents estimates/forecasts made by Alpha-Win Research Dept.
(Note) Sales from FY2008 to FY2010 are not disclosed. The number of corporate users of the cloud service includes estimates.

◆ PCA Hub Series

- **The PCA Hub, centered on PCA Hub eDOC, was started in March 2022. Cloud service for document management that also supports the Electronic Books Preservation Act.**

The PCA Hub service (hub as in "the center of something") was started in March 2022. PCA Hub is a series of new services that help small/medium-sized and mid-tier companies share core business data and shift to paperless internal operations and B2B transactions, thereby contributing to the digitization of the Japanese society.

The concept of the PCA Hub series is "supporting companies and the society through technology." Toward the creation of a sustainable society, the series will provide "levels of operation efficiency optimization that seemed out of reach" at "prices within reach" for operational challenges which have yet to be solved by systems due to investment costs being too high.

As the first and the core service of the series, PCA Hub eDOC has been released (PCA Hub eDOC is one of the PCA Hub services).

PCA Hub eDOC is an online storage service (cloud-based document management service) that enables companies to safely and securely share important business data and files internally. Also linked with the PCA DX series and the hyper[9] series, it is a tool for optimizing operation efficiency.

(9) (PCA) hyper: New software for mid-tier companies as a successor to Dream21. A superior version of the DX series. A company can choose flexibly between the on-premises or the cloud version, depending on its stage of growth. Its unique feature is that smooth linkage can be made with other systems using API, allowing streamlining of data management within a corporate group (consolidated accounting).

(10) [The revised] Electronic Books Preservation Act: A law that allows the storage of national-tax-related books and documents as electronic data. Came into effect in January 2022. Its purpose is to improve productivity and convenience, as well as promoting paperless operation and remote work. Its grace period ended at the end of 2023, excluding the new grace measure.

(11) JIIMA certification: "Legal Requirements Certification Program for Scan-Store Software in Applying the Electronic Books Law" by the Japan Image and Information Management Association (JIIMA). Checks whether commercially available software meets the requirements of the Electronic Books Preservation Act and certifies those that have been judged to meet the legal requirements.

PCA Hub eDOC enables the digitization and paperless operation of fund management, accounting management, labor management, and more. It also supports the requirements of the Electronic Books Preservation Act[10] and has acquired the JIIMA certification[11].

Following PCA Hub eDOC, PCA Hub eDOC AI-OCR Option was also released in November 2022 as part of the PCA Hub series (see Figure 9 for the main lineup of the PCA Hub series).

In addition to this, in March 2023, the Company released web-based delivery services for invoices (such as the conversion of invoices to electronic forms), including compatibility with electronic invoices, and for pay slips (pay slips, withholding tax slips, year-end adjustment notifications, etc.).

- **The PCA Hub series is based on monthly subscriptions. Aiming for 2,000 users within 1 year after release (total of the entire PCA Hub series).**

The PCA Hub series are cloud-based subscription services that charge monthly fees and is highly expandable. Each service has a price plan based on options such as the number of users, storage size, the number of employees, and the number of invoices created, providing a pricing structure that lowers the hurdle of starting software use. The Company aims to gain a total of 2,000 corporate users within one year after the release of the current three services (eDOC, Invoice, and Pay Slip) (sales target not disclosed). Although it used to purchase and sell other companies' software, treating them as the solutions business, it now plans to sequentially develop products in response to customer needs, switch to its original products, and provide various peripheral services as the PCA Hub series. The Company intends to develop this business into a stable revenue source.

(12) New invoicing system: The Qualified Invoice Preservation Method, which was started in October 2023, is a new system for issuing and storing invoices and delivery slips, created for the purpose of accurately recognizing the amount of consumption tax in transactions.

For the Qualified Invoice Preservation Method (new invoicing system[12]) that started in October 2023, the Company released updated versions of its current, major PCA products and services in the summer of 2023 that are compatible with this system.

【Figure 9】Main Lineup of the PCA Hub Series and the Schedule of Future Releases

Date	Service/Product	Situation	Notes (characteristics)
6 Services of the PCA Hub Series			A new series of services that supports mid-tier and small/medium-sized companies in shifting to paperless internal operations and B2B transactions for the digitalization of the Japanese society.
March 2022	① PCA Hub eDOC	Released / Service started	An online storage service for safe and secure sharing of important business data and files within a company. It is also compatible with the Electronic Books Preservation Act and can be used to store receipts, invoices, and other vouchers.
March 2023	② PCA Hub Invoice	Released / Service started	A service for electronic delivery of invoices and transaction details that is also compatible with electronic invoices. It can be linked to the PCA Shokon and Shokan series and PCA Accounting hyper Receivables Management Option. Supports the shift to paperless invoicing and digitalization of the invoicing process itself. Advantages: ・Web-based delivery of invoices reduces the cost of mailing paper invoices. ・Significant reduction in the amount of time required to enclose and send invoices by mail. ・Eliminates the need for employees to come to office for invoicing work (eliminating a barrier to remote work) ・Reduction in the workload necessary to reissue invoices
March 2023	③ PCA Hub Pay Slip	Released / Service started	Service specialized in web-based pay slip delivery. Calculation results of the PCA Payroll series can be imported into PCA Hub Pay Slip and sent to employees as a notification. Documents that can be delivered include pay slips, bonus slips, refund statements, and withholding tax slips. Advantages: Same as PCA Hub Invoice above
Summer 2024	④ PCA Hub Year-End Adjustment ⑤ PCA Hub Labor Management ⑥ PCA Hub HR Suite	Release Planned	・PCA Hub Year-End Adjustment: An online service that enables employees to directly update year-end adjustment information that has been registered in the PCA Payroll series by the staff in charge. ・PCA Hub Labor Management: An online service that enables employees to directly update information that has been registered in the PCA Payroll series by the staff in charge. ・PCA Hub HR Suite: PCA Hub Pay Slip, PCA Hub Year-End Adjustment, and PCA Hub Labor Management can be used as a set.

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results materials and news release on the Company's website.

3. Shareholder Composition

◆ Change in Composition by Type of Shareholder

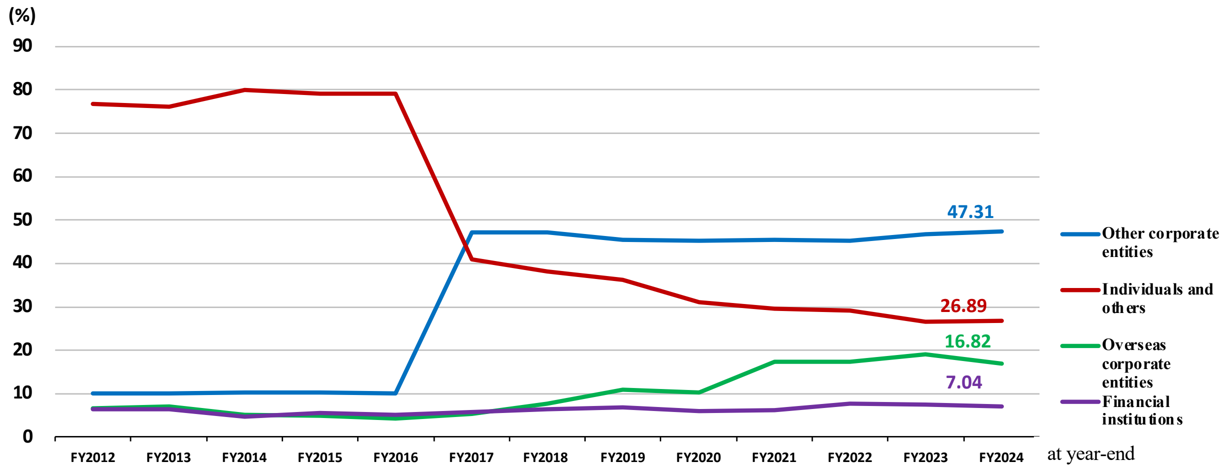
◆ **No large change in the proportion of each type of shareholder**

Regarding shareholder composition by shareholder type as of the end of March 2024 (Figure 10), the sum of "other corporate entities" and "individuals and others" (including treasury shares) accounts for greater than 70% of the total. There has been no large change in the composition compared with the end of FY2023, although the proportion of "financial instrument business operators" has increased by about 2% and the proportion of "overseas corporate entities" has decreased by about 2%.

◆ **Shares were transferred due to inheritance, but the largest shareholder has not essentially changed.**

Note that upon inheritance from the founder (Masao Kawashima), individually owned shares were transferred in FY2017 to the general incorporated association Kawashima Co., Ltd. (the founder family's asset management company, categorized under "other corporate entities").

【Figure 10】Change in Shareholder Composition by Type of Shareholder (units: %)



(Ref) Prepared by Alpha-Win Research Dept. based on the securities report
(Note) Numbers on the right end of the Figure are the percentage of each type of shareholder as of the end of FY2024.

◆ Major Shareholder Composition

Major shareholders as of the end of March 2024 are shown in Figure 11 on page 16.

◆ **No change to stable shareholders in Japan**

Compared to the end of March 2023 (the same point of comparison applies hereinafter), the number of shares held by the top ten major shareholders have not changed largely except for the custodians (trust banks) and the Employee Stock Ownership Plan.

◆ **The largest shareholder is the founder family's asset management company.**

・The largest shareholder Kawashima Co., Ltd. (hereinafter, "Kawashima") is the asset management company of two directors of the Company (Fumiaki Sato, President, and Hiroshi Kumamoto, Director) and their relatives (descendants to the founder Masao Kawashima). Its shareholding ratio remains unchanged at approximately 41% (ratio to the total number of outstanding shares excluding treasury shares; the same applies hereinafter).

◆ **PCA owns 8.5% of its own shares and is essentially the second largest shareholder.**

・The Company itself is essentially the second largest shareholder (although not listed among the major shareholders). Currently, the treasury shares currently owned by the Company are approx. 8.5% of all outstanding shares.

【Figure 11】Current Major Shareholders

Units for shares owned: thousand shares **For proportions and ratios: %**

Units: thousand shares for the number of shares owned and % for the ratios and proportions	End of Mar. 2015	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	End of Mar. 2022	End of Mar. 2023	End of Mar. 2024	Shareholding Ratio	Ranking	Change (Mar. 2024 minus Mar. 2023)
Kawashima Co., Ltd.	–	–	8,805	8,805	8,208	8,205	8,208	8,208	8,208	8,207	40.97	1	-1
PCA CORPORATION (treasury shares)	*2,544*	*2,544*	*2,544*	*2,546*	*3,146*	*3,136*	*3,101*	*3,101*	*2,001*	*1,967*	*8.94*	—	-34
JP MORGAN CHASE BANK 385632	–	–	–	–	–	–	1,014	1,399	1,399	1,398	6.98	2	-1
The Master Trust Bank of Japan, Ltd. (trust account)	–	–	–	–	–	–	284	1,137	948	1,081	5.40	3	133
Obic Business Consultants Co., Ltd.	762	762	762	762	762	762	762	762	762	762	3.81	4	-0
PCA Employee Stock Ownership Plan	330	357	381	381	406	300	337	349	392	412	2.06	5	20
STATE STREET BANK AND TRUST COMPANY 505001	732	747	798	798	521	–	–	–	–	379	1.89	6	-
Logic Systems Co., Ltd.	342	342	342	342	342	342	342	342	342	342	1.71	7	0
Nagoya PCA Co., Ltd.	–	300	300	300	300	300	300	300	300	300	1.50	8	-0
FCP SEXTANT AUTOUR DU MOUDE	–	–	–	–	–	–	–	377	450	300	1.50	9	-150
THE BANK OF NEW YORK MELLON 140044	–	–	–	–	–	–	–	–	-	297	1.49	10	-
MSIP CLIENT SECURITIES	–	–	–	–	–	885	886	886	886	–			
APPLIED SYSTEM LABORATORY Inc.	–	–	258	258	–	258	–	260	260	–			
GOLDMAN SACHS INTERNATIONAL	–	–	–	–	909	–	–	–	–	–			
Custody Bank of Japan, Ltd. (trust account)	–	–	–	–	–	–	–	–	–	–			
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	–	–	–	–	–	–	463	–	–	–			
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLLEQUITY	–	–	–	–	–	–	359	–	–	–			
JP MORGAN LUXEMBOURG S.A. 1300000	–	–	–	–	–	–	–	–	–	–			
MSCO CUSTOMER SECURITIES	–	–	–	–	–	–	–	–	–	–			
Credit Suisse Securities	–	–	–	–	–	1,416	–	–	–	–			
Japan Trustee Services Bank, Ltd. (trust account)	–	–	–	–	–	267	–	–	–	–			
SSBTC CLIENT OMNIBUS ACCOUNT	–	–	–	–	–	261	–	–	–	–			
Mizuho Bank, Ltd.	363	363	363	363	363	–	–	–	–	–			
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	–	–	–	–	–	–	–	–	–	–			
Shigefumi Wada (individual)	543	543	543	453	335	–	–	–	–	–			
KBL EPB S.A. 107704	–	–	–	270	282	–	–	–	–	–			
Reiko Sato (individual): Heir to the founder Masao Kawashima	4,401	4,401	–	–	–	–	–	–	–	–			
Tomoko Kumamoto (individual): Heir to the founder Masao Kawashima	4,401	4,401	–	–	–	–	–	–	–	–			
Hiroko Wada (individual)	1,074	–	–	–	–	–	–	–	–	–			
Proportion (%) of Treasury Shares to All Outstanding Shares	11.0	11.0	11.1	11.0	13.6	13.6	13.4	13.4	9.1	8.9			

(Ref) Prepared by Alpha-Win Research Dept. based on the securities report.
(Notes) The number of shares has been retroactively adjusted for the 3-for-1 stock split conducted in October 2021. Shareholding ratio is the ratio to the total number of outstanding shares excluding treasury shares (this does not apply to the calculation of the proportion of treasury shares).

・The number of shares owned by the second largest shareholder, JP MORGAN CHASE BANK, has not changed.
・The third largest shareholder is the Master Trust Bank of Japan (trust account), whose shareholding ratio has increased from 4.7% to 5.4%.

・The sixth largest shareholder, STATE STREET, and the tenth largest shareholder, THE BANK OF NEW YORK MELLON, have replaced MSIP CLIENT SECURITIES (fifth largest shareholder as of the end of March 2023) and APPLIED SYSTEM LABORATORY Inc. (tenth largest shareholder as of the end of March 2023) as new major shareholders.

- **Several Japanese and overseas institutional investors are mostly likely investing in the Company through custodians.**

Trust banks and custodians, including those listed above, are listed as major shareholders, but the ultimate investors and the purpose of their investments are unknown. They are most likely investments from funds and investment trusts by domestic and foreign institutional investors, for purely investment purposes.

- **MFS, a major US-based investment management firm, holds more than 5% of all shares and has submitted a statement of large-volume holdings. It seems to be continuing to hold the shares.**

Massachusetts Financial Services Company (MFS) had submitted a statement of large-volume holdings (the 5%-rule statement). It later purchased more shares and submitted a change report indicating that its shareholding ratio was 6.23% (479,400 shares) as of May 31, 2021. A change report has not been submitted since then, so this firm is most likely continuing to hold nearly the same number of shares.

MFS is one of the oldest investment firms in the US. It invests globally and its AUM is 598.1 billion dollars (approx. 84 trillion yen and 2,000 employees as of the end of December 2023). Characterized by a long-term and active investment style, it also has an office in Japan and currently invests in many Japanese equities.

Although MFS is not included in the list of major shareholders shown in Figure 11, it is most likely investing through several custodian accounts including JP Morgan Chase Bank at second place (ranking excluding the Company with its treasury shares; the same applies hereinafter).

◆ **Regarding Japanese investment trusts, several active funds and index funds are investing in the Company.**

Regarding Japanese investment trusts, the Company's shares are mainly incorporated in active funds such as the New Generation Growth Equity Fund (Daiwa Daisuke) and the Social Issue Solution Support Fund (Smile Kakehashi) managed by Daiwa Asset Management, as well as index funds managed by Sumitomo Mitsui Trust Asset Management and Mitsubishi UFJ Asset Management.

◆ **Its rival OBC is also the fourth largest shareholder.**

・The fourth largest shareholder, Obic Business Consultants Co., Ltd. (OBC; listed on TSE Prime; securities code 4733), is a competitor with whom the Company has no transactions. There has been no change in the number of shares held.

・The number of shares held by the Employee Stock Ownership Plan at fifth place has somewhat increased.

・The shareholding ratio of the sixth largest shareholder, FCP SEXTANT AUTOUR DU MONDE, has decreased from 2.3% to 1.5%. It is an equity investment fund managed by the French company Amiral Gestion (an independent asset management company founded in 2003 and focused on long-term investments; total investment amount of 3.8 billion euro, which is equivalent to about 650 billion yen). The fund invests in equities of OECD and emerging countries. Amiral Gestion's funds are also major shareholders of several listed Japanese companies, including Avant Group, Nissan Shatai, and Shin Maint Holdings (all ranked between eighth and tenth in shareholder ranking).

・Shares held by the seventh largest shareholder, Logic Systems Co., Ltd. (investment purpose unknown), and the eighth largest shareholder, Nagoya PCA Co., Ltd. (a company to which the Company outsources a part of its software development for the SHOKON and other products), have remained mostly unchanged.

◆ **There seems to be no activist among the major shareholders.**

・Currently, there seems to be no activist-like behavior among the major shareholders. Also, the Company has not adopted any anti-takeover measures.

4. ESG and SDGs

In consideration of the sustainability of the environment, society, and economy, the Company works on the following initiatives from the perspectives of ESG and business sustainability (SDGs).

◆ **Promoting paperless operations, energy-saving, and business efficiency through digitalization**

◆ Environment

Although the Company does not have production facilities and its business does not impose any harm to the environment, it has joined the TCFD[13] and is working to reduce its energy consumption and CO_2 emissions. It is working on shifting to paperless operation by digitizing internal documents, recycling paper, and using digital technology to reduce the need for travel, thereby improving the efficiency of business activities and saving energy and electricity.

(13) TCFD (Task Force on Climate-related Financial Disclosures): A task force (temporary body) established by the Financial Stability Board (FSB). It recommends that climate-related information be disclosed (i.e., financial information should be disclosed together with environmental risks and the status of measures against these risks).

◆ Society

◆ **Supporting digitalization of small/medium-sized companies**

As its mission statement, the Company has declared to "support customers' businesses through enterprise system software." It is fulfilling its social responsibility by contributing to the improvement of user convenience and efficiency. With services centered on PCA Cloud and others, the Company supports the rational, data-driven management and secure business operations of its user base of small/medium-sized companies and encourages their transformation into digital companies.

◆ **Proactively supporting people with physical challenges and the discovering and development of IT talents**

It also contributes to the development of IT human resources by identifying and training outstanding programmers who will create the future, as well as providing various types of support such as the promotion of sports including marathons and the employment of physically challenged people.

◆ **It views human capital as of the highest importance. Aiming to maximize human capital for the growth of the Group and the realization of a sustainable society.**

The Company also believes that maximizing human capital is what contributes to the growth of the PCA Group and the realization of a sustainable society. It works on human resource development and work environment improvement, and conducts management with an emphasis on employee well-being[14]. It has been certified as a 2023 Health and Productivity Management Outstanding Organization (Large Enterprise Category), as an excellent corporation working on health management, in the Health and Productivity Management Outstanding Organization Recognition System sponsored by the Ministry of Economy, Trade, and Industry and Nippon Kenko Kaigi.

◆ **Certified as the 2023 Health and Productivity Management Outstanding Organization (Large enterprise Category)**

(14) Well-being: A state of being physically, mentally, socially, and economically well, fulfilled, and satisfied, which leads to increased motivation and productivity.

Pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children, the Company has also been working on raising the percentage of female managers, raising the paid holiday acquisition rate, providing financial support for child rearing, and promoting the acquisition of annual paid holidays.

◆ Governance

For internal control, the Company has set up an internal audit office that directly reports to the president, which is also managed in coordination with the external directors. It has also set up a risk control committee with the president as the chairperson and has created a risk control system that enables flexible, quick, and appropriate response to risks.

◆ **Of the total of 12 directors and auditors, three are women (25%). Seven (58%) are external directors and external auditors.**

There are a total of 12 directors and auditors, specifically, eight directors (of which, four external directors) and four auditors (of which, three external auditors including a tax accountant, a certified public accountant, and a lawyer). Of these members, three (25%[15]) are female.

(15) The government target is to increase the ratio of female executives in companies listed on the TSE Prime Market to at least 30% by 2030.

5. History of Growth

◆ Company History

◆ **Founded upon recognizing the importance and promising future of computers and enterprise system software in Japan**

A group of five certified public accountants with the late Masao Kawashima as the leader founded the Company in 1980 upon recognizing the importance and promising future of computers and software businesses in Japan. At first, they developed and sold business accounting software for small business computers. In 1995, expecting to eventually shift away from users of small business computers, the Company began focusing on the development and sales of packaged software for PCs.

◆ **With a pioneering spirit, became the first to begin cloud services in the industry**

Then, with the emergence of the PC era, the Company grew mainly through the following four strategies: 1) creation of a greater variety of packaged software for Japanese customers as well as their version upgrades, 2) expansion of the maintenance service, 3) development of the cloud business, and 4) expansion of the solutions business which includes providing other companies' products. Furthermore, by increasing the number of offices and cooperating with manufacturers and distributors, the Company has developed a nationwide sales/support system that has contributed to the rapid expansion of its business. It is also seen as a pioneer in the conservative industry, having been the first in the industry to begin providing cloud services (SaaS[16]) in 2008.

(16) SaaS (Software as a Service): Software in which, as a service, users can use the necessary function in the necessary amount when needed, or the method of providing such a service. Instead of the user installing the software, the vendor hosts the software and provides the necessary function to the user via a network.

◆ **Changed its market listing from the Second to the First Section of the TSE in Dec. 2014. Its listing was changed to the Prime Market in April 2022.**

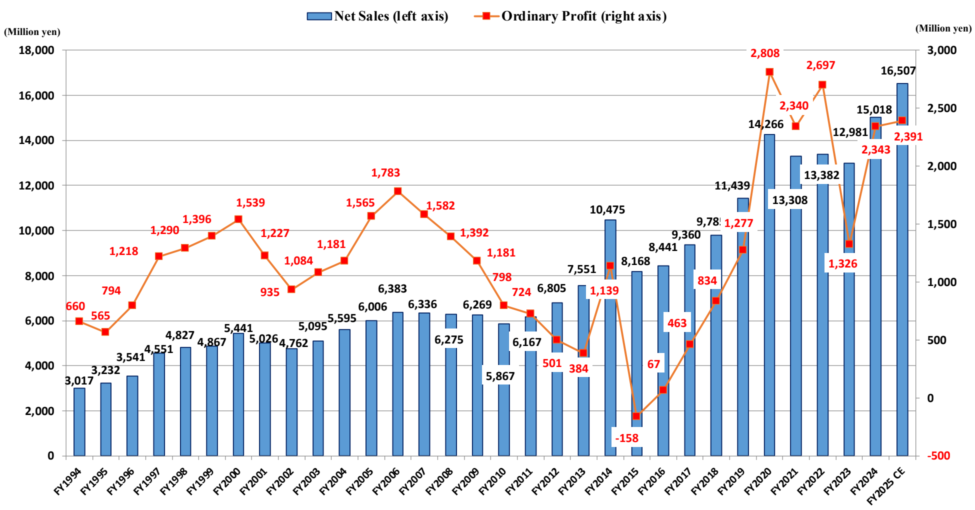
Regarding its shares, the first public offering was made in 1994. The Company became listed on the Second Section of the TSE in 2000 and then on the First Section in 2014. In April 2022, its listing was changed to the TSE Prime Market.

◆ Past Transition in Financial Performance

◆ **Has been generally increasing sales over the long term. Profit had weakened during a period, but the profit margin then recovered in a V-shape.**

As described above, the Company has been expanding its business and improving profitability since foundation until now as a specialist in the development and sales of enterprise system software and related businesses. The transition in financial performance since its first public offering is described in Figure 12 (regarding supplemental information on past financial results, please see our previous report issued in December 2023).

【Figure 12】Long-Term Transition in Financial Performance



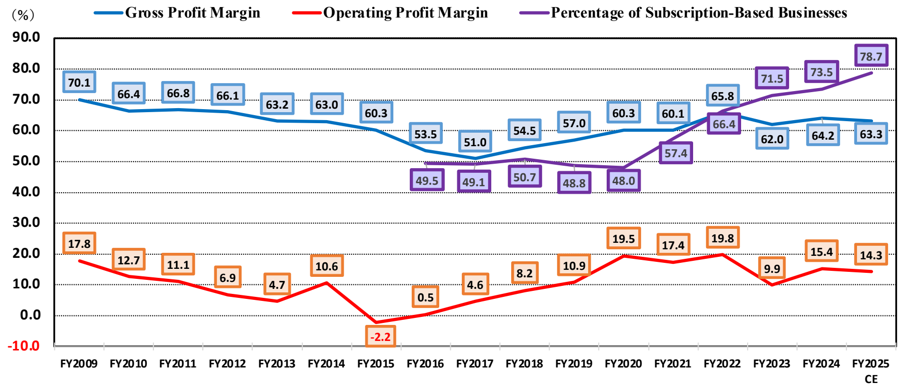
(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. Estimate/forecast (CE) for FY2025 is from the Company's plan.

While profit margins have generally increased with the rising proportion of the profitable subscription businesses, a divergence in the trend can be seen starting in FY2023 due to an increase in upfront investment (Figure 13).

As reference, the Company's past initial forecasts and actual results over the years were compared (Figure 14). Since FY2017, the profit results have tended to exceed the initial plan made at the beginning of fiscal years.

Note that past announcements of revisions to financial forecasts have often been made in September or January to April of the following year.

【Figure 13】Long-Term Transition in Gross Profit Margin, Operating Profit Margin, and Proportion of the Subscription Businesses



(Ref) Figures 13 and 14: Prepared by Alpha-Win Research Dept. based on the financial results summary.
(Note) The FY2025 forecasts/estimates (CE) are from the Company's plan. The new revenue-recognition standard has been applied starting in FY2022 (CE).

【Figure 14】Comparison of the Company's Initial Financial Forecast and Actual Results over the Years

Consolidated	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent (hereinafter, "net profit")		Net Sales	Operating Profit	Ordinary Profit	Net Profit	Net Sales	Operating Profit	Ordinary Profit	Net Profit
Units: million yen	*Initial forecast*	Actual result	*Initial forecast*	Actual result	*Initial forecast*	Actual result	Initial forecast	Actual result	Difference from initial forecast				YoY change in actual results			
FY2001	-	5,026	-	1,224	-	1,227	-	695	-	-	-	-	-	-	-	-
FY2002	*5,634*	4,762	-	925	*1,215*	935	-	533	-15.5%	-	-23.0%	-	-5.3%	-24.4%	-23.8%	-23.3%
FY2003	*5,104*	5,095	-	1,073	*1,015*	1,083	*589*	576	-0.2%	-	6.7%	-2.2%	7.0%	16.0%	15.8%	8.1%
FY2004	*5,521*	5,595	-	1,170	*1,125*	1,181	*653*	682	1.3%	-	5.0%	4.4%	9.8%	9.0%	9.0%	18.4%
FY2005	*6,096*	6,005	-	1,551	*1,293*	1,565	*769*	915	-1.5%	-	21.0%	19.0%	7.3%	32.6%	32.5%	34.2%
FY2006	*6,870*	6,383	-	1,747	*1,780*	1,783	*1,059*	327	-7.1%	-	0.2%	-69.1%	6.3%	12.6%	13.9%	-64.3%
FY2007	*6,860*	6,336	-	1,533	*1,550*	1,582	*922*	852	-7.6%	-	2.1%	-7.6%	-0.7%	-12.2%	-11.3%	160.6%
FY2008	*6,790*	6,274	*1,321*	1,325	*1,365*	1,391	*812*	644	-7.6%	0.3%	1.9%	-20.7%	-1.0%	-13.6%	-12.1%	-24.4%
FY2009	*6,800*	6,268	*1,294*	1,117	*1,360*	1,181	*809*	680	-7.8%	-13.7%	-13.2%	-15.9%	-0.1%	-15.7%	-15.1%	5.6%
FY2010	*6,500*	5,867	*1,141*	744	*1,200*	797	*714*	436	-9.7%	-34.8%	-33.6%	-38.9%	-6.4%	-33.4%	-32.5%	-35.9%
FY2011	*5,908*	6,166	*878*	686	*927*	724	*519*	411	4.4%	-21.9%	-21.9%	-20.8%	5.1%	-7.8%	-9.2%	-5.7%
FY2012	*6,505*	6,805	*806*	468	*835*	501	*381*	75	4.6%	-41.9%	-40.0%	-80.3%	10.4%	-31.8%	-30.8%	-81.8%
FY2013	*7,025*	7,550	*56*	354	*84*	383	*29*	181	7.5%	532.1%	356.0%	524.1%	10.9%	-24.4%	-23.6%	141.3%
FY2014	*8,641*	10,474	*284*	1,110	*311*	1,138	*141*	604	21.2%	290.8%	265.9%	328.4%	38.7%	213.6%	197.1%	233.7%
FY2015	*9,198*	8,168	*453*	-179	*483*	-157	*283*	-207	-11.2%	Revised down	Revised down	Revised down	-22.0%	To loss	To loss	To loss
FY2016	*8,880*	8,440	*242*	40	*272*	66	*131*	-93	-5.0%	-83.5%	-75.7%	Revised down	3.3%	To profit	To profit	To profit
FY2017	*9,731*	9,360	*165*	432	*187*	463	*51*	160	-3.8%	161.8%	147.6%	213.7%	10.9%	980.0%	601.5%	-272.0%
FY2018	*9,876*	9,785	*645*	807	*669*	834	*425*	441	-0.9%	25.1%	24.7%	3.8%	4.5%	86.8%	80.1%	175.6%
FY2019	*10,486*	11,439	*825*	1,248	*842*	1,277	*588*	906	9.1%	51.3%	51.7%	54.1%	16.9%	54.6%	53.1%	105.4%
FY2020	*12,783*	14,266	*1,478*	2,781	*1,499*	2,808	*976*	1,816	11.6%	88.2%	87.3%	86.1%	24.7%	122.8%	119.9%	100.4%
FY2021	*13,280*	13,308	*2,034*	2,314	*2,055*	2,340	*1,358*	1,668	0.2%	13.8%	13.9%	22.8%	-6.7%	-16.8%	-16.7%	-8.1%
FY2022	*12,447*	13,382	*1,866*	2,655	*1,899*	2,697	*1,192*	2,367	7.5%	42.3%	42.0%	98.6%	0.6%	14.7%	15.3%	41.9%
FY2023	*12,927*	12,981	*1,100*	1,288	*1,132*	1,326	*639*	883	0.4%	17.1%	17.1%	38.2%	-3.0%	-51.5%	-50.8%	-62.7%
FY2024	14,700	15,018	1,445	2,309	1,478	2,343	925	1,611	2.2%	59.8%	58.5%	74.2%	15.7%	79.3%	76.7%	82.4%
FY2025 (CE)	*16,507*		*2,357*		*2,391*		*1,656*		*Ratio of This FY's Forecast to Last FY's Result ⇒*				*9.9%*	*2.1%*	*2.1%*	*2.8%*
Reference: Simple average of difference (units: %), calculated based on the longest period with data available for both sales & profits (excluding periods with loss and this FY) →									-0.3%	67.9%	40.6%	60.6%	5.5%	66.2%	47.1%	25.2%
Green highlight: Record high	Pink highlight: 2nd highest record		Yellow highlight: 3rd highest record		←All excluding this FY's forecast	Number of times revised upward:downward from initial forecast (units: # of times)→			11:12	11:6	16:7	12:10	↑ Reference: Simple average of all periods (excluding this FY)			

6. Business Environment

◆Trends of the Software Market

Number of Small/Medium-Sized Companies (potential users) in Japan

- **Decreasing number of small/medium-sized companies (its current and potential users) in Japan, but the size of the enterprise system software market is expected to steadily grow over the medium to long term.**

The number of small/medium-sized companies, or the Company's main potential customers, has been declining since they have been closing their businesses due to the decreasing and aging population of Japan. On the other hand, companies and organizations have been working on rebuilding or strengthening their enterprise systems, as they have been faced by an increasingly serious labor shortage and have been working on improving operational efficiency and financial performance. Although the number of small/medium-sized companies will likely continue to decrease, we predict that the size of the enterprise system software market will steadily increase over the medium to long term with rising demand for software to digitalize and improve business operation efficiency.

Current Situation: BOJ Tankan

- **Software investment by small, medium-sized, and mid-tier companies is continuing to increase.**

In the Bank of Japan's June 2024 Tankan survey, actual software investment by small/medium-sized companies (on an all-industry basis) in FY2023 was +20.3% greater than the previous fiscal year (of which, manufacturing +8.9% and non-manufacturing +24.5%), a significant growth. Although the rate of increase is expected to slow down to +10.8% (manufacturing +25.3% and non-manufacturing +6.0%) in FY2024 (plan), steady growth is still expected to continue, especially in the manufacturing industry. Mid-tier companies are also actively investing in software like the small/medium-sized companies, with +10.0% growth in FY2023 (+14.6% and +8.7%) and +7.7% growth in FY2024 (+12.5% and +6.3%).

- **The DIs of small, medium-sized, and mid-tier companies have remained positive and flat.**

In the March 2024 and June 2024 surveys, business sentiment of small/medium-sized companies remained flat, with no change in the recent and future sentiments at +7 and +5, respectively (the DIs for large and mid-tier companies are double-digit positive, but also show no significant change).

Market Size and Growth Potential

According to the "WHITE PAPER Information and Communications in Japan" by the Ministry of Internal Affairs and Communications, the size of the packaged software market (excluding game software, embedded software, etc.) in 2017 was approximately 1.1 trillion yen. With the increasing digitalization and the shift to online activities, the B2B market is most likely gradually expanding (our estimate for the annual growth rate is +4% to +5%). We also estimate the current size of the enterprise system software market in Japan specifically related to the Company's business to be approx. 500 billion yen. We predict its annual growth rate to be about 3% over the medium term.

- **Market potential of cloud-based enterprise system software in Japan is still large.**

In the U.S., the utilization of cloud-based enterprise system software is said to be several years ahead of Japan. The penetration rate in Japan is about ½ to ⅓ compared to the US (source: "WHITE PAPER Information and Communications in Japan" by the Ministry of Internal Affairs and Communications, etc.). Therefore, there seems to be a large growth potential. The cloud-based enterprise system software market may grow at a high rate of about 20% per year over the medium term as it replaces a part of the market for outsourced system development and packaged software (on-premises).

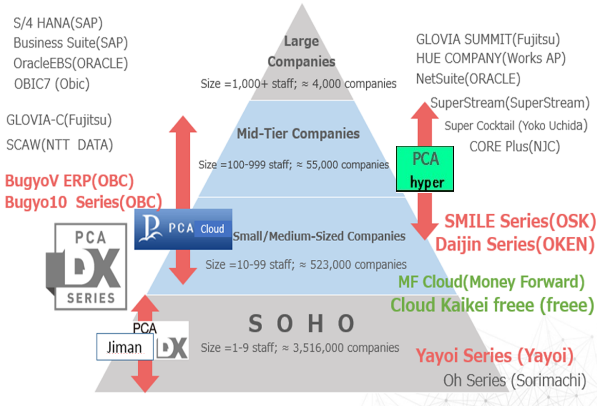
◆Comparison with Competitors

Positions and Main Players of the Industry

- **In the industry, companies are moving toward a certain degree of coexistence by taking strong positions depending on the user size or software function.**

Figure 15 is an overview of the various positions and main players of the industry, categorized by customer type. The players in the industry have adjusted toward a certain degree of coexistence by taking strong positions in different niches, segregated by the size of the companies/organizations that are their users or the type of operation targeted by their software.

【Figure 15】Target Customers and Main Players of the Enterprise System Software Market



(Ref) Excerpt from past financial results briefing materials, partially edited by Alpha-Win Research Dept.

- **OBC, MJS, Yayoi, OHKEN, and OSK are its rivals.**

The Company has different rivals for each type of operation targeted by its software. Regarding its rivals among listed companies for its mainstay accounting software, its direct rival is thought to be Obic Business Consultants (OBC; listed on the TSE Prime Market; securities code 4733) and its indirect rival is most likely Miroku Jyoho Service (MJS; TSE Prime; 9928). OBC is the greatest rival since it has a similar product lineup and business model as the Company.

In addition, the following private companies are the main direct competitors, both for the on-premises and the cloud-based software.

・Yayoi Co., Ltd.: acquired from Orix Corporation (TSE Prime: 8591) by Kohlberg Kravis Roberts & Co. L.P. (KKR); sales in the fiscal year ended September 2023 were 25.14 billion yen (+13.2% YoY); net profit of 910 million yen; 978 employees; over 3.1 million registered users.

・OHKEN Co., Ltd.: the DAIJIN series are the main products; independent company; sales in the fiscal year ended December 2023 were 6.21 billion yen; net profit of 1.05 billion yen; 348 employees.

・OSK Co., Ltd.: the SMILE series are the main products; wholly-owned subsidiary of Otsuka Corporation; sales in the fiscal year ended December 2023 were 10.1 billion yen; net profit of 1.47 billion yen; 462 employees.

- **The Company provides high-quality products and services at reasonable prices.**

The Company is characterized by its high-quality but reasonably priced products and services.

- **Its flagship product, or the accounting software, has the third largest share in the market.**

The accounting software market size is estimated to be approx. 200 billion yen. The market is reaching maturity, and its size has stayed mostly flat over the recent years. In this market, the Company is estimated to be third from the top (market share of about 10%). It also seems to have a similar level of market share and position with its payroll and HR software.

- **In addition to OBC, also partially competing with Money Forward, freee, and Yayoi in the cloud-based accounting software business.**

In addition to the above, in the cloud accounting market, its main competitors among listed companies are Money Forward (TSE Prime 3994; providing cloud services such as household accounting application for individuals and accounting software for companies) and freee (TSE Growth 4478; providing ERP services and cloud accounting software for small businesses). These companies mainly target one-person businesses and small companies such as small/medium-sized companies and SOHOs, so they compete with the Company only in specific segments.

Comparison of Profitability of the Three Competing, Listed Companies

- **Profit margins and asset efficiency are improving.**

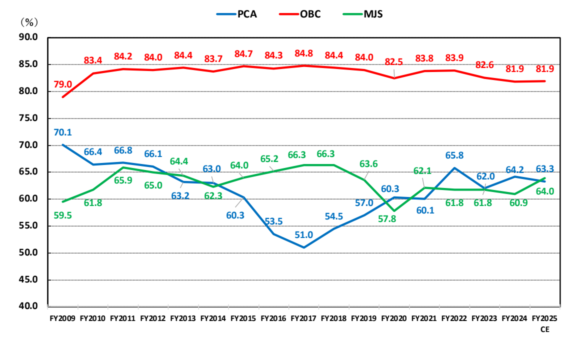
A comparison of the long-term transition in gross profit margin and operating profit margin of the three competing, listed companies (the Company, OBC, and MJS) is shown in Figures 16 and 17. Compared to the Company, both margins are stable for OBC and MJS. This is most likely due to the difference in the business model, sales composition, and scale advantage (sales of OBC and MJS are about 2.8x and 2.9x greater than the Company, respectively, and similarly their operating profit is about 9.1x and 2.6x greater, respectively, according to last fiscal year's results).

Both competitors used to have a lower subscription rate for maintenance support but have succeeded in raising this rate strategically, resulting in a greater earning power. However, through its focus on the subscription business, the Company's profit margins have also been improving and becoming stable in recent years excluding the periods of decline following an event-driven high demand.

The transition in the Company's ROA and ROE, shown in Figure 18, indicates that they have been largely improving in recent years due to profit growth. They also increased in FY2024 due to significant profit growth, but the Company's ROA and ROE were 7.3% and 8.9%, respectively, falling below OBC's 10.5% and 9.6% and MJS's 13.7% and 16.6%.

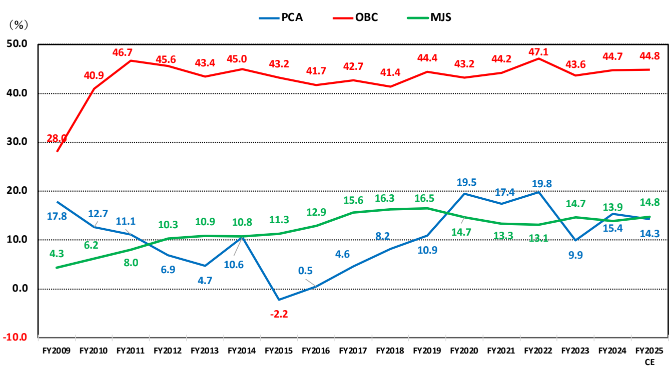
As reference, the overview of the three companies is compared in Figure 19 on page 24.

【Figure 16】Long-Term Transition in the Gross Profit Margin of the Three Major Listed Companies (PCA, OBC, and MJS)

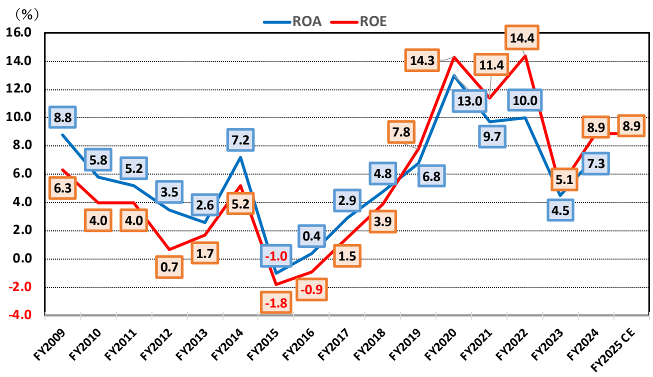


(Ref) Figures 16-18: Prepared by Alpha-Win Research Dept. based on the securities reports. Estimates/forecasts (CE) are from the companies' plans.

【Figure 17】Long-Term Transition in the Operating Profit Margin of the Three Major Listed Companies (PCA, OBC, and MJS)



【Figure 18】Transition in the Company's ROA and ROE



＊For ROA, the ratio of ordinary profit to total assets was used.

【Figure 19】Summary of the Comparison of the Three Competing Companies

Company Name	PCA	Obic Business Consultants (OBC)	Miroku Jyoho Service (MJS)
Code (listed on TSE Prime)	9629	4733	9928
Characteristics	Development and sales of packaged enterprise system for mainly small/medium-sized companies. Second-tier in the industry. Taking a lead in cloud services. No. 1 in industry in sales toward public benefit corporations.	Development and sales of packaged enterprise system for small/medium-sized companies. Became top-ranking in the industry from rapid growth in the early days of the OS W95, NT, etc. Highly profitable structure; largest player in the industry by profit. No. 1 in packaged software for financial accounting, payroll, HR, and labor management.	Top market share (25%) in software for accounting firms. Recently, also strengthening development/sales of software for mid-tier and small/medium-sized companies. Largest player by sales among the three companies.
Founded	Aug. 1980	Dec. 1980	Jan. 1977
Market Listing	Mar. 1994	Oct. 1999	Aug. 1992
Sales Categories/Breakdown (PCA, OBC, and MJS: FY ended March 2024)	･Cloud Services 49.7% ･Maintenance Service 23.8% ･Products 8.1% ･Merchandise 3.6% ･Solutions 14.8%	･Products 61.3% (Of which, solution technologies 52.3%) (Of which, related products 9.0%) ･Services 38.7%	･Revenue from services 37.3% ･Sales from system installation contract 54.7% (Software 29.2%) (Useware 15.5%) (Hardware 10.0%) ･Other 8.3%
Sales Method	20% direct sales; 80% indirect sales through dealers/makers	Nearly 100% indirect sales through dealers, makers, etc.	Nearly 100% direct sales; toward ordinary companies, mostly direct sales through referrals by accounting firms
Number of Offices	13 sales offices; 2,000 sales partners	11 sales offices with customer service personnel; 3,000 sales partners	31 sales/support offices throughout Japan; accounting firms acting as sales partners (referrals)
Number of Active Users (approx.)	200,000 companies	200,000 companies	8,400 accounting firms; 170,000 ordinary companies
Percentage of Maintenance Service Subscription among Total Number of Active Users	Approx. 70%	Approx. 80%	Nearly 100%
Management Goals	2024 Medium-Term Management Plan (FY2023 - FY2025) ・FY2023: Net sales of Y13B (result: Y12.98B), operating profit of Y1.4B (result: Y1.3B), and operating profit margin of 10.7% (result: 9.9%) ・FY2024: Net sales of Y14.7B (result: Y15.02B), operating profit of Y1.4B (result: Y2.3B), and operating profit margin of 9.8% (result: 15.4%) ・FY2025: Net sales of Y16.51B, operating profit of Y2.4B, and operating profit margin of 14.3% ・FY2025 Medium-Term Plan: Net sales ≥Y15B (of which, subscription-based sales ≥ Y9.5B), operating profit ≥Y2.5B, operating profit margin ≥16%, ROE ≥10%, DOE = 2.5%, and dividend payout ratio = 30%	・Focused on profit indicators. Maintaining or increasing operating profit margin and ordinary profit margin while increasing sales to continue to grow as a highly profitable company. ・Strengthen new sales by meeting needs (expansion of new sales and advertising strategy) ・Execute a strategy based on the cloud businesses and develop a customer success system (retain current customers)	Formulated the Medium-Term Management Plan Vision 2028 (FY2025 - FY2029) ･FY2025: Net sales of Y45.5B, ordinary profit of Y6.75B, and ordinary profit margin of 14.8%. ･FY2029: Net sales of Y60.0B, ordinary profit of Y12.0B, ordinary profit margin of 20%, and ROE of 18% ･Integrated DX Platform Business: Expand contents of Hirameki7 and increase the proportion of paid services. ･Group companies: Maximize group synergies by defining their positions and roles within the Group (contribution to business performance, upfront investment, reinforcement of group development structure, etc.) ･MJS stand-alone: ambitiously acquire new customers through advanced, one-stop solutions and DX consulting; develop and promote sales of SaaS-type ERP products and shift to a subscription-type business model to maximize customer lifetime value through customer success.
Business Strategy and Areas of Focus	･I. Establish a strong revenue base for the core businesses: 1) Further expansion of the cloud business with enhancement and expansion of PCA Cloud, 2) Accelerate the shift toward the subscription-based business model, and 3) Enhance customer success with digital tools. ･II. Create new business opportunities: Applied research of fundamental technologies including AI, finding and creating new areas of business, and launching the PCA Hub services ･III. Strengthen monozukuri (creation of things) with a focus on safety, security, and anticipation of needs: Digital (support DX of operations), Service (quick service development and release based on user-oriented approach), and Modern (strengthen development system, expand the PCA Hub series, and modernize in the area of enterprise systems). ･IV. Strengthen the management foundation toward a high-profit structure: Build and leverage the foundation for DX acceleration, strengthen IT governance and security, and build a system that enables active engagement by a diverse workforce.	Key Strategies ･Eliminate the difference in function compared to Bugyo V ERP11 to begin targeting mid-tier companies ・DX Cloud and meeting needs related to regulation revisions: Cloud-based DX to support the revised Electronic Books Preservation Act and the new invoicing system ・Up to Cloud: Conversion to Bugyo 11 (subscription service) following the end of support for Bugyo 10 (at the end of April 2024 → extended to the end of Dec. 2024) ・V ERP SaaS: Release Bugyo V ERP Cloud, a SaaS for mid-tier companies ・Price strategy: Revise prices to adapt to changes in the external environment, including global conditions	･"No. 1 in accounting firm network" strategy ･"Comprehensive solution business for mid-tier and small/mid-sized companies" strategy ･Integrated DX platform strategy (new biz area) ・Shift to cloud/subscription biz model ・Promote individual growth of group companies through group-wide coordination enhancement ・Build HR and management foundation to accelerate strategy execution
Main Types of Enterprise System Software or the Number of Provided Products (approx.) or Services	･Approx. 26 types (by name of product; includes options) ・Originally developed with in-house platform	･13 types for the flagship Bugyo series ･Bugyo Cloud Series: Bugyo Cloud (enterprise software for back-office operations) and Bugyo Cloud Edge (for front-office operations) ・Total of approx. 60-80 types by product name, including other software ・Development focused on Microsoft's platform for both on-premises and cloud services	・1 module for accounting firms ・6 modules for ordinary companies (each module contains software for several operation types)
Sales (million yen): FY2025 CE	*16,507*	*48,000*	*45,500*
Gross Profit Margin (%): FY2025 CE	*63.3*	*81.9*	*Not disclosed*
Operating Profit (million yen): FY2025 CE	*2,357*	*21,500*	*6,740*
Operating Profit Margin (%): FY2025 CE	*14.3*	*44.8*	*14.8*
EPS (FY2025 CE), YoY (%)	*2.8*	*12.3*	*4.7*
DOE (%): Result	9.0	4.2	5.9
Past 10 Years' Sales Growth Rate (FY2024's result divided by FY2014's result: %)	43.4	107.1	99.2
Operating Profit Growth Rate (same condition as above)	108.0	105.8	155.6
Equity Ratio (%): Result	55.7	75.3	58.0
# of Full-Time Employees in the Group: Actual #	672	1,266	2,168
Sales Per Full-Time Employee (million yen / person)	*24.6*	*37.9*	*21.0*
Operating Profit Per Full-Time Employee (million yen / person)	*3.5*	*17.0*	*3.1*
ROE (%): Result A=B×C×D	8.9	9.6	16.6
Net Profit Margin (net profit / sales) (%) B	10.7	33.0	9.6
Total Asset Turnover Ratio (sales / ave. total asset) C	0.5	0.2	1.0
Financial Leverage (ave. total asset / ave. owner's equity) D	1.8	1.3	1.80
ROA (ordinary profit / total asset) (%) E=F×G	7.3	10.5	13.7
Ordinary Profit Margin (%): Result F	15.6	47.4	14.3
Total Asset Turnover Ratio (sales / ave. total asset) G	0.5	0.2	1.0

(Ref) Prepared by Alpha Win Research Department based on financial results summaries and securities reports. Forecasts are company plans. Italics indicate the company forecasts for FY2025, and the rest are actual results of FY2024.

7. Last Fiscal Year's Results and This Fiscal Year's Forecast

◆ Financial Results for FY2024 (last fiscal year)

Summary

◆ **Previous fiscal year's results: significant increase in sales, profits, and dividends**

Consolidated results for FY2024 were as follows: net sales of 15,018 million yen (+15.7% YoY), operating profit of 2,309 million yen (+79.2% YoY), ordinary profit of 2,343 million yen (+76.6% YoY), and net profit of 1,611 million yen (+82.5% YoY). Significant increases in sales and profits were posted (Figure 20).

【Figure 20】Financial Results for FY2024 **(Units: million yen, %)**

Full-Year Results		FY2023	FY2024	Difference	% Change	FY2024	Result - Plan	Result/Plan	FY2024	Result - Forecast	Result/Forecast	FY2024
Units: million yen		Results	Results	YoY: million yen	YoY: %	Revised Company Forecast	Diff: million yen	Diff: %	Alpha-Win's Forecast	Diff: million yen	Diff: %	Initial Company Forecast
Consolidated Net Sales		12,981	15,018	2,037	15.7	14,850	168	1.1	14,950	68	0.5	14,700
Gross Profit		8,051	9,636	1,585	19.7	9,122	-	-	9,300	336	3.6	8,797
	Gross Profit Margin (%)	62.0	64.2	2.1		61.4	-		62.2	2.0		59.8
SG&A Expenses		6,763	7,326	563	8.3	7,293	-	-	7,300	26	0.4	7,351
	SG&A Expense Ratio (%)	52.1	48.8	-3.3		49.1	-		48.8	0.0		50.0
Operating Profit		1,288	2,309	1,021	79.3	1,829	480	26.2	2,000	309	15.5	1,445
	Operating Profit Margin (%)	9.9	15.4	5.5		12.3	3.1		13.4	2.0		9.8
Net Profit		883	1,611	728	82.4	1,235	376	30.4	1,300	311	23.9	925
	Net Profit Margin (%)	6.8	10.7	3.9		8.3	2.4		8.7	2.0		6.3

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. The Company's plan and Alpha-Win's forecasts are the most recent forecasts.

Comparison with Forecast

◆ **Net sales were in line with the Company's forecast, while profits were significantly higher.**

The Company's initial forecast was revised upward in December 2023, but both sales and profits were even greater than this forecast. Net sales exceeded the Company's revised forecast by 168 million yen (+1.1% vs. plan), operating profit by 480 million yen (+26.2% vs. plan), ordinary profit by 476 million yen (+25.5% vs. plan), and net profit by 376 million yen (+30.4% vs. plan). Compared to the initial forecast made at the beginning of the fiscal year, net sales were 318 million yen greater (+2.2% vs. plan) and operating profit was 864 million yen greater (+59.8% vs. plan).

◆ **Profits also exceeded our forecasts by double-digit percentages.**

Compared to our forecasts, which were greater than the Company's forecasts, net sales were only slightly higher (+68 million yen or +0.5% vs. our forecast), but operating profit was 309 million yen higher (+15.5% vs. our forecast). The main reason for this difference is likely to be the decrease in provision costs associated with the recalculation of retirement benefit obligations due to rising interest rates (which caused profit to increase by 170 million yen compared to the Company's plan). In addition, net profit was 311 million yen greater (+23.9% vs. our forecast), which is presumed to be partly due to the difference in the estimated amount of income tax adjustment.

Sales

◆ **Double-digit increase in net sales due to high growth of cloud services and the price revision.**

◆ **All four sales categories, except merchandise, posted higher sales.**

◆ **Revision of the Electronic Books Preservation Act and introduction of the new invoicing system are tailwinds, but their impact on sales growth is limited.**

Factors that increased or decreased net sales in FY2024 (previous fiscal year) are as shown in Figure 21 on page 26. The increase in new demand for the cloud services and the price revision made in July 2023 led to a +2,037 million yen increase in net sales (+15.7% YoY). Key points of sales by category are as follows (increase/decrease is YoY).

・All four categories, excluding merchandise, saw an increase in sales.

・Products: Sales increased by +73 million yen (+6.4%) as version upgrades were stimulated by the need to comply with the new invoicing system (effective as of October 2023) and the revised Electronic Books Preservation Act (January 2024). The impact of this new system and revision on the annual sales growth of all sales categories is estimated to be in the order of several hundred million yen.

・Merchandise: Sales declined by -45 million yen (-7.8% YoY) due to the shift to paperless, digitalized ledger sheets and other forms, but the decline was within the Company's expectations.

◆ **Maintenance services are performing solidly.**

・Maintenance Service: Sales grew solidly by +240 million yen (+7.2% YoY) due to an increase in on-premises products and the price revision.

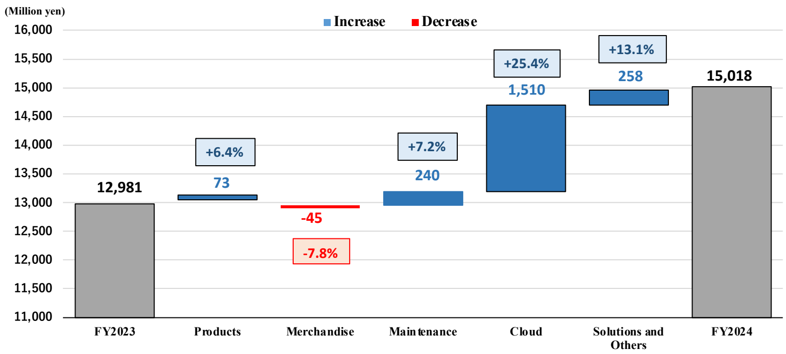
◆ **Continued growth of the cloud services**

・Cloud Services: Sales increased by +1,510 million yen (+25.4% YoY) due to an increase in new demand as the shift to cloud services progressed in line with digitalization, as well as the price revision which had a significant positive impact on sales. It represented 74% of the Company's overall amount of sales growth, contributing the most to the sales growth.

◆ **Solutions also recovered.**

・Solutions and Others (other operating revenue): Sales increased by +258 million yen (+13.1% YoY) due to an increase in purchase and sales of other companies' products, as well as an increase in revenue from the professional support service in line with the increase in the cloud services and on-premises.

【Figure 21】Each Sales Category's Impact on Sales in FY2024 (last fiscal year)



(Ref) Prepared by Alpha-Win Research Dept. from the financial results materials (Note) Percentages in the Figure are YoY changes.

Cloud

◆ **The number of corporate users of the cloud services is increasing steadily.**

The number of corporate users of PCA Cloud reached 10,000 on January 11, 2018. The number has then been increasing from 12,070 at the end of March 2019 to 14,327 at the end of March 2020 (+2,257 YoY), 16,444 at of the end of March 2021 (+2,117 YoY), 19,152 at the end of March 2022 (+2,708 YoY; the largest net increase ever), 21,022 at the end of March 2023 (+1,870 YoY), and 22,899 at the end of March 2024 (+1,877 YoY) (Figure 8 on page 13 and Figure 22 on page 27; the goal for the meantime is to achieve 80,000 corporate users).

◆ **The number of corporate users is increasing at a slower pace than in the past, but a high net growth rate is maintained.**

In the last two fiscal years, the net increase in the number of corporate users has been below 2,000, but the number of corporate users is continuing to grow at a high pace. The monthly rate of net increase has not changed in the current fiscal year, and the Company hopes to maintain the net growth in the number of corporate users at about 1,800 to 2,000 companies per year for the meanwhile.

◆ **Cloud services' sales growth accelerated to +25% in the previous fiscal year, partly due to the price revision.**

◆ **Cloud services are the largest sales category. The category accounts for about half of net sales.**

The cloud's sales have been increasing from 2,452 million yen in FY2019 (+598 million yen or +32.3% YoY) to 3,374 million yen in FY2020 (+922 million yen or +37.6% YoY), 4,057 million yen in FY2021 (+683 million yen or + 20.2% YoY), 5,568 million yen in FY2022 (+1,511 million yen or + 37.2% YoY), 5,956 million yen in FY2023 (the fiscal year before the previous; +388 million yen or + 7.0% YoY), and 7,467 million yen in FY2024 (previous fiscal year; +1,511 million yen or +25.4% YoY). Sales of the cloud services were the largest by sales category, accounting for 49.7% of net sales.

- **Upward trend for the average price per corporate user. Significant increase in the previous fiscal year due to the price revision.**

Since the cloud's sales include PCA Hub and PCA Subscription, a simple comparison cannot be made, but the annual sales per corporate user (= annual sales / average number of corporate users of the PCA Cloud during the fiscal year; units of thousand yen per company per year) have been increasing during this period. There was a significant increase in the previous fiscal year due to the price revision (Figure 22).

- **On a quarterly basis, too, the net increase in the number of corporate users, sales, and average unit price are all on an upward trend.**

Regarding PCA Cloud, the key driver of performance, its quarterly net increase in the number of corporate users, quarterly sales, and (the quarterly estimate of) the average unit price are all on an upward trend (Figure 23).

【Figure 22】Change in the Number of Corporate Users and Sales of the Cloud Services (yearly change)

Fiscal Year	Corporate Users of the Cloud Service	Cloud Services' Sales	Number of Corporate Users (companies)		Sales (million yen)		Average Annual Unit Price	Average Monthly Unit Price
	Units: companies	Units: million yen	% Change (YoY)	Change in Number (YoY)	% Change (YoY)	Amount of Change (YoY)	Thousand yen/ company/year	Thousand yen/ company/month
FY2019	12,070	2,452	15.0	1,570	32.3	598	217	18
FY2020	14,327	3,374	18.7	2,257	37.6	922	256	21
FY2021	16,444	4,057	14.8	2,117	20.2	683	264	22
FY2022	19,152	5,568	16.5	2,708	37.2	1,511	313	26
FY2023	21,022	5,956	9.8	1,870	7.0	388	297	25
FY2024	22,899	7,467	8.9	1,877	25.4	1,511	340	28
FY2025 CE	Not disclosed	9,642	—	—	29.1	2,175	—	—

(Ref) Figures 22 and 23 were prepared by Alpha-Win Research Dept. based on the financial results materials
(Note) Average unit price was calculated by dividing the sales for the period by the average number of corporate users during the period.

【Figure 23】Change in the Number of Corporate Users and Sales of the Cloud Services (quarterly change)

Quarter	Number of Corporate Users of the Cloud Service: A	Quarterly Change in the Number of Corporate Users (companies)				Cloud Services' Sales: B	Quarterly Change in Sales (million yen)				Monthly Unit Price of the Cloud Service (thousand yen / company / month)	YoY Diff. for the Left
	Cumulative Number of Users at the End of the Month (units: companies)	% Change (YoY)	Change in Number (YoY)	% Change (QoQ)	Change in Number (QoQ)	For Each Quarter (units: million yen)	% Change (YoY)	Change in Amount (YoY)	% Change (QoQ)	Change in Amount (QoQ)	B (quarterly sales) / Average of A During the Period / 3 months	%
Ended Mar 2021 (Q4)	16,444	14.8	2,117	—	—	1,076	14.0	132	4.3	44		
Ended June 2021 (Q1)	Not disclosed	—	—	—	—	1,255	31.1	298	16.6	179		
Ended Sept. 2021 (Q2)	17,785	16.5	2,523	—	—	1,340	35.1	348	6.8	85		
Ended Dec. 2021 (Q3)	18,578	—	—	4.5	793	1,449	40.4	417	8.1	109	26.6	
Ended Mar. 2022 (Q4)	19,152	16.5	2,708	3.1	574	1,524	41.6	448	5.2	75	26.9	
Ended June 2022 (Q1)	19,441	—	—	1.5	289	1,361	8.4	106	-10.7	-163	23.5	
Ended Sept. 2022 (Q2)	19,853	11.6	2,068	2.1	412	1,499	11.9	159	10.1	138	25.4	
Ended Dec. 2022 (Q3)	20,406	9.8	1,828	2.8	553	1,512	4.3	63	0.9	13	25.0	-5.8%
Ended Mar. 2023 (Q4)	21,022	9.8	1,870	3.0	616	1,584	3.9	60	4.8	72	25.5	-5.3%
Ended June 2023 (Q1)	21,594	11.1	2,153	2.7	572	1,616	18.7	255	2.0	32	25.3	7.5%
Ended Sept. 2023 (Q2)	22,238	12.0	2,385	3.0	644	1,827	21.9	328	13.1	211	27.8	9.3%
Ended Dec. 2023 (Q3)	22,729	11.4	2,323	2.2	491	1,933	27.8	421	5.8	106	28.7	14.5%
Ended Mar. 2024 (Q4)	22,899	8.9	1,877	0.7	170	2,091	32.0	507	8.2	158	30.6	19.9%

Subscription-Based Business

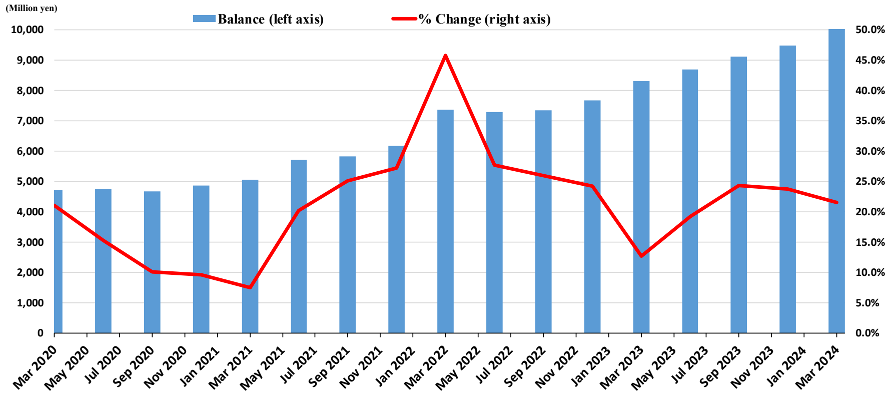
- **The sales proportion of the subscription businesses has increased to about 70%.**

The proportion of subscription-based revenue (total sales of the maintenance service + cloud services) to net sales, a key indicator for the Company, rose from 66.4% in FY2022 to 71.5% in FY2023 and 73.5% in FY2024 (previous fiscal year; the same order applies below). This is because the relative sales growth rate of the cloud services has been higher than that of the other four sales categories. Due to the termination of on-premises product sales by PCA (stand-alone), this proportion is expected to rise to 78.7% this fiscal year.

- **The balance of contract liabilities has also been building up steadily.**

Also, the balance of contract liabilities (advances received for the cloud and maintenance services) has increased steadily from 7,364 million yen at the end of FY2022 to 8,292 million yen at the end of FY2023, and then to 10,076 million yen at of the end of FY2024 (+1,784 million yen or +21.5% YoY) (Figure 24 on page 28).

【Figure 24】 Change in the Balance of Contract Liabilities (units: million yen or %)



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary.
(Note) Figures for FY2021 and before are the sum of unearned revenue and long-term unearned revenue. "% Change" is YoY.

Profit

- **The sales growth absorbed all of the increase in costs, including development expenses and subcontracting costs.**

Figure 25 shows the factors that contributed to an increase or decrease in consolidated operating profit in the previous fiscal year.

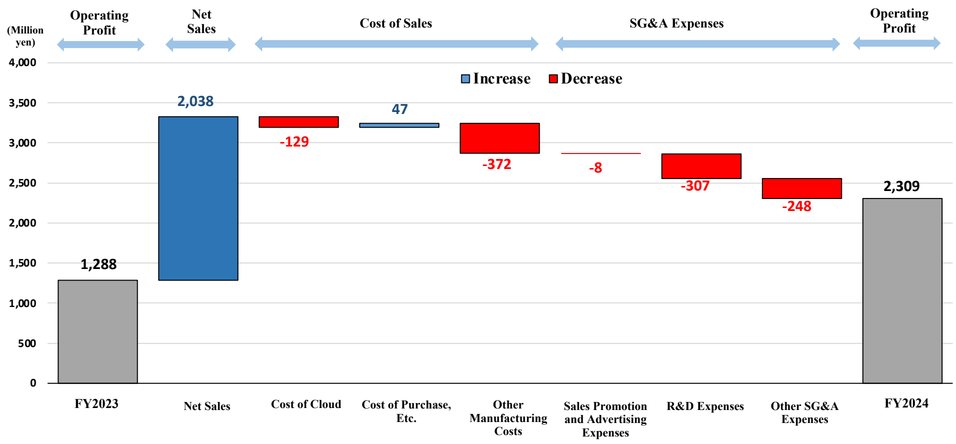
The increase in costs, such as other manufacturing costs (mainly subcontracting costs; +372 million yen YoY), other SG&A expenses (+248 million yen YoY; increased headcount and system usage fees), R&D expenses (+307 million yen YoY), and cost of the cloud (+129 million yen YoY), were all offset by the increase in sales.

- **In addition to the increase in gross profit margin, the SG&A expense ratio decreased, resulting in greater than 5% improvement in the operating profit margin.**

The gross profit margin rose from 62.0% in the fiscal year before the previous to 64.2% in the previous fiscal year (the same order applies below), and the SG&A expense ratio declined from 52.1% to 48.8%. As a result, the operating profit margin improved by 5.5 percentage points, from 9.9% to 15.4%. In addition, the increase in sales had a significant effect, resulting in a significant increase in profit.

Since there were no major non-operating or extraordinary income or losses, net profit also increased significantly.

【Figure 25】 Factors that Increased/Decreased Operating Profit in the FY2024 (previous fiscal year)



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.
(Note) Amounts of increases and decreases shown in the Figure are the amount of impact of each on operating profit.

◆ Increased sales and profit in all quarters, as well as posting profits.

◆ Maintained double-digit operating profit margins in each quarter and Q4 returned to a profit.

Quarterly Financial Results

Looking at the previous fiscal year's results by quarter, sales and profits increased YoY in all quarters from Q1 to Q4. Thanks in part to the price revision, sales increased by around +15% YoY in each quarter, and QoQ sales growth was also maintained from Q2 to Q4 (Figure 26).

The Company also maintained double-digit operating profit margins in each quarter. While it had posted an operating loss in Q4 FY2023 due to a strategic increase in upfront investments such as development expenses in preparation for future growth, it posted a profit in Q4 of the previous fiscal year since the situation has normalized. In each quarter of the previous fiscal year, the Company posted an operating profit of 400 to 700 million yen.

【Figure 26】Quarterly Change in Financial Performance from FY2022 to FY2024 (last fiscal year)

Results		FY2022 Q1	FY2022 Q2	FY2022 First Half	FY2022 Q3	FY2022 Q4	FY2022 Second Half	FY2022 Full Year
Units: million yen		(Apr-Jun)	(Jul-Sep)	Apr-Sep 2021	(Oct-Dec)	(Jan-Mar 2022)	Oct 2021 - Mar 2022	
Consolidated Net Sales		3,328	3,281	6,609	3,535	3,238	6,773	13,382
Sales by Category	Products	935	783	1,718	745	491	1,236	2,954
	Merchandise	85	82	167	190	82	272	439
	Maintenance Service	820	826	1,646	833	837	1,670	3,316
	Cloud Services	1,255	1,340	2,595	1,449	1,524	2,973	5,568
	Other Operating Revenue	231	250	481	318	304	622	1,103
Gross Profit		2,284	2,222	4,506	2,284	2,019	4,303	8,809
	Gross Profit Margin (%)	68.6	67.7	68.2	64.6	62.4	63.5	
SG&A Expenses		1,309	1,444	2,753	1,474	1,926	3,400	6,153
	SG&A Expense Ratio (%)	39.3	44.0	41.7	41.7	59.5	50.2	46.0
Operating Profit		975	778	1,753	810	92	902	2,655
	Operating Profit Margin (%)	29.3	23.7	26.5	22.9	2.8	13.3	19.8
Ordinary Profit		987	795	1,782	817	98	915	2,697
	Ordinary Profit Margin (%)	29.7	24.2	27.0	23.1	3.0	13.5	20.2
Net Profit		614	835	1,449	819	99	918	2,367
	Net Profit Margin (%)	18.4	25.4	21.9	23.2	3.1	13.6	17.7

Results		FY2023 Q1	FY2023 Q2	FY2023 First Half	FY2023 Q3	FY2023 Q4	FY2023 Second Half	FY2023 Full Year
Units: million yen		(Apr-Jun)	(Jul-Sep)	Apr-Sep 2022	(Oct-Dec)	(Jan-Mar 2023)	Oct 2022 - Mar 2023	
Consolidated Net Sales		2,954	3,209	6,163	3,370	3,448	6,818	12,981
Sales by Category	Products	241	316	557	308	284	592	1,149
	Merchandise	108	114	222	210	145	355	577
	Maintenance Service	838	850	1,688	800	839	1,639	3,327
	Cloud Services	1,361	1,499	2,860	1,512	1,584	3,096	5,956
	Other Operating Revenue	404	430	834	541	594	1,135	1,969
Gross Profit		1,829	2,083	3,912	2,064	2,075	4,139	8,051
	Gross Profit Margin (%)	61.9	64.9	63.5	61.2	60.2	60.7	62.0
SG&A Expenses		1,520	1,545	3,065	1,570	2,128	3,698	6,763
	SG&A Expense Ratio (%)	51.5	48.1	49.7	46.6	61.7	54.2	52.1
Operating Profit		309	538	847	493	-52	441	1,288
	Operating Profit Margin (%)	10.5	16.8	13.7	14.6	-1.5	6.5	9.9
Ordinary Profit		315	556	871	501	-46	455	1,326
	Ordinary Profit Margin (%)	10.7	17.3	14.1	14.9	-1.3	6.7	10.2
Net Profit		142	352	494	330	59	389	883
	Net Profit Margin (%)	4.8	11.0	8.0	9.8	1.7	5.7	6.8

Results		FY2024 Q1	FY2024 Q2	FY2024 上期	FY2024 Q3	FY2024 Q4	FY2024 Second Half	FY2024 Full Year
Units: million yen		(Apr-Jun)	(Jul-Sep)	Apr-Sep 2023	(Oct-Dec)	(Jan-Mar 2024)	Oct 2023 - Mar 2024	
Consolidated Net Sales		3,387	3,687	7,074	3,888	4,056	7,944	15,018
Sales by Category	Products	349	364	713	244	265	509	1,222
	Merchandise	95	103	198	216	118	334	532
	Maintenance Service	839	876	1,715	911	942	1,853	3,568
	Cloud Services	1,616	1,827	3,443	1,933	2,091	4,024	7,467
	Other Operating Revenue	486	516	1,002	584	641	1,225	2,227
Gross Profit		2,116	2,313	4,429	2,511	2,696	5,207	9,636
	Gross Profit Margin (%)	62.5	62.7	62.6	64.6	66.5	65.5	64.2
SG&A Expenses		1,688	1,742	3,430	1,810	2,086	3,896	7,326
	SG&A Expense Ratio (%)	49.8	47.2	48.5	46.6	51.4	49.0	48.8
Operating Profit		428	570	998	701	610	1,311	2,309
	Operating Profit Margin (%)	12.6	15.5	14.1	18.0	15.0	16.5	15.4
Ordinary Profit		436	590	1,026	708	609	1,317	2,343
	Ordinary Profit Margin (%)	12.9	16.0	14.5	18.2	15.0	16.6	15.6
Net Profit		266	394	660	502	449	951	1,611
	Net Profit Margin (%)	7.9	10.7	9.3	12.9	11.1	12.0	10.7

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

Second-Half Financial Results

In the second half, the Company posted net sales of 7,944 million yen (+16.5% YoY), operating profit of 1,311 million yen (+197.3% YoY), and net profit of 951 million yen (+144.5% YoY), exceeding its forecast (full-year forecast minus first-half results) for both sales and profits (Figure 27).

In the second half, the gross profit margin rose significantly from 60.7% in the same period of the year before to 65.5% and the SG&A expense ratio declined from 54.1% to 49.0%, resulting in a significant improvement in the operating profit margin from 6.5% to 16.5%. With higher sales, too, profit resulted in an increase of approximately 2x to 3x.

【Figure 27】Financial Performance in the Previous Fiscal Year's Second Half

Results and Forecasts		FY2023 Second Half Results	FY2024 Second Half Results	% Change	Change in Amount	FY2024 Second Half Company Forecast	% Change	Change in Amount
		Second-Half Financial Performance						
Units: million yen		Oct. 2022 - Mar. 2023	Oct. 2023 - Mar. 2024	YoY: %	YoY: million yen	Oct. 2023 - Mar. 2024	YoY: %	YoY: million yen
Consolidated Net Sales		6,818	7,944	16.5	1,126	7,776	14.1	958
Sales by Category	Products	592	509	-14.0	-83			
	Merchandise	355	334	-5.9	-21			
	Maintenance Service	1,639	1,853	13.1	214			
	Cloud Services	3,096	4,024	30.0	928			
	Other Operating Revenue	1,135	1,225	7.9	90			
Gross Profit		4,139	5,207	25.8	1,068	4,693	13.4	554
	Gross Profit Margin (%)	60.7	65.5		4.8	60.4		5.2
SG&A Expenses		3,688	3,896	5.6	208	3,863	4.7	175
	SG&A Expense Ratio (%)	54.1	49.0		-5.0	49.7		-0.6
Operating Profit		441	1,311	197.3	870	831	88.4	390
	Operating Profit Margin (%)	6.5	16.5		10.0	10.7		4.2
Ordinary Profit		455	1,317	189.5	862	841	84.8	386
	Ordinary Profit Margin (%)	6.7	16.6		9.9	10.8		4.1
Net Profit		389	951	144.5	562	575	47.8	186
	Net Profit Margin (%)	5.7	12.0		6.3	7.4		1.7

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary.

◆ PCA's Financial Forecast for FY2025 (this fiscal year)

Summary of the Full-Year Forecast

- **Expecting a double-digit growth in sales and a small increase in profit this fiscal year.**

The Company has announced its full-year forecasts for FY2025 (the current fiscal year): net sales of 16,507 million yen (+9.9% YoY), operating profit of 2,357 million yen (+2.1% YoY), ordinary profit of 2,391 million yen (+2.1% YoY), and net profit of 1,656 million yen (+2.8% YoY). Although the Company expects a nearly double-digit increase in sales, it expects the rate of profit growth to be modest due to upfront investments for the next stage of growth (Figure 28).

- **First-half forecasts not disclosed.**

In addition, to achieve the final profit goal, the Company may either promote or suppress expenditure depending on changes in the internal and external conditions. Since this makes prediction difficult, the Company did not announce its consolidated financial forecasts for this fiscal year's first half, like the previous years.

【Figure 28】 Financial Forecast for This Fiscal Year (the Company's plan and Alpha-Win's forecasts)

Consolidated (units: million yen)		FY2024	FY2025: Company Forecast			FY2025: Alpha-Win's Forecast		
		New Revenue-Recognition Standard	New Revenue-Recognition Standard	YoY: Diff. in amount / Diff.	YoY: % change	New Revenue-Recognition Standard	YoY: Diff. in amount / Diff.	YoY: % change
Net Sales		15,018	16,507	1,489	9.9%	16,500	1,482	9.9%
Sales by Category	Products	1,222	476	-746	-61.0%	480	-742	-60.7%
	Merchandise	532	518	-14	-2.7%	520	-12	-2.3%
	Maintenance Service	3,568	3,535	-33	-0.9%	3,500	-68	-1.9%
	Cloud Services	7,467	9,462	1,995	26.7%	9,500	2,033	27.2%
	Other Operating Revenue	2,227	2,514	287	12.9%	2,500	273	12.3%
Gross Profit		9,636	10,441	*805*	8.4%	10,400	*764*	7.9%
	Gross Profit Margin	*64.2%*	*63.3%*	*-0.9%*		*63.0%*	*-1.1%*	
SG&A Expenses		7,326	8,084	758	10.3%	7,900	574	7.8%
	SG&A Expense Ratio	*48.8%*	*49.0%*	*0.2%*		*47.9%*	*-0.9%*	
Operating Profit		2,309	2,357	48	2.1%	2,500	191	8.3%
	Operating Profit Margin	*15.4%*	*14.3%*	*-1.1%*		*15.2%*	*-0.2%*	
Ordinary Profit		2,343	2,391	48	2.1%	2,530	187	8.0%
	Ordinary Profit Margin	*15.6%*	*14.5%*	*-1.1%*		*15.3%*	*-0.3%*	
Profit Attributable to Owners of the Parent		1,611	1,656	45	2.8%	1,700	89	5.5%
	Net Profit Margin	*10.7%*	*10.0%*	*-0.7%*		*10.3%*	*-0.4%*	
Annual Dividend Per Share (yen)		81.00	83.00	*2.00*		84.00	*3.00*	

(Ref) Prepared by Alpha-Win Research Dept.

Summary of the Full-Year Forecast (Sales)

- **Products' sales are expected to decline significantly due to the end of packaged software sales.**

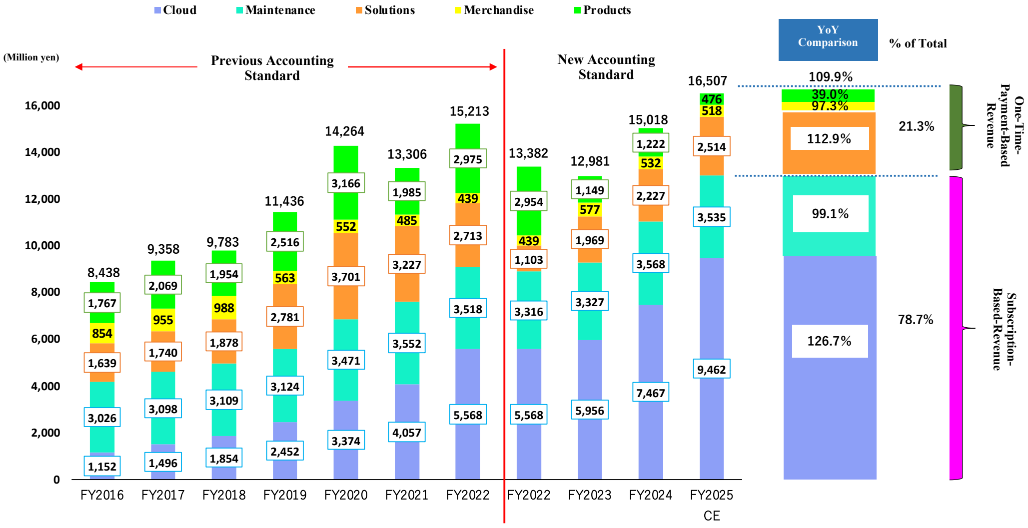
In the current fiscal year, the Company expects net sales to increase by 1,489 million yen (+9.9% YoY) compared to the previous fiscal year. Products' sales are expected to decline sharply by -746 million yen (-61.0% YoY) due to the termination of packaged software sales (only Xronos' products will continue to be sold). Because of this, sales of maintenance are also expected to decline slightly by -33 million yen (-0.9% YoY). Sales of merchandise are also expected to continue to decline, by -14 million yen (-2.7% YoY), due to the trend toward paperless operations.

- **Continued growth of the cloud and solutions, as well as the full effect of the price revision, is expected to contribute to sales growth.**

On the other hand, due to the shift from the products to PCA Cloud and PCA Subscription, a high growth of +26.7% YoY is expected for the cloud services (Figure 29 on page 31). Estimated sales growth of the cloud services is +1,995 million yen, accounting for 134% of the Company's net amount of increase in sales. In addition, the Company plans to actively respond to steady demand for the solutions and others, expecting to increase their sales by +287 million yen (+12.9% YoY). Sales growth of the cloud services, as well as solutions and others, are expected to drive the Company's growth. The companywide price revision implemented in July 2023 will also make a full contribution to results in the current fiscal year (in Q1 and also the sales growth effect that comes with a time lag).

【Figure 29】Change in Sales by Category and This Fiscal Year's Forecasted Sales and Sales Breakdown

(units: million yen, %)



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials. Sales forecasts (CE) are the Company's plan.
(Note) Since the accounting standard for the posting of sales as merchandise or solutions had been partially changed in FY2020, adjustments were retroactively made for FY2019 according to the new standard. However, for the two categories, there is no continuity with the years before FY2019. Also, starting in FY2022, the new revenue-recognition standard, etc., have been applied, and the Company had announced its sales forecast for FY2022 based on both the previous and the new standard. "% of Total" is based on the Company's forecast for FY2025.

Summary of the Full-Year Forecast (Profit)

- **Rising cost of the cloud, as well as upfront investments including investment in development, is expected to be offset by higher sales.**
- **Gross profit margin will decline and SG&A expense ratio will rise.**

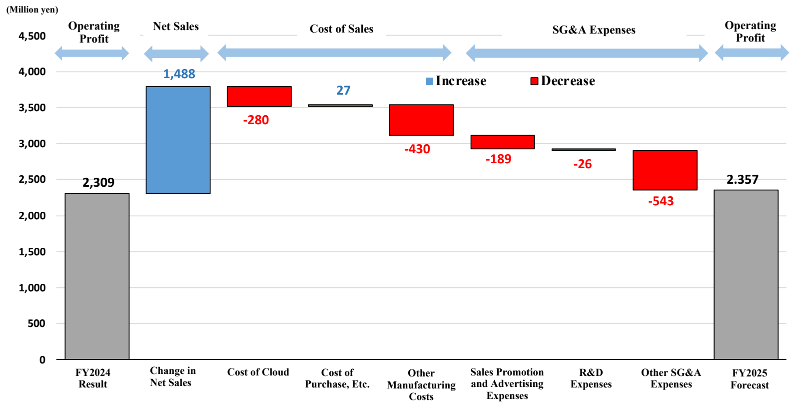
Figure 30 on page 32 shows the factors that are expected to increase or decrease consolidated operating profit (YoY) in the current fiscal year. Since the Company will strengthen product development for the next stage of growth, such as the PCA Hub series, and since various costs will increase, the cost of sales is expected to increase by +683 million yen (YoY; labor cost by +149 million yen, subcontracting cost by +140 million yen, and cost of cloud by +280 million yen). As a result, the gross profit margin is expected to deteriorate by 0.9 percentage point from 64.2% in the previous fiscal year to 63.3% in the current fiscal year (the same order applies below). However, gross profit will increase by +806 million yen (+8.4% YoY) due to increased sales.

The rate of increase in the SG&A expenses is expected to be +10.3% YoY, slightly higher than the rate of sales growth (+9.9% YoY). Consequently, the SG&A expense ratio is expected to increase by 0.2 percentage point from 48.8% to 49.0%. Regarding SG&A expenses, other SG&A expenses are expected to increase significantly due to an increase in personnel expenses as a result of increased headcount (+99 million yen) and an increase in system usage fees (+311 million yen). In addition, sales promotion expenses are planned to increase (advertising expenses: +188 million yen) due to advertising associated with strengthened service lineup and the hosting of events across Japan.

- **Operating profit margin will decline, but profit will increase due to higher sales.**
- **Only a slight increase in profit expected due to upfront investments.**

As a result, the operating profit margin is expected to decrease by 1.1 percentage points, from 15.4% to 14.3%, but this will be offset by the profit growth brought by higher sales. While sales are expected to increase by a nearly double-digit rate in the current fiscal year, the profit growth rate is expected to be at a low level due to upfront investments. No major non-operating or extraordinary income/losses are expected this fiscal year either.

【Figure 30】Factors that Are Expected to Increase/Decrease Operating Profit in FY2025 (this fiscal year) (the Company's plan)



Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

Key Strategies for This Fiscal Year

The Company has set the following three key strategies for the current fiscal year:

1. Respond to revisions in regulations

・In response to the revision of the Labor Standards Act (April 2024) and the flat-rate tax reduction (June 2024), it will release compatible versions of PCA Personnel Management and PCA Payroll.

2. Strengthen and expand the Hub services and promote back-office DX

・In addition to Hub eDOC, Invoice, and Pay Slip which are already in service, it plans to release Hub Year-End Adjustment, Labor Management, and HR Suite (a set of three services: Pay Slip, Year-End Adjustment, and Labor Management) this summer.

・It will promote the digitalization of back-office operations by small/medium-sized companies.

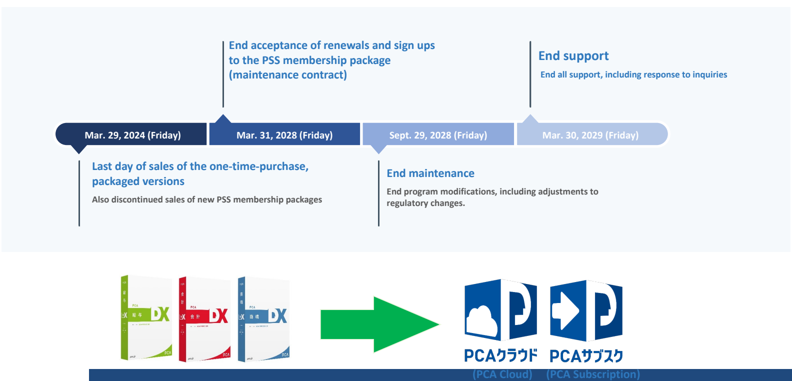
3. Shift to cloud and subscription businesses

・The Company terminated sales of its packaged software in March 2024 (for products sold by the parent company; Xronos will continue to sell its own on-premises products).

・It will aim to increase operational efficiency, profitability, continuity, and cross-selling and up-selling opportunities by concentrating its business resources on the cloud and subscription businesses.

・Although on-premises sales have been terminated, it will continue to provide support for five years until March 2029 (Figure 31).

【Figure 31】Termination of Packaged Software Sales (On-Premises) and Schedule for Future Maintenance and Support



Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

◆ Alpha-Win Research Dept.'s Financial Forecast for FY2025 (this fiscal year)

Overview

We reviewed our forecast for the current fiscal year, taking into account the previous fiscal year's results, the Company's plan for the current fiscal year, and the current situation (Figure 28 on page 30).

We upwardly revised our forecast for the current fiscal year's net sales from 15,800 million yen in our previous forecast (in the report issued in February 2024) to 16,500 million yen, which is almost the same as the Company's plan.

- **We reviewed this fiscal year's forecasts and revised upward our previous forecasts for both sales and profits.**

We also raised our forecasts for operating and ordinary profit by 100 million yen each from our previous forecast (operating profit: 2.4 billion yen to 2.5 billion yen). We also revised our net profit forecast upward from 1,460 million yen to 1,700 million yen, taking into account the Company's forecast for the corporate tax rate and other factors. Each of our profit forecasts are somewhat greater than the Company's forecasts.

- **Our sales forecast is almost the same amount as the Company's plan.**

The Company's sales plan seems reasonable. Although its estimated amount and rate of increase in the cloud services' sales are high, its forecast seems consistent given that it reflects sales growth due to the full contribution of the price revision, the shift from the on-premises, the PCA Hub series (increase in sales of existing products and introduction of new products), and PCA Subscription.

- **The Company's profit forecast seems conservative and there is room for upward revisions.**

On the other hand, the profit margin assumptions seem somewhat conservative, so we expect the Company's profit target to be fully achievable. In terms of profit, there are concerns about the rise in costs due to continued, high levels of upfront investment in development and expansion of the workforce, as well as due to inflation. However, we believe that the current situation is within the expected range and that cost control is possible.

Risk Factors and Factors that May Cause Change

- **Risk factors include the impact of macroeconomic downturn on corporate earnings and IT investment sentiment.**

The main risk factor in the medium-term financial forecast including this fiscal year is that the corporate users' business performance and IT investment interests may worsen due to a stagnation of economic activities in response to a pandemic or other events, the depreciating yen, geopolitical risks, the subsequent inflation and logistics disruption, global recession, and revisions of Japan's loose monetary policy. These may cause the corporate users to refrain from purchasing products and services or to postpone their implementation.

- **Risks are limited because its main business is the subscription business which benefits from digitalization and changes in work styles.**

However, the current services of the PCA Group are centered on stable subcription businesses and the Company's businesses and operations have a high affinity with remote work and work-from-home. It also benefits from the digitization and work-style reforms of companies and the society. Also, in the current fiscal year, Japanese companies' financial performance is forecasted to remain strong. Therefore, risks due to macroeconomic factors are expected to be limited.

Other risks include the difficulty in securing sufficient human resources due to labor shortages; increase in costs due to rising labor costs, personnel expenses, and subcontracting costs; and a slower growth of the cloud business due to intensifying competition with competitors.

- **The challenge is to make the new businesses and Dreamhop profitable.**

In addition, although presumably not reflected largely in the budget, progress may not be made as expected regarding the new services such as PCA Hub, PCA Subscription, the healthcare business, and hyper in terms of providing these service, acquiring new customers, and promoting their sales. Monetization of these new businesses will continue to be a key challenge. In particular, Dreamhop seems to be continuing to post a net loss (or perhaps posting a worse loss), and drastic business transformation will be needed.

Other factors that may impact financial performance include new changes in the tax and accounting systems and the end of OS support. The occurrence of a temporary surge in demand before and after these events, as well as the subsequent decline, could have a significant impact on the Company’s business performance.

In addition, if new M&As are carried out, their acquisition costs (including goodwill) and whether or not they are successful will also be factors that may impact business performance.

8. Growth Strategy

- **Long-term vision is to become a "Management Support Company" focused on the business of providing management support to its corporate customers.**
- **In the medium-term plan, it aims to strengthen its development capacity, build its business foundation, and transform its business structure for sustainable growth.**
- **Four priority measures are being implemented: establishing a strong revenue base, creating new business opportunities, strengthening monozukuri (creation of things), and building the management foundation.**

◆ Medium- to Long-Term Vision and Policy

Long-Term Vision

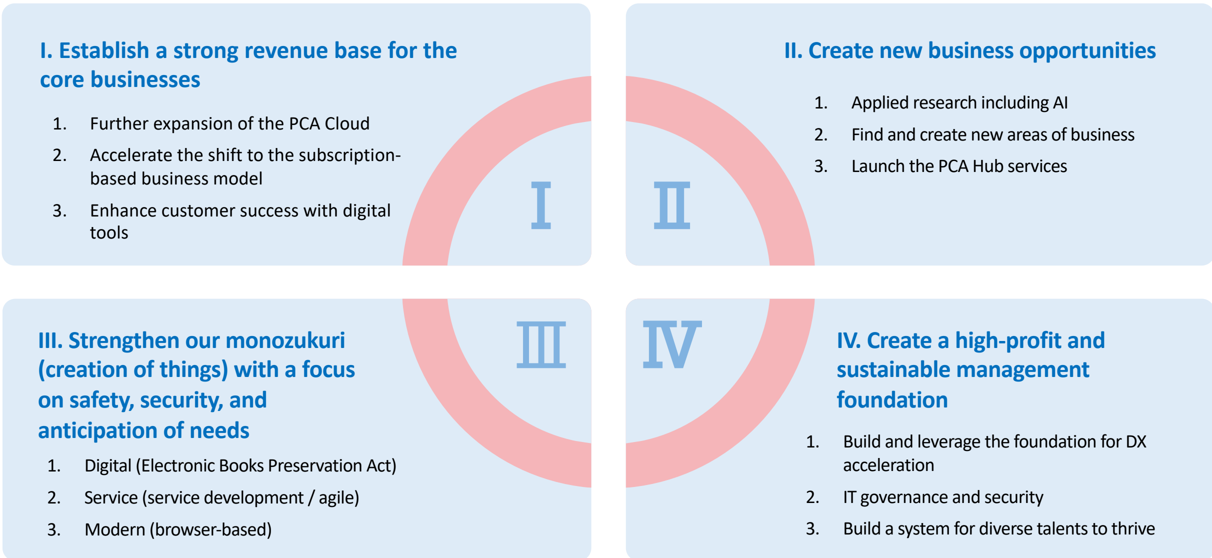
The PCA Group's long-term vision through FY2031, when it will reach its 50th anniversary, is as follows: "By providing a greater variety of one-stop services for corporate management and operation, we will become a true Management Support Company that is focused on the management-support business for our corporate customers."

Medium-Term Management Plan

The Company has been creating medium-term management plans for three-year spans and has announced a medium-term management plan (for FY2023 to FY2025) that started in the fiscal year before the previous. Its medium-term basic policy is to "transform the business structure and build the foundation for continuing and developing stable businesses over the long term" and aims to "optimize the company's structure for creating customer-oriented new businesses, products, and services ahead of changes in the society."

To provide total solution services centered on software, the Company has identified the four priority measures I through IV, shown in Figure 32, which it is currently implementing (for details, see our previous report issued in December 2023).

【Figure 32】Growth Strategy and Priority Measures of the Medium-Term Management Plan



(Ref) Based on the financial results briefing materials, partially supplemented by Alpha-Win Research Dept.

The priority measures have been developed generally based on the previous medium-term plan. By first strengthening the subscription-based business model centered on the cloud business, and then strengthening the development and service structure, the Company plans to support the DX[17] of the operations of small/medium-sized companies. In addition, it plans to work on its own DX and strengthen its management foundation such as governance and structure to achieve sustainable growth.

(17) DX: Stands for Digital Transformation. Changing lifestyles and businesses through digital technologies.

- **As numerical goals of the medium-term plan, seven items have been set from the perspectives of business performance, capital efficiency, and shareholder return.**

- **Two targets each for sales and shareholder return are achievable, but the targets related to profit and capital efficiency are high hurdles and are not expected to be achieved.**

◆ Management Indicators Set as Goals

Numerical Goals of the New Medium-Term Plan

The seven items below have been set as numerical targets for the current medium-term management plan (the goals for the final year are for FY2025, the current fiscal year) from the perspectives of business performance, capital efficiency, and shareholder return (Figure 33).

The two items related to sales have already reached their target in the previous fiscal year and are expected to further exceed the target in the current fiscal year. The same is true for the two items related to shareholder return.

On the other hand, the three items related to profitability and capital efficiency (consolidated operating profit, operating profit margin, and ROE) are not expected to be achieved in this fiscal year's plan.

Also, as discussed later (pages 40-41), the Company has announced that it will strengthen its shareholder return policy. Therefore, it is expected to significantly exceed its targets for DOE and the dividend payout ratio, which are the items related to shareholder return.

【Figure 33】Goals of the Medium-Term Management Plan, Their Progress, and Outlook

Goals of the Current Medium-Term Management Plan (FY2022 - FY2025)		FY2025 The Company's Medium-Term Plan	FY2025 The Company's Initial Forecast	Record High	Goals of the Final Year of the Previous Medium-Term Management Plan		
					Results	Initial Goals (as of April 2019)	Revised Goals (Previous FY)
Business Performance	• Consolidated Net Sales	15 billion yen or more	16.51 billion yen	15.02 billion yen (FY2024)	13.38 billion yen	11.5 billion yen or more	13.5 billion yen or more
	Of which, sales of the subscription businesses (maintenance & cloud)	9.5 billion yen or more	13.0 billion yen	11.04 billion yen (FY2024)	8.88 billion yen	Achieve 6 billion yen	Achieve 7.5 billion yen
	• Consolidated Operating Profit	2.5 billion yen or more	2.36 billion yen	2.78 billion yen (FY2020)	2.65 billion yen	1.5 billion yen or more	2.1 billion yen or more
	• Consolidated Operating Profit Margin	16% or more	14.3%	For the past 10 years: 19.8% (FY2022) For the longest period with data available: 28.5% (FY1999)	19.8%	10% or more	15% or more
Capital Efficiency	• ROE	10% or more	8.9%	15.4% (FY2022)	14.4%	-	-
Shareholder Return	• DOE	2.5%	9.0%	-	2.9%		
	• Dividend Payout Ratio	30% ⇒ 100% (changed)	100.4%	-	20.3%		

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials. The plan was announced by the Company.
(Note) Values have been rounded to the nearest unit.

◆ Alpha-Win Research Dept.'s Forecast of Medium-Term Financial Performance

◆ **We reviewed and revised upward our medium-term financial forecasts.**

We have added a new forecast for the fiscal year after the next (FY2027) and prepared medium-term forecasts for the three fiscal years including the current fiscal year (Figure 34 on page 38). For the current and the next fiscal year, we have revised our previous forecasts upward.

Macroeconomic Assumptions

The outllook of the macroeconomic environment is opaque due to factors such as geopolitical risks, the depreciation of the yen, inflation, and interest rate trends. However, given that the risks of COVID-19 in Japan are declining, we assumed that social and economic activities, corporate earnings, and IT investments by small/medium-sized companies will be solid. At present, we do not anticipate any high demand related to tax systems, accounting standards, and product or OS version cycles.

Underlying Assumptions for Sales, Expenses, and Profits

◆ **We reconsidered the underlying assumptions for the sales of each sales category and the costs.**

We reviewed the underlying assumptions for costs and sales by category, especially for the products, the cloud, and other operating revenue.

We continue to predict that the merchandise's sales will decline as more companies shift to paperless operations and that the sales of maintenance service will also drop due to the shift to the cloud.

◆ **We expect the operating profit margin to gradually decline.**

Profit margins will be positively impacted by the increase in sales of the cloud services (annual growth rate of about 15-20%), the improvement of the product mix due to increased proportion of the cloud services' sales, the shift to the subscription business model, and the gradual decline in the SG&A expenses due to further streamlining of business. However, due to the increase in various costs, we expect the gross profit margin to decline, causing the operating profit margin to gradually decline. We therefore expect the Company to increase profit mainly through higher sales.

◆ **The cloud and work management software will continue to be the growth drivers.**

Since the growth potential of the cloud services and the work management software is high, we believe that they will continue to be the growth drivers, absorbing the increase in upfront investments, sales promotion expenses, and personnel expenses and contributing to an increase in sales and profits.

Also, if the Company could put its current new businesses on track (the mental health business that it is struggling with, PCA Subscription, and Hyper) and monetize them, they should be able to more solidly support the growth trend for sales and profit.

Forecast for the Next Fiscal Year (FY2026)

◆ **We raised our forecasts for the next fiscal year, in which we expect sales and profit growth to continue.**

We have revised our forecast for the next fiscal year (FY2026) upward from 16,800 million yen to 18,340 million yen for net sales, 2,550 million yen to 2,650 million yen for operating profit, and 1,550 million yen to 1,800 million yen for net profit. This represents an increase of about 11% in net sales and 6% in profit compared to our forecasts for FY2025.

◆ **Next fiscal year is the first year of the next medium-term plan. We expect the Company to continue to make upfront investments for growth.**

For the operating profit margin, we predict 15.2% for this fiscal year but 14.4% for next fiscal year (-0.8 percentage point YoY). As this is the first year of the next medium-term management plan, we assumed that the Company will accelerate investment for growth.

Regarding sales, we expect a 20.0% YoY increase in the sales of the cloud services, while the remaining four sales categories are expected to remain flat or decline slightly. We also forecast a dividend of 89 yen per share, up 5 yen from FY2025.

Forecast for the Fiscal Year After the Next (FY2027)

- **We expect the Company to continue to increase sales, profits, and dividends in the fiscal year after the next.**

We added a new forecast for the fiscal year after the next, or FY2027. We predict net sales of 20,400 million yen, which represents a +11.2% YoY growth, and an operating profit of 2,850 million yen and a net profit of 1,925 million yen, which both represent a +7% growth. The operating profit margin is expected to somewhat fall from the previous fiscal year to 14.0% (-0.4% percentage point YoY).

- **We forecast a trend of increasing sales and profit due to continued growth of the cloud and other services.**

Regarding sales, we expect the cloud services' sales to increase by 18.6% YoY, while the remaining four sales categories will remain flat or slightly decrease, like in FY2026. For dividned per share, we forecast an increase of +7 yen from FY2026 to 96 yen.

Forecasted Profit Growth Rate over the Medium Term

Since the cloud business (subscription business), which is the Company's core business as well as its growth driver, is based on a subscription model with a high marginal profit ratio, its sales growth is expected to directly contribute to profit growth.

Over the medium term (the next three to five years from this fiscal year onwards), we expect a nearly double-digit increase in companywide sales, supported by an increase in the cloud services' sales.

- **Despite concerns about rising costs and delays in monetizing the new products and services, annual profit growth over the medium term is expected to be 6-8%, driven by the subscription business.**

However, compared to the sales growth rate, we predict a somewhat slower profit growth rate of 6-8% (annual average) since the Company is expected to continue upfront investments for the time being to secure human resources and increase development expenses, the rise in general costs due to inflation has been greater than we had expected, and there have been delays in the contribution of the new businesses to profit.

The Company's future profit growth rate will most likey be impacted by the cloud services' sales growth rate, as well as whether it can discover and develop new growth businesses that will contribute to earnings.

【Figure 34】Medium-Term Financial Forecast

	Units: million yen or %	FY2023	FY2024	FY2025 CE	FY2025 New E	FY2026 New E	FY2027 New E	FY2025 CE Medium-Term Plan	FY2024 Old E	FY2025 Old E	FY2026 Old E
Net Sales		12,981	15,018	16,507	16,500	18,340	20,400	15,000	14,950	15,800	16,800
Category	Products	1,149	1,222	476	480	490	500		1,300	1,300	1,300
	Merchandise	577	532	518	520	500	480		550	500	450
	Maintenance Service	3,327	3,568	3,535	3,500	3,450	3,400	9,500	3,500	3,400	3,350
	Cloud Services	5,956	7,467	9,462	9,500	11,400	13,520		7,350	8,400	9,500
	Other Operating Revenue	1,969	2,227	2,514	2,500	2,500	2,500		2,250	2,200	2,200
Gross Profit		8,051	9,636	10,441	10,400	11,250	12,350		9,300	10,300	11,050
Gross Profit Margin	(ratio to sales)	62.0%	64.2%	63.3%	63.0%	61.3%	60.5%		62.2%	65.2%	65.8%
SG&A Expenses		6,763	7,326	8,084	7,900	8,600	9,500		7,300	7,900	8,500
SG&A Expense Ratio	(ratio to sales)	52.1%	48.8%	49.0%	47.9%	46.9%	46.6%		*48.8%*	*50.0%*	*50.6%*
Operating Profit		1,288	2,309	2,357	2,500	2,650	2,850	2,500	2,000	2,400	2,550
Operating Profit Margin	(ratio to sales)	9.9%	15.4%	14.3%	15.2%	14.4%	14.0%	16.7%	*13.4%*	*15.2%*	*15.2%*
Ordinary Profit		1,326	2,343	2,391	2,530	2,680	2,880		2,030	2,430	2,580
Ordinary Profit Margin	(ratio to sales)	10.2%	15.6%	14.5%	15.3%	14.6%	14.1%		*13.6%*	*15.4%*	*15.4%*
Net Profit		883	1,611	1,656	1,700	1,800	1,925		1,300	1,460	1,550
Net Profit Margin	(ratio to sales)	6.8%	10.7%	10.0%	10.3%	9.8%	9.4%		*8.7%*	*9.2%*	*9.2%*
Net Sales (YoY growth rate)		-3.0%	15.7%	9.9%	9.9%	11.2%	11.2%	-0.1%	15.2%	5.7%	6.3%
Category	Products	-61.1%	6.4%	-61.0%	-60.7%	2.1%	2.0%		13.1%	0.0%	0.0%
	Merchandise	31.4%	-7.8%	-2.6%	-2.3%	-3.8%	-4.0%		-4.7%	-9.1%	-10.0%
	Maintenance Service	0.3%	7.2%	-0.9%	-1.9%	-1.4%	-1.4%		5.2%	-2.9%	-1.5%
	Cloud Services	7.0%	25.4%	26.7%	27.2%	20.0%	18.6%		23.4%	14.3%	13.1%
	Other Operating Revenue	78.5%	13.1%	12.9%	12.3%	0.0%	0.0%		14.3%	-2.2%	0.0%
Gross Profit Margin (% YoY diff.)		-3.8%	2.1%	-0.9%	-1.1%	-1.7%	-0.8%		0.2%	3.0%	0.6%
SG&A Expenses (% growth)		9.9%	8.3%	10.3%	7.8%	8.9%	10.5%		7.9%	8.2%	7.6%
Operating Profit (% growth)		-51.5%	79.3%	2.1%	8.3%	6.0%	7.5%	8.3%	55.3%	20.0%	6.3%
Ordinary Profit (% growth)		-50.8%	76.7%	2.0%	8.0%	5.9%	7.5%		53.1%	19.7%	6.2%
Net Profit (% growth)		-62.7%	82.4%	2.8%	5.5%	5.9%	6.9%		47.2%	12.3%	6.2%

(Ref) Prepared by Alpha-Win Research Dept. CE: the Company's forecast/estimate. E: Alpha-Win's forecast/estimate.

9. Analyst's View

◆ PCA's Strengths and Challenges

The Company's SWOT analysis has been updated and the results are listed in Figure 35.

【Figure 35】SWOT Analysis

Strength	• Brand recognition and credibility earned over many years (major specialized player in the enterprise system software market targeting small/medium-sized companies) • Firm financial standing (debtless management) and stable cash flow; ample cash & deposits exceeding annual sales; expansion capability (investment capacity including M&As) based on this financial strength • Growth of the subscription business based on continuous payment for service; capable of stably generating revenue (became a cash-cow business); subscription businesses constitute 78.7% of net sales • Strong and diversified customer base (240,000 corporate users in total); largest customer is RICOH (about 27% of net sales); second largest is the Fujifilm Group's susbsidiary (about 12% of net sales) • Taking a lead with the cloud (top-level company for enterprise system software targeting small/medium-sized companies; expertise; more than about 23,000 corporate users of the PCA Cloud) • High barrier to market entry • Very experienced call center staff and engineers (support capability) • Rich product lineup with track record; capacity to provide and develop products and services both as on-premises and cloud services • Sales capability: sales network with sales offices throughout Japan (13 offices) and 2,000 partnered companies
Weakness	• Relatively somewhat low profit margins • Financial results susceptible to revisions related to accounting and tax laws, end of OS support, etc. (consumption tax, change in the name of the era, Windows version, etc.) • Sluggish performance of Dreamhop (little synergy with the company acquired through M&A); delay in the contribution of the new services and products to earnings • Absence of a major, next-generation, growth-driving product/service • Domestic-demand oriented; overseas expansion difficult
Opportunity	• Increasing demand due to labor shoratage and the neeed to streamline operation (for business software in general); work-style reform (work management system) • Potential to develop and increase the market penetration of the cloud service (toward small/medium-sized companies and mid-tier companies) • New products (hyper, PCA Hub, etc.), new services (transition of on-premises to the subscription-based business model), and innovations in technology • Development of HR businesses • Revisions in laws and regulations related to accounting, tax, etc. (the revised Electronic Books Preservation Act, invoicing system, changes in Windows OS, changes in consumption tax rate, etc.)
Threat	• Emergence of an alternative as advanced AI technology becomes widely used, delayed product development, defects in products, etc. • High competition (other companies catching up to the Company in the cloud business; risks of new companies entering the market in the low price range due to the emergence of new business models or technologies) • COVID-19 outbreak/prolongation and worsening business performance of Japanese small/medium-sized companies due to the worsening global macroeconomy • Contract termination risk and litigation risk • System troubles, information leakage, and risks of natural disasters, etc. • Rise in subcontracting, personnel, and development costs; risks related to acquiring, hiring, and retaining employees

(Ref) Prepared by Alpha-Win Research Dep. Words in green indicate additions or revision made in this Report.

- **Credibility and track record built over many years, customer base, expertise in technology, ample cash & deposits, and firm financial base are its strengths.**

Describing the strengths in more detail, the Company's brand, products, and services are well known thanks to its long years of service and credibility. It is especially strong in certain areas of business (such as accounting software for small/medium-sized companies). Its customers also have high loyalty to its products and services, as there is little incentive to replace enterprise system software. Additionally, through its maintenance support and cloud services, the Company has established a subscription-based business model that is highly stable and has long-term viability. It is leading the market with the cloud service, which has a high growth potential, and its competitive edge and top-level performance are its strengths.

- **Also has a competitive edge and top-level performance with the cloud business that it is taking a lead. The cloud market has a high growth potential.**

Also, it has a solid financial base with no debt and abundant cash and deposits which exceed its annual sales. These are enhancing the stability, reliability, and flexibility of business management.

- **The challenge will be to develop the next pillars of new products/services.**

On the other hand, looking at the weaknesses in more detail, the Company has been searching for the next, new major products and services and for ways to gain market share among mid-tier companies, but has not yet been able to develop businesses that would create enough scale advantage like the current cloud services. Regarding companies that have joined the group through M&As, while the acquisition has been successful for Xronos, there have also been several cases of companies that had to be sold early on because the expected synergies could not be achieved.

- **Business volatility tends to increase before and after events which cause demand to surge.**

As for the opportunities and weaknesses (or threat), we have seen in the past that the volatility of financial performance tends to increase before and after periods of high demand caused by events such as the consumption tax revision, the work-style reform, end of Windows OS support, termination of support for the old product series, and product upgrades (however, the revised Electronic Books Preservation Act and new invoicing system did not have as much of an impact as these event-driven high demand).

◆ **Aiming for non-price competition. Competition with its competitors will be a key point.**

In the cloud service that it is taking a lead, the Company is aiming for non-price competition through product strength, service, and support. Competition with major companies that have followed suit and with service providers that provide limited functions at lower prices will be the key points going forward.

◆ Shareholder Return and Shareholder Benefit Program

Capital Policy

◆ **New capital and dividend policies introduced, with new targets for the EVA spread in addition to ROE.**

◆ **Aims for an early achievement of an ROE of 10% and a positive EVA spread in the next medium-term management plan.**

◆ **Introduced B/S management to pursue capital efficiency. Until the goals are achieved, the Company plans to set the consolidated dividend payout ratio to around 100%.**

In its release on January 29, 2024, titled, “Notice Regarding Change in Dividend Policy and Revision of Dividend Forecast (Dividend Increase),” the Company announced the introduction of the following new capital policy and dividend policy (Figures 36 and 37 on page 41).

・The Company recognizes that achieving a positive EVA spread[18] is essential to enhance shareholder value and, furthermore, to raise corporate value. It therefore aims to improve capital efficiency based on the medium-term basic policy of “transforming the business structure and building the foundation for the continuity and development of long-term, stable businesses.”

・For the next medium-term management plan (2027 Medium-Term Management Plan: FY2026 - FY2028), the Company has set new goals to 1) quickly achieve an ROE of 10% and 2) achieve a positive EVA spread. It will improve capital efficiency by incorporating balance sheet (B/S) management.

・Until the above two goals are achieved, the Company will pay dividends at a consolidated dividend payout ratio of around 100% as its new shareholder return policy.

The achievement of an ROE of 10% in the current medium-term plan (2024 Medium-Term Management Plan) is expected to be difficult due to its active business investment for the expansion of the subscription business.

The EVA spread (ROIC[19] - WACC[20]), which has been newly introduced as a management indicator, had been negative until it turned positive to +0.9% in FY2024. This fiscal year, too, it is expected to remain positive and flat at a low level of around +0.9%.

However, although the concept of B/S management (use of funds) was presented at the time of the release, no new specific measures to improve earnings to achieve the above goals have been incorporated since then.

Measures to increase net operating profit after tax[21] (NOPAT) are especially likely to be a key point. We look forward to further disclosure in the next medium-term plan (FY2026 - FY2028).

(18) EVA (Economic Value Added): Represents the economic value added, calculated by subtracting the cost of invested capital from the annual return on operations. A positive EVA means that the company is generating economic value that is greater than investor expectations. The EVA spread is an indicator that measures whether a company's intrinsic profitability exceeds its cost of raising capital (= ROIC-WACC).
(19) ROIC: Return on invested capital = NOPAT / (net assets + interest-bearing debt), an indicator of the efficiency of profits relative to invested capital.
(20) WACC: Weighted average cost of capital, a weighted average of shareholders' expected rate of return (cost of equity) and interest rate (after-tax cost of debt rate).
(21) Net Operating Profit After Tax (NOPAT) = Operating Profit - Income Taxes, representing profit attributable to creditors and shareholders.

Dividend Policy: Dividend Payout Ratio Raised to 100%

- **Its dividend policy used to be the stable payment of dividend at a dividend payout ratio of 30% and DOE of 2.5%.**

The Company's basic policy had been to continue the stable payment of dividend while improving the ratio of net profit to shareholders' equity (ROE) under effective business management. Its policy had been to determine the level of dividend to be paid based on a comprehensive analysis of elements such as its financial performance and the dividend payout ratio. Its standard for returning profits to shareholders was a dividend payout ratio of 30% and a DOE of 2.5%.

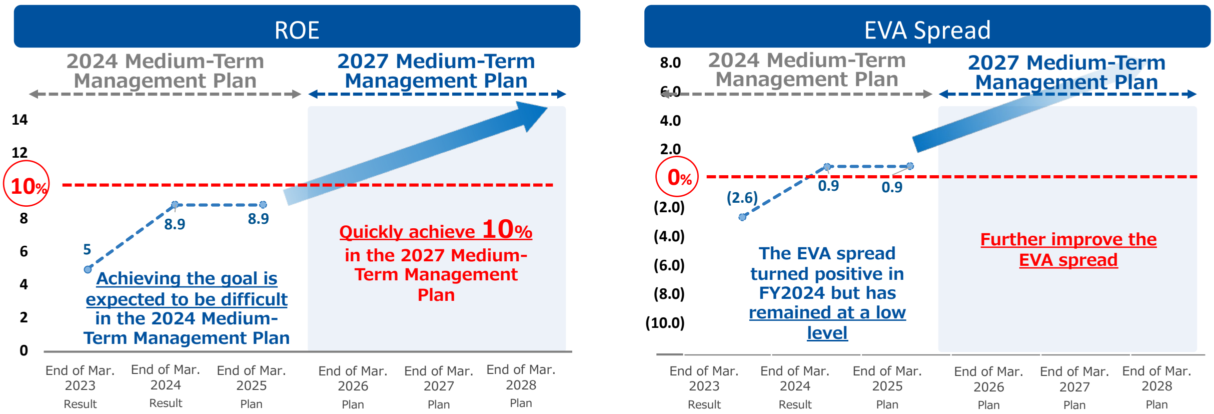
- **Dividends have tended to increase over the long term.**

For many years after its stock became listed, the ordinary dividend had stayed fixed with no increase or decrease. Since FY2020, though, the Company has generally been gradually increasing its ordinary dividend and has also paid commemorative dividends (Figure 38 on page 42).

- **In line with its new policy to strengthen measures for shareholder returns (dividend payout ratio of 100%), the Company substantially increased dividend in the previous fiscal year. Dividends are expected to be increased again this fiscal year.**

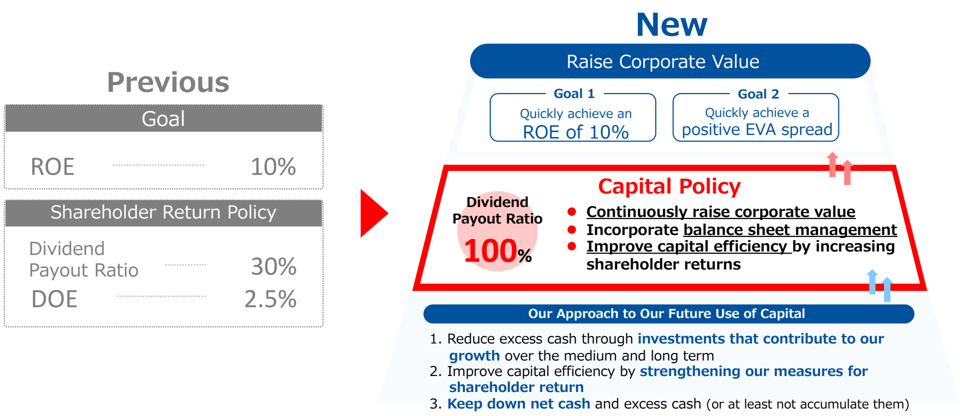
In line with its new policy of strengthening shareholder returns (consolidated dividend payout ratio of 100%), the Company raised its dividend per share for the previous fiscal year from the initial plan of 17 yen to 62 yen during the fiscal year, and eventually significantly increased it to 81 yen (+64 yen or +376% compared to the year before; a dividend payout ratio of 100.6%). For the current fiscal year, the Company plans to increase dividend to 83 yen (+2 yen or +2.5% YoY; dividend payout ratio of 100.4%) (based on the Company's forecast).

【Figure 36】Capital Policy and Shareholder Return Measures (ROE and EVA Spread)



(Ref) Figures 36 and 37 have been excerpted from the Company's financial results briefing materials and its news release (on January 29, 2024).
(Note) ROE and EVA spread for each period in Figure 36 are figures as of the end of March. DOE in Figure 37 is the ratio of dividends to net assets.

【Figure 37】Capital Policy and Shareholder Return Measures (Dividend Payout Ratio)



- **Dividend yield is 320th from the top out of all 1,645 companies listed on the TSE Prime Market.**

The Company's share price soared after the announcement of the new shareholder return policy, with the forecasted dividend yield jumping from 1.4% (forecasted dividend for the previous fiscal year just prior to the announcement ÷ closing price on the release date of January 29, 2024 = 17 yen / 1,211 yen) to 3.6% (most recent; forecasted dividend for the current fiscal year ÷ closing price on July 12 = 83 yen / 2,300 yen). The dividend yield of 3.6% is the 320th highest (top 19.5%) among all 1,645 companies listed on the TSE Prime Market.

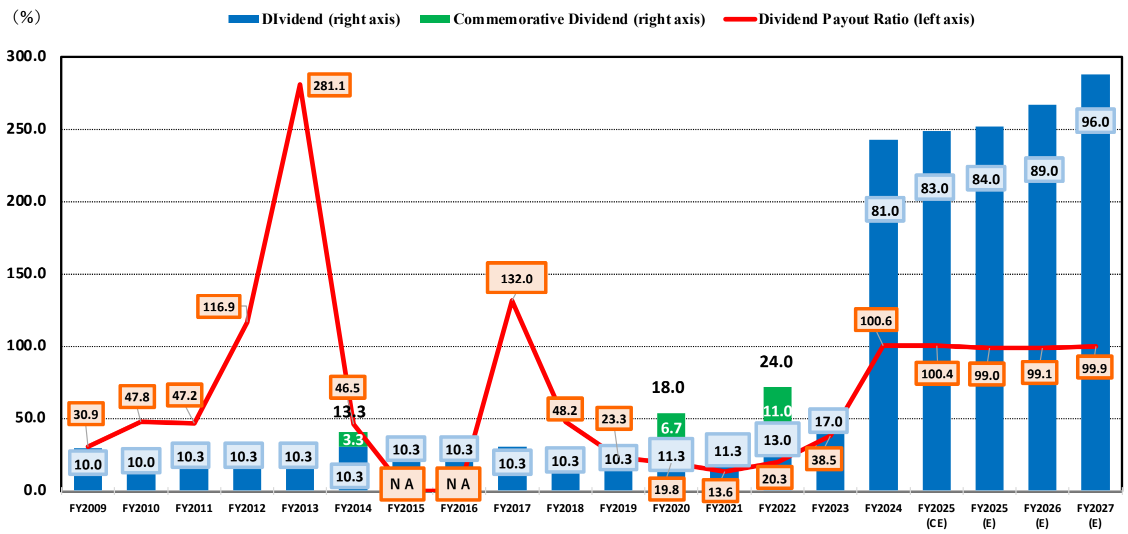
- **Positive assessment of the Company's capital and dividend policies.**

In our previous reports, we had noted that "the Company's business is a cash cow, with cash and deposits accumulating year after year, and its challenges are to improve capital efficiency, execute investment strategies for growth, and develop businesses that will become the next pillars of revenue generation." We positively view the Company's decision to boldly increase shareholder returns, as well as its clear demonstration of its new management strategy to prioritize capital efficiency and its policy to effectively utilize its excess capital.

- **Note that the dividend payout ratio of 100% is conditional.**

However, it should be noted that the policy of maintaining a dividend payout ratio of 100% is conditional, meaning that the dividend policy (target dividend payout ratio) may be changed when its goals are eventually achieved (when ROE reaches 10% and the EVA spread turns positive).

【Figure 38】 Change in Dividend and Dividend Payout Ratio (reflecting stock split)



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary.
(Note) Retroactively adjusted for the 3-for-1 stock split on October 1, 2021. Estimates/forecasts (E) were made by Alpha-Win.

<u>Actual Dividend Yield Reflecting the Shareholder Benefit Program</u>

As a shareholder return measure, the Company has a shareholder benefit program in which Quo Cards are granted to shareholders based on the number of shares they own at the end of March of every year.

For example, shareholders with equal to or greater than 300 shares and less than 900 shares are granted 2,000 yen of Quo Card. Based on a stock price of 2,300 yen, the actual annual net yield for a shareholder owning 300 shares is about 3.9% (at maximum) including an ordinary dividend of 83

- **The actual annual net yield including the shareholder benefit program is high at about 3.9% (at maximum).**

yen (the Company's forecast) and the shareholder benefit program (Figure 39).

Based on the same conditions, the actual annual net yield of its two competitors is about 1.7% for OBC (4733: Obic Business Consultants) (including its shareholder benefit program) and about 2.8% for MJS (9928: Miroku Jyoho Service) (only dividend yield since it does not have a shareholder benefit program). The Company's actual dividend yield is therefore significantly higher than that of its competitors.

【Figure 39】Shareholder Benefit Program and Actual Net Yield

Number of Shares Owned (greater than or equal to)	(less than)	Shareholder Benefit (Quo Card: Y)	Dividend: Y	Net Yield (maximum): %
300	900	2,000	83	3.90
900	1500	3,000	83	3.75
1,500		4,000	83	3.72

(Ref) Prepared by Alpha-Win Research Dept.
(Note) Actual net yield = (Dividend + Shareholder benefit program's value) / Share price; calculated based on the minimum number of shares owned for each range. Share price: 2,300 yen (closing price on July 12, 2024).

- **Conducted a stock split in 2021 and a stock cancellation in 2022. Stock price has risen, so stock splits are anticipated.**

Stock Split
A 1.3-for-1 stock split was conducted in May 2000. Then, for the first time in approximately ten years, it conducted another stock split (three-for-one) in October 1, 2021.

No stock splits have been conducted since then. A stock split is anticipated as the share price rises and also as a means of increasing liquidity.

Stock Cancellation
In December 2022, the Company cancelled 1,100 thousand shares (4.8% of the total number of outstanding shares before the cancellation) out of approx. 3,001 thousand shares held as treasury shares. After the cancellation, the Company's total number of outstanding shares decreased to 22,000 thousand.

In addition, 34 thousand shares of treasury shares were disposed as post-delivery stock-based compensation for its retiring director in July 2023.

As a result, the number of treasury shares held by the Company became approximately 1,967 thousand shares (8.9% of the total number of outstanding shares).

◆ Share Price and Factors that May Affect Share Price

- **With strong financial performance, share price has increased largely and has been significantly outperforming the TOPIX over the past approximately eight years.**
- **Positive reception to the change in dividend policy and dividend increase. Share price soared and significantly outperformed the index and competitors.**

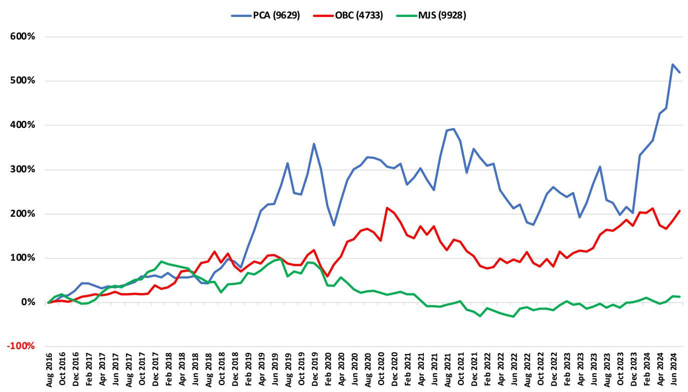
Performance

The Company's share price and relative share price compared to the TOPIX over the past approximately eight years are described in the summary section (Figure C on page 4). Its share price has risen by approx. 6.1x during this period, significantly outperforming the TOPIX which has meanwhile only increased by approximately 2.2x.

Also, over the approximately eight years since August 2016, the Company's stock performance has been the strongest among the three competing companies (the Company and its two competitors [4733 Obic Business Consultants or OBC and 9928 Miroku Jyoho Service or MJS]) (Figure 40).

The Company has been especially significantly outperforming its two competitors and the TOPIX since the beginning of the year. This is because the share price soared as investors responded positively to the Company's announcement in late January of this year of a change in dividend policy and a large increase in dividends for the current fiscal year.

【Figure 40】Comparison of Stock Performance with Competitors



(Ref) Prepared by Alpha-Win Research Dept.
(Note) Stock price as of the end of August 2016 was set to zero upon creating the graph (reflects prices up through the closing price on July 12, 2024).

- **In comparison with the TSE Prime's average, its shares are overvalued in terms of P/E and P/B based on this fiscal year's forecasts, but undervalued in terms of the dividend yield which is high.**
- **Dividend yield is expected to rise further to a high level in the next fiscal year and beyond, since dividends are expected to increase.**

Valuation

Comparing the Company's current share price with the average of all stocks in the TSE Prime Market based on the key valuation indicators, the Company's shares are overvalued in terms of P/E and P/B, but undervalued in terms of dividend yield (Figure 41 on page 45).

Compared to the TSE Prime's forecasted average P/E of 16.91, the Company's P/E based on its forecast is 27.81. Similarly, compared to TSE Prime's actual P/B of 1.45, the Company's is 2,47, and compared to the TSE Prime's forecasted dividend yield (simple average) of 2.23%, the Company's is 3.61% (all based on the closing prices on July 21, 2024).

Based on our profit forecasts, the Company's P/E is expected to be 27.1 for the current fiscal year, 25.6 for the next fiscal year, and 23.9 for the fiscal year after the next. Similarly, the forecasted dividend yield is 3.7%, 3.9%, and 4.2%, respectively.

【Figure 41】Comparison of Valuation and Stock Performance between the Company and Major Indices

Closing price on July 12, 2024	Stock Price / Indices	This Fiscal Year's P/E Forecast	Actual P/B (at the end of quarter)	Dividend Yield (simple average)	Return Since the Beginning of the Year	Return Since Apr. 25, 2024	Return Since Jan. 29, 2024
PCA (PRM 9629)	2,300	27.81	2.47	3.61	104.4	32.1	89.9
Average of All TSE Prime Stocks: PRM	1,489.85	16.91	1.45	2.23	22.4	8.7	14.5
Average of All TSE Standard Stocks: STD	1,287.74	14.54	1.04	2.29	10.1	3.9	5.4
Average of All TSE Growth Stocks: GRT	868.64	51.67	3.31	0.63	-2.5	5.9	-2.8
TOPIX	2,894.56	-	-	-	22.3	8.7	14.4
Nikkei Stock Average	41,190.68	17.27	1.54	1.75	23.1	9.5	14.3

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summaries and stock price data.
(Notes) January 29, 2024, is the date that the Company announced measures to enhance shareholder returns; April 25, 2024, is the date that it announced the previous fiscal year's financial results; and the most recent share price is as of July 12, 2024 (all based on closing prices).

- **Compared to its two competitors in the industry that are listed companies, the Company's valuation is in the middle range, but its dividend yield is the highest.**
- **The two competitors in the area of cloud-based accounting have extremely high valuations.**

Comparing valuations with its two competitors, the Company is in the middle range in terms of P/E, P/B, EV/EBITDA, and P/S, but is undervalued in terms of dividend yield, which is the highest among the three (Figure 42).

Money Forward (TP: 3994) and freee (TG: 4478) are also the Company's competitors among listed companies, mainly in the area of cloud accounting software. However, they are not reasonable targets for valuation comparison since they have been posting net losses and paying no dividend.

Their valuations are extremely expensive compared to the Company in terms of the comparable valuation indicators of P/S, P/B, and EV/EBITDA.

【Figure 42】Comparison of Valuation with Competitors

	Company Name	PCA (consolidated)	Obic Business Consultants (OBC: nonconsolidated)	Miroku Jyoho Service (MJS: consolidated)	Money Forward (MF: consolidated)	freee (FR: consolidated)
Market where listed, stock price, and valuation	Code (TSE Prime Market)	9629 (PRM)	4733 (PRM)	9928 (PRM)	3994 (PRM)	4478 (GRT)
	Stock price (closing price on 7/12/2024)	2,300	7,258	1,971	5,622	2,717
	Market capitalization (million yen)	50,600	547,282	68,603	307,230	159,203
	P/E (price-to-earnings ratio)	27.8	35.1	13.3	-	-
	P/B (price-to-book ratio)	2.5	3.7	2.2	11.5	8.9
	Dividend yield (%)	3.6	1.2	2.8	-	-
	EV/EBITDA	11.5	18.0	6.3	155.1	Negative
	P/S (price-to-sales ratio)	3.1	11.4	1.5	7.5	6.3
Company Forecasts for This Fiscal Year (full year) *PCA, OBC, and MJS: Forecasts for FY ending Mar. 2025 *MF: Forecasts for FY ending Nov. 2024 *FR: Forecasts for FY ended June 2024	Net Sales (million yen)	16,507	48,000	45,500	40,750	25,400
	Gross Profit Margin (%)	63.3	81.9	Not disclosed	Not disclosed	Not disclosed
	Operating Profit (million yen)	2,357	21,500	6,740	-2,898	Not disclosed
	Operating Profit Margin (%)	14.3	44.8	14.8	-7.1	-
	EPS (company forecast): YoY change (%)	2.8	12.3	4.7	-	-
Last Fiscal Year's Full-Year Results	DOE (%): Result	9.0	3.8	5.8	-	-
Results for the Most Recent Period *PCA, OBJ, and MJS: FY ended Mar. 2024 *MF: First half of FY ending Nov. 2024 *FR: Third quarter of FY ended June 2024	Equity Ratio (%)	55.7	75.3	58.0	31.3	45.4
Past Growth Rates	Past 10 Years' Sales Growth Rate	43.4	107.1	99.2	(Past 10 years: 4 ⇒ 30,380)	(Past 8 years: 569 ⇒ 19,219)
	Past 10 Years' Operating Profit Growth Rate	108.0	105.8	155.6	(Past 7 years: -834 ⇒ -6,329)	(Past 5 years: -2,830 ⇒ -7,918)

(Ref) Prepared by Alpha-Win Research Department based on the financial results summaries.
(Notes)・Market capitalization = total outstanding shares x market stock price [closing price on July 12, 2024]
・EV/EBITDA = (market cap + interest-bearing debt - cash & deposits) / (operating profit + depreciation + intangible fixed asset amortization, etc.)
*Interest-bearing debt and cash & deposits are actual quarterly values. Operating profit is based on this fiscal year's company forecasts. Depreciation and intangible fixed asset amortization have been calculated for the full year based on actual values (or the company's full-year forecast).
・The companies' forecasted EPS for this fiscal year (ending March 2025 for PCA, OBC, and MJS; ending November 2024 for MF; and ended June 2024 for FR) was used in the P/E calculations.
・BPS values used in the P/B calculations are the quarterly actual values of the most recent period (fiscal year ended March 2024 for PCA, OBC, and MJS; first half of fiscal year ending November 2024 for MF; and third quarter of the fiscal year ended June 2024 for FR).
・Dividend is based on the companies' forecasts for this fiscal year.
・P/S = market cap / sales [the companies' forecast]
・The average value is used when a forecast is disclosed as a range.
・Past 10 year's growth rate is a simple comparison of the most recent full-year result to the full-year result of 10 fiscal years ago.
・Equity ratios are based on the latest quarterly results (fiscal year ended March 2024 for PCA, OBC, and MJS; first half of fiscal year ending November 2024 for MF; and third quarter of the fiscal year ended June 2024 for FR).
・Fiscal years of PCA, OBC, and MJS are March-ending, MF's fiscal year is November-ending, and FR's fiscal year is June-ending.

Stock Price Outlook

Uncertainty remains in the economic situation due to geopolitical risks and inflation globally, and in Japan due to the prospect of higher interest rates, a weaker yen, higher prices, and labor shortages.

- **Domestic-demand-oriented growth stock with high growth potential. The key themes are cloud, subscription, DX, work-style reform, and mental healthcare.**

However, the Company still has strengths and high growth potential in its subscription-based businesses, which consist of the maintenance service for its packaged enterprise system software, PCA Cloud, and PCA Subscription.

It will most likely continue to be seen as a domestic-demand-oriented growth stock which can benefit from the government's promotion of the work-style reform, digitalization, and the expansion of the mental-health-related market.

The Company's financial forecast for this fiscal year is conservative, so the downside risk to profit seems small.

If the cloud business (including the Xronos' work management system) continues to be the growth driver and the new businesses eventually contribute to earnings, we expect that the Company will return to a strong growth trajectory.

- **Forecasting a continued trend of increasing sales, profits, and dividends in the next fiscal year and beyond.**

We expect the Company to continue its trend of increasing sales, profits, and dividends in the next fiscal year and beyond. The share price is also expected to continue to reflect the fundamentals of the Company as its business performance becomes confirmed.

- **Considering the growth potential over the medium term, we believe that there is an upside to the share price.**

Although the share price has risen sharply since the beginning of the year, we believe that the Company still has an upside since the EPS and dividends are expected to increase over the medium term.

- **Key points are this fiscal year results, the profit growth rate over the medium term, the cloud's growth rate, monetization of the new businesses and services (especially PCA Hub and Dreamhop), changes in measures to return profit to shareholders, and M&A.**

Going forward, the following will be the key factors to watch due to their potential impact on the stock price.

1. This fiscal year's financial performance (especially profit) and results
2. Performance of the cloud business (changes in PCA Cloud's number of corporate users, changes in YoY and QoQ sales growth rate, and competition)
3. Financial performance of the acquired company Dreamhop (drastic measures to turn to profitability) as well as Xronos (whose growth is highly anticipated), and the sales situation of the PCA Hub series, the current area of focus, as well as its contribution to profit
4. Sales situation of PCA Subscription and hyper after the termination of on-premises sales, progress with the other new products/services, progress with new business development, amount of upfront investment, the business' contribution to profit, and competition
5. Progress with achieving the current medium-term management plan and details of the next medium-term management plan (business performance, medium-term profit growth rate, and the level of ROE and EVA spread)
6. Shareholder return measures such as share buybacks, stock splits, and enhancement of the shareholder benefit program, as well as whether there will be changes in dividend policy, including the dividend payout ratio, after achieving the goals
7. Progress with the M&A and alliance strategies
8. New tax systems, accounting system changes, and end of OS support