Alpha-Win Company Research Report

PCA
(9629 TSE Prime)

Issued: 11/29/2024

● Summary

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

Business Description

・PCA CORPORATION (hereinafter, the "Company") is an independent software manufacturer specializing 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 software mainly to small/medium-sized companies (currently, it mainly provides cloud-based services). 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.

Results for the First Half of This Fiscal Year

・In the first half of this fiscal year (FY2025; note that the Company's fiscal year is March-ending, i.e., FY2025 ends in March 2025), the Company posted net sales of 7,895 million yen (+11.6% year-on-year or YoY), operating profit of 1,375 million yen (+37.7% YoY), and profit attributable to owners of the parent (hereinafter, "net profit") of 913 million yen (+38.4% YoY). These results seem to have exceeded the Company's internal forecasts, which are not disclosed. First-half net sales, operating profit, and net profit were 47.8%, 58.3%, and 55.1% of the Company's full-year targets, respectively, indicating a high rate of progress toward profit goals.

・The increase in first-half net sales (+821 million yen YoY) was due to sales growth of the cloud services (+1,066 million yen YoY, equivalent to 129.8% of the amount of net sales growth in the first half). Due to the ongoing societal shift from products to the cloud, the Company has terminated sales of its products (on-premises software) in March 2024 and is concentrating business resources on the cloud and subscription services for their expansion. This shift, in addition to the price revision (a price increase of about 20% in July 2023) and users' demand for adaptation to the new invoicing system and the Electronic Books Preservation Act, led to a recovery in the cloud services' sales to a high growth rate again (+31.0% YoY). Since these services have high marginal profit ratios, they have most likely significantly contributed to improving the profits, too. The number of corporate users of the PCA Cloud has increased by 1,559 (+7.0%) over the past 12 months, from 22,238 at the end of the previous first half to 23,797 at the end of this first half.

・Sales of the maintenance service, which is the other subscription business, also increased by 191 million yen (+11.1% YoY) due to an increase in on-premises users in the previous fiscal year, as well as due to the effect of the price revision. The decline in product sales (-414 million yen) was offset by the growth of the subscription businesses.

・Costs including subcontracting costs, development expenses, and cost of the cloud have increased, but the product mix has improved, resulting in an improvement in the gross profit margin by 3.1 percentage points YoY to 65.7%. On the other hand, SG&A expenses increased by 381 million yen, mainly due to personnel expenses from increasing headcount, sales promotion expenses from holding events, R&D expenses, and system usage fees. However, the rate of increase was 11.1%, which was 0.5 percentage point below the rate of increase in sales. Consequently, the SG&A expense ratio declined by 0.2 percentage point from 48.5% to 48.3%.

・As a result, the operating profit margin improved by 3.3 percentage points, from 14.5% to 17.4%, leading to a significant increase in profit.

Financial Forecast for This Fiscal Year

・The Company has maintained its initial 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), net profit of 1,656 million yen (+2.8% YoY), and annual dividend of 83 yen per share (+2 yen YoY). It plans to achieve record-high net sales for another consecutive fiscal year, surpassing last fiscal year's record.

・Forecasts for the second half, calculated by subtracting the first-half results from the full-year forecasts, are as follows: net sales of 8,612 million yen (+8.4% YoY), operating profit of 982 million yen (-25.1% YoY), and net profit of 743 million yen (-21.9% YoY). The Company expects higher sales but lower profits. The operating profit margin is expected to decline from 16.5% in the second half of last fiscal year to 11.4% in the second half of this fiscal year.

・In the second half, the Company expects to continue to capture users' DX needs and expand sales of the PCA Cloud and PCA Subscription (deepening relationships with existing customers and capturing new demand following the end of sales of the packaged versions). It expects steady sales growth from these, like in the first half. On the other hand, the Company expects profits to decline by more than 20% in the second half due to the execution of budget carried over from the first half, continued investment in development for future growth, and expected increases in various costs such as personnel expenses, system usage fees, and sales promotion expenses.

Alpha-Win Research Department's Forecast of Financial Performance

・We had previously forecasted full-year net sales at the same level as the Company's plan. However, we have now revised net sales upward by 200 million yen (+1.2% compared to our previous forecast), considering the strong first-half results, especially in the cloud services. On the other hand, we have made no change to our previous forecasts for profits, which are slightly higher than the Company's plan (our forecast for operating profit is 2.5 billion yen, which is 143 million yen or 6.1% greater than the Company's plan). We have also kept our dividend forecast at 84 yen/share (the Company's forecast is 83 yen/share).

・We also reviewed our forecasts for the next fiscal year (FY2026) and the year after that (FY2027), but have not made any changes. For both fiscal years, we expect an annual (YoY) sales growth of around 10%, profit growth of around 6-8%, and an increase in dividends (assuming that the payout ratio will continue to be 100%).

・Our forecasts are based on the assumption and expectation that the cloud services will continue to grow steadily, the new services will contribute to earnings, and the upfront investment costs for strengthening investment in product and service development will peak out in the fiscal year after the next.

・On the other hand, risk factors include delays in the new businesses' contribution to earnings, including the PCA Hub series and the businesses of the acquired company Dreamhop Co., Ltd., and the rise in various costs such as development expenses, subcontracting costs, personnel expenses, and sales promotion expenses due to inflation.

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 particularly leading in cloud services for core business operations in these fields, steadily expanding its business.
・Its strength is its concentration of resources in its fields of expertise as a specialist, enabling the development of products and services that meet various customer needs ahead of its competitors, including needs related to changes in the tax system and other regulations. It also has a stable customer base and provides high-quality products and services at reasonable prices.

Business Strategy

・The Company has announced a medium-term management plan for the three years starting in FY2023. Medium-term numerical targets for the final year or 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%.

・The goals for net sales, dividend payout ratio, and DOE seem well within reach. However, the goals for operating profit, operating profit margin, and ROE, which were initially thought to be conservative targets, now seem unlikely to be achieved since their values now deviate from the current forecasts for this fiscal year. However, depending on cost control, operating profit may be within an achievable range.

・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 building a high-profit and sustainable management foundation). It has been expanding its subscription businesses, strengthening its product development capability, and meeting digitalization needs, while also working proactively on the SDGs.

・On the other hand, its biggest challenge is to effectively utilize its abundant cash and deposits (which exceed its annual sales) for future growth, as well as putting onto track and monetizing the new businesses (PCA Hub, PCA Subscription, hyper, the healthcare business, and the corporate venture capital business).

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 continued business growth mainly in the subscription businesses.

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

・Over the past eight and a half years, the Company's stock has significantly outperformed the TOPIX and its competitors. The stock has been largely outperforming them since the beginning of this year, too, since the Company's strong shareholder return measures have been well-received.

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

・Its subscription businesses will most likely be the growth drivers due to their business stability, long-term viability, and high profitability. They are expected to contribute to increasing sales and profits in the next fiscal year and beyond. Considering the expected growth in the EPS and subsequent dividend hikes, we believe that there is an upside to the stock price over the medium to long term.

・For the time being, the key points will be the financial results for this full fiscal year (deviation from the current forecast), the contents of the medium-term management plan that will be announced during the current fiscal year, and next fiscal year's financial performance.

・Stock price will likely be impacted by whether the new businesses will succeed (especially the PCA Hub and the healthcare business of Dreamhop; including future M&As), the growth rate of the cloud business, whether its financial performance will be impacted by changes in the tax system or accounting system, and whether the dividend payout ratio of 100% will be continued.

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."

・Since business performance growth is expected to continue in the next fiscal year and beyond, we anticipate that the Company may further enhance its shareholder returns through dividend hikes, share buybacks, stock splits, enhancement of the shareholder benefit program, and more.

【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 (Y)	BPS (Y)	Dividend (Y)
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
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	E	16,700	11.2	2,500	8.3	2,530	8.0	1,700	5.5	84.78	935.61	84.00
2026	E	18,340	9.8	2,650	6.0	2,680	5.9	1,800	5.9	89.77	941.38	89.00
2027	E	20,400	11.2	2,850	7.5	2,880	7.5	1,925	6.9	96.00	948.38	96.00
2024	Q1	3,387	14.7	428	38.5	436	38.4	266	86.9	13.33	867.22	0.00
2025	Q1	3,879	14.5	700	63.6	708	62.3	455	71.0	22.75	876.67	0.00
2024	Q2	3,687	14.9	570	6.0	590	6.2	394	12.1	19.67	-	0.00
2025	Q2	4,016	8.9	675	18.4	700	18.6	458	16.2	22.84	-	0.00
2024	H1	7,074	14.8	998	17.8	1,026	17.8	660	33.5	33.00	885.19	0.00
2025	H1	7,895	11.6	1,375	37.7	1,408	37.2	913	38.4	45.59	922.62	0.00
2024	H2	7,944	16.5	1,311	197.3	1,317	189.5	951	144.5	47.48	-	81.00
2025	H2: CE	8,612	8.4	982	-25.1	983	-25.4	743	-21.9	37.11	-	83.00

(Notes) CE: the Company's estimate/forecast. E: Alpha-Win Research Dept.'s estimate/forecast. Q1: April to June. Q2: July to September. H1 (first half): April to September. H2 (second half): October to March. 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.

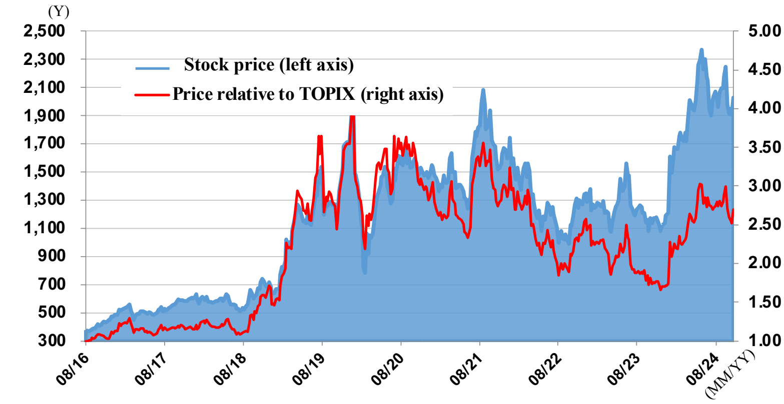
(Note) In the text and figures of this Report, the values for the same item may not match completely with each other or with the Company's announced values due to rounding, rounding during the calculation process, format of display, etc.

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

Item	11/22/2024	Item	P/E Ratio	P/B Ratio	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	2,029	Results for Last Fiscal Year	25.2	2.2	4.0%	13.6%
Total Issued Shares (thou.)	22,000	Forecast for This Fiscal Year	23.9	2.2	4.1%	99.1%
Market Capitalization (million yen)	44,638	Forecast for Next Fiscal Year	22.6	2.2	4.4%	99.1%
Dilutive Shares (thou.)	0	Forecast for Fiscal Year After the Next	21.1	2.1	4.7%	100.0%
This First Half's Equity Ratio	55.9	Dividend on Equity (DOE) at the End of Last Fiscal Year	9.0%	Last Fiscal Year's ROE		8.9%

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

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



(Note) From the fourth week of August 2016 to the fourth week of November 2024 (closing price on 11/22)

【Performance】		
Period	Return	Relative to TOPIX
1 month	4.6%	4.5%
3 months	-2.1%	-1.5%
6 months	1.3%	4.1%
12 months	73.0%	59.4%

(Notes) Reflects stock price and index values through the closing price on 11/22/2024. The return for the 1-month period is the comparison between the closing price on the last day of October and on 11/22. Similar for the other periods. Prepared by Alpha-Win Research Dept.

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Notes: 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. Develops and provides 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.

- **Its largest customer is Ricoh. Group companies of Canon and Fujifilm are also major customers.**

(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.

- **The PCA Group is composed of the Company and 3 subsidiaries. Acquired Dreamhop in 2020.**

- **Consolidated-to-parent-company sales ratio has stably been around 1.1-1.2. The summed ordinary profit of the consolidated subsidiaries (consolidated minus parent) has been a surplus.**

- **Xronos's sales and earnings growth is also presumed to be contributing to consolidated financial performance.**

◆Major Specialized Player in Enterprise System Software

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 packaged 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 in such software targeting small/medium-sized companies.

About 240,000 companies are active users of the Company's products and services. 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. 70% of the Company's sales are made through distributors (the remaining 30% are direct sales). Its customers are diversified. By monetary value, many of its major customers are large corporations.

Its largest customer has been Ricoh Co., Ltd. (listed on the Tokyo Stock Exchange's Prime Market; securities code 7752), accounting for about 27% of net sales. Ricoh received the PARTNER OF THE YEAR award in the PCA AWARD 2024 (awards given to official partners with outstanding performance in the partner business with PCA). Similarly, sales awards were received by group companies of Canon and Fujifilm, which are also thought to be major clients.

In addition, its accounting software has been used by over 8,000 public benefit corporations in total; it is the top player in the market targeting this customer segment.

As of the end of November 2024, the PCA Group consisted of a total of four companies: the Company and the three consolidated subsidiaries described below (Figure 1 on page 7). Its total number of employees is 672 (as of the end of last fiscal year).

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

The ratio of consolidated sales to the parent company's sales has stably been around 1.1-1.2, indicating that the parent company's financial performance has a high weight. 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 posted a 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). In FY2024, a summed profit of 408 million yen ward recorded. 477 million yen is expected in FY2025. Among the subsidiaries, Xronos seems to be continuing to contribute the most to financial performance, thanks to the work-style reform.

◆ **Xronos's sales are on an increasing trend.**

Xronos's business is steadily growing, with sales of 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) (according to Xronos's website). Although its profit is not disclosed, it has mostly likely been posting a profit, along with KEC, and contributing to consolidated profits.

【Figure 1】Overview of the Three Consolidated Subsidiaries

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 and resignation), occupational health physician services (consultation with occupational health physicians; the necessary amount of service can be used for the required amount of time), 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 ⇒ more than 2.8 (end of April 2024) ・Number of companies using Xronos Performance: 9,385 (6/7/2023) ⇒ 10,149 (12/6/2023) ⇒ 10,462 (2/6/2024) ⇒ more than 15,000 (end of April 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 to 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 Plan	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; also products, merchandise, maintenance, and cloud	Mostly product sales and cloud sales; also 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 linked with PCA's performance. Due to the COVID-19 crisis, its business performance had been somewhat stagnant during a period, 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.

(Ref) Prepared by Alpha-Win Research Dept. based on each company's website and securities report and interview with the Company. Each company's performance trends include estimates by Alpha-Win.

◆ **Firm financial standing. Rich in cash. Debt-less management. Its cash and deposits exceed its annual sales.**

The Company's financial standing is firm, rich in cash and debt-less. Compared to its net sales of 16.5 billion yen (this fiscal year's plan) and total assets of 33.0 billion yen, it has 20.2 billion yen in cash and deposits, which is equivalent to 61% of total assets and 14.7 months' worth of average monthly sales (values as of the end of September 2024). In addition, it owns about 3.8 billion yen in securities, which are mainly corporate bonds and listed stocks.

◆ **With positive FCF, the balance of cash & deposits had been on an increasing trend, but has now decreased compared to before. Its financial ratios are solid.**

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) had been generally increasing. However, with the new policy of a 100% dividend payout ratio, the amount of dividends paid has increased sharply, causing the balance of cash and deposits to decline compared to before (Figure 2). Its equity ratio is 55.9% and current ratio is 195.3%, indicating financial soundness (values as of the end of September 2024).

【Figure 2】Change in Cash Flow (CF) (unit: million yen)

Unit: million yen	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	H1 FY2024 (previous first half)	H1 FY2025 (this first half)
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	1,203	1,396
Investing CF ②	-405	-127	185	-407	-750	-606	-627	-395	1,715	-80	-719	253	708	-308	112	356	-498
Financing CF	-207	-210	-205	-215	-216	-284	-214	-215	-216	-572	-225	-355	-254	-606	-457	-457	-1,655
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	1,559	898
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	18,922	20,178

(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.

2. Business Description and Business Model

◆ Enterprise System Software Crucial for Streamlining Business Operations

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

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. It is mission-critical for business operations and requires reliability, efficiency, stability, operability, security, expandability, and a proven track record.

◆ **Provides originally developed, packaged enterprise system software**

The Company has been developing 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[3], finance, HR and payroll[4], 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 enabling corporate users to use the enterprise system software via the Internet easily and at a low cost without having to prepare their own server). The Company sells and provides software through either direct or indirect channels.

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

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

◆ **Ended sales of products (on-premises software). Now focused on the cloud and subscription services.**

Sales of products (on-premises software) were ended in March 2024 and the Company has shifted its business resources to the PCA Cloud and PCA Subscription. Maintenance (program upgrades) will end in September 2028, and support will end in March 2029 (five years after the termination of sales).

In addition to developing and selling enterprise system software, it provides proposal-based consulting services to its users. It has also expanded the scope of business by providing various support services, such as maintenance service and implementation/operation support, with its subsidiaries. The Company plans to further strengthen these businesses.

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

◆ **80% of net sales come from originally developed products and services. Business model with high marginal profit ratio.**

The Company provides a total of about 60 to 70 software products and services (counted by product name or service name, including options). Its business model can be characterized as mass production of a limited number of types of products. Due to the nature of the business, the marginal profit ratio is high.

Its original products and services (products/maintenance/cloud) account for 80% of net sales, while the remaining 20% come from other companies' products (purchased merchandise) in the categories of merchandise and other operating revenue.

◆ **Business with long-term viability and high entry barrier.**

Because these are software related to operations where reliability is crucial, and since software replacements give rise to issues of cost, effort, and data continuity, users rarely feel the need to proactively or frequently switch to similar software from other companies. Consequently, customer loyalty and contract repeat rates are high. The barrier to market entry can be said to be high since credibility and brand recognition are a must in this industry. Companies of the industry have also adjusted toward coexistence with each other to a certain extent by taking strong positions in different niches.

◆Expansion of the Subscription Businesses

- **Sales are categorized into five categories.**

The Company discloses its sales in five sales categories (types): products, merchandise, maintenance service, cloud services, and other operating revenue (also called solutions) (Figure 3). Profit and loss by segment are not disclosed.

【Figure 3】Sales Classification (by category)

Sales Classification by Category	Contents	FY2025 First Half (results)	
		Sales (million yen)	% of Net Sales
Cloud Services	Cloud-based subscription services for software; includes PCA Subscription	4,509	57.1
Maintenance Service	By signing up to PSS membership, customers can use inquiry and support services from call centers	1,906	24.1
Products	Sales of original packaged software (accounting, sales management, purchase and inventory management, payroll, HR, etc.)	299	3.9
Merchandise	Sales of other companies' products such as ledger sheets	215	2.7
Other Operating Revenue	Sales of other companies' products such as software/hardware combined with its original products; also called as solutions	967	12.2
Total		7,895	100.0

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary.
(Note) Cloud services and maintenance service are the subscription businesses.

- **Subscription businesses (cloud services & maintenance service) account for 81% 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 its overall sales and profits. In the first half of FY2025, sales of the cloud services were the largest and the majority among the sales categories, followed by maintenance service. The sum of these two categories, or subscription-based revenue, accounted for about 81% of net sales (note that subscription businesses are also called "stock businesses" in Japanese). The cloud and maintenance services, with their high profit margins and contract repeat rates, have both been stable sources of profit, contributing to greater stability in business management.

◆Cloud Business as the Growth Driver

For many years, the Company had been focused on selling conventional packaged software, also known as on-premises software (their sales were ended at the end of March 2024). However, as the Internet became more sophisticated and widely used, the Company predicted that demand for cloud services will rise due to their convenience and cost performance. Therefore, in 2008, it 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 stable, subscription-based business model.**

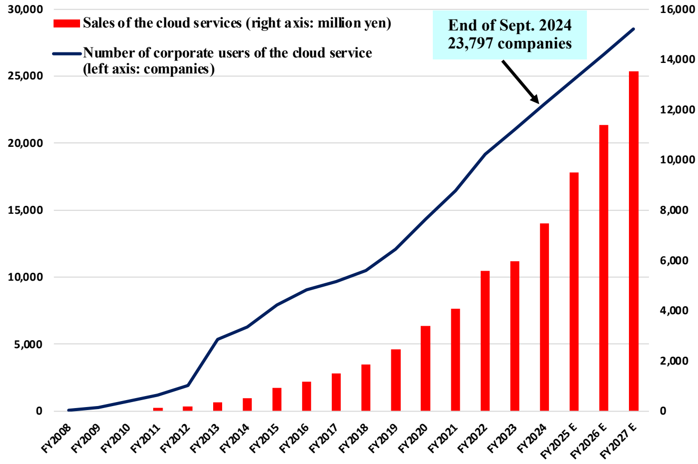
In the cloud business, users pay fees continuously for some span to use the software (a subscription model). Like the maintenance service, it is attractive as a stable, subscription-based business model (average monthly usage fee of about 20 to 30 thousand yen per corporate user). Due to its cost structure, 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.

- **Taking a lead in the market as the single and obvious top player, the Company has a strong competitive edge.**

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, the Company has a number of advantages, including its long-accumulated operational know-how and support system, diverse lineup of highly functional services, high usability, originally developed open architecture, and economies of scale and price competitiveness due to its large number of cloud users. It is therefore expected maintain a competitive edge against its competitors for the time being.

The Company has been focusing on the cloud services for more than a decade. The services have been contributing significantly to its financial performance, with both the number of corporate users and sales growing steadily (Figure 4, and Figure 16 on page 22). They will most likely continue to be strong growth drivers.

【Figure 4】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. PCA Hub eDOC is a cloud service for document management that also supports the Electronic Books Preservation Act and the new invoicing system.**

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.

- **Strengthening software development and gradually expanding the lineup.**

Six services are already offered as part of the PCA Hub series (see Figure 5 on page 11 for the lineup). This fiscal year, the Company launched three new services: Year-End Adjustment, Labor Management, and HR Suite (comprehensive version).

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 that can be created, providing a pricing structure that lowers the hurdle of starting software use (its current number of corporate users and sales are not disclosed). Going forward, it plans to sequentially develop software products in response to customer needs and provide various peripheral services as the PCA Hub series. The Company intends to develop this business into a stable revenue source.

In spring 2025, it plans to release PCA Hub Expense Management.

【Figure 5】Lineup of the PCA Hub Series and the Release Schedule

Date	Service/Product	Status	Notes (characteristics)
The Six 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 the 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
June 2024	4. PCA Hub Year-End Adjustment 5. PCA Hub Labor Management 6. PCA Hub HR Suite	Released / Service started	・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 come as a set.
Spring 2025	PCA Hub Expense Management	To be released	・Can be linked with the PCA Financial Accounting series using API. Digitalizes accounting operations.

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results materials and news release on its website. Words in blue indicate services released during this fiscal year. Words in green indicate release schedules which have been newly added to this figure.

◆Corporate Venture Capital Business (CVC business)

- **Will establish a fund management company and launch a venture capital fund. Plans to invest in promising startups.**

In November, the Company announced plans to establish Iidabashi Cross Partners ("ICP") in December 2024 and launch the ICP-1 Investment Limited Partnership ("ICP-1 Fund"), which will invest in promising startup companies.

Wholly owned by the Company, ICP will be the fund management subsidiary for managing the Company's CVC funds (including the ICP-1 Fund), as well as supporting startups and promoting collaboration (ICP has a capital of 50 million yen; head office inside the PCA headquarters building in Chiyoda-ku, Tokyo; Masaki Hasegawa as representative director). The ICP-1 Fund will invest in startups with cutting-edge technologies and innovative business models that will contribute to the Company's new business development. Its total asset under management is 2 billion yen (99% funded by PCA) and its investment period is 10 years (the fund is planned to be launched in December 2024).

- **The AUM of the first fund is 2 billion yen and its investment period is 10 years.**

- **The purpose of the fund appears to be both for pure investment and for the creation of business opportunities and synergies.**

In addition to effectively utilizing the Company's abundant capital (opportunities for pure investment), this fund will most likely provide the Company with the opportunity to co-create with promising startups that have new business ideas, cutting-edge technologies, and innovative business models (strategic business investment opportunities). This will lead to creating synergies with the Company's business, accelerating new business development, achieving sustainable growth for the PCA Group, and creating new values that will help achieve the Company's goal to provide solutions for back-office operations.

The Company has invested directly, as well as indirectly via investment partnerships, in unlisted companies engaged in businesses peripheral to its core business. If the first fund gets on track, the amount under management could be increased (e.g., by launching additional funds in a series), potentially growing this investment business into a key part of its growth strategy in the future.

3. Shareholder Composition

◆ Major Shareholder Composition

◆ **Many of the major shareholders remain unchanged, continuing to hold their shares.**

Major shareholders as of the end of September 2024 are as shown in Figure 6. Below are the major changes in the shareholder composition since the end of March 2024 (most of the major shareholders have not changed).

◆ **Multiple trust banks have increased their holdings. Hikari Tsushin appeared for the first time as the 6th largest shareholder.**

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

・The second largest shareholder, the Master Trust Bank of Japan, increased its holdings significantly.
・The Custody Bank of Japan also entered the rankings as the ninth largest shareholder (the ultimate investors of both trust banks are unknown).
・Hikari Tsushin (TSE Prime: 9435) became listed as a major shareholder for the first time at sixth place (holding 1.95%). Its shareholding purpose is unknown, but Hikari Tsushin invests in around 400 domestic stocks for the purpose of pure investment.
・At present, there are no activists listed as major shareholders (on paper), but the activities of the trust banks (actual shareholders) and the new major shareholder should be closely monitored.
・The Company has not adopted any anti-takeover measures.

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

The largest shareholder, Kawashima Co., Ltd., 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 about 9% 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). It holds 8.85% of total issued shares as treasury shares. Also, the fifth largest shareholder is the Employee Stock Ownership Plan, whose number of shares have mostly not changed (regarding other major shareholders, see our report issued in July 2024).

◆ **Also invested by active domestic mutual funds**

Other than index funds, the Company's shares are incorporated in domestic active mutual funds including the New Generation Growth Stock Fund (small and medium-sized stocks) and the Daiwa Japan Stock New Growth Fund, both managed by Daiwa Asset Management, as well as the Low-Priced Stock Fund managed by Nikko Asset Management.

【Figure 6】Current Major Shareholders **Unit for shares owned: thousand shares** **For proportions and ratios: %**

(Note: "Sep. 2024 - Mar. 2024" in the far-right column is the change in the number of shares during the period; when the number of shares held at the end of March 2024 was unknown, it was assumed to be zero in the calculation)

Unit: 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	End of Sept. 2024	Shareholding Ratio	Ranking	Change (Sept. 2024 - Mar. 2024)
Kawashima Co., Ltd.	–	–	8,805	8,805	8,208	8,205	8,208	8,208	8,208	8,207	8,207	40.93	1	0
PCA CORPORATION (treasury shares)	*2,544*	*2,544*	*2,544*	*2,546*	*3,146*	*3,136*	*3,101*	*3,101*	*2,001*	*1,967*	*1,948*	*8.85*	—	*-19*
The Master Trust Bank of Japan, Ltd. (trust account)	–	–	–	–	–	–	284	1,137	948	1,081	1,460	7.29	2	379
JP MORGAN CHASE BANK 385632	–	–	–	–	–	–	1,014	1,399	1,399	1,398	1,398	6.98	3	0
Obic Business Consultants Co., Ltd.	762	762	762	762	762	762	762	762	762	762	762	3.80	4	0
PCA Employee Stock Ownership Plan	330	357	381	381	406	300	337	349	392	412	408	2.04	5	-4
HIKARI TSUSHIN, INC.	–	–	–	–	–	–	–	–	–	–	390	1.95	6	390
STATE STREET BANK AND TRUST COMPANY 505001	732	747	798	798	521	–	–	–	–	379	385	1.92	7	6
THE BANK OF NEW YORK MELLON 140044	–	–	–	–	–	–	–	–	–	297	356	1.78	8	59
Custody Bank of Japan, Ltd. (trust account)	–	–	–	–	–	–	–	–	–	–	354	1.77	9	354
Logic Systems Co., Ltd.	342	342	342	342	342	342	342	342	342	342	342	1.71	10	0
Nagoya PCA Co., Ltd.	–	300	300	300	300	300	300	300	300	300				
FCP SEXTANT AUTOUR DU MOUDE	–	–	–	–	–	–	–	377	450	300				
MSIP CLIENT SECURITIES	–	–	–	–	–	885	886	886	886	–				
APPLIED SYSTEM LABORATORY Inc.	–	–	258	258	–	258	–	260	260	–				
GOLDMAN SACHS INTERNATIONAL	–	–	–	–	909	–	–	–	–	–				
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 Total Issued Shares	11.02	11.02	11.05	11.02	13.62	13.57	13.42	13.42	9.10	8.94	8.85			

(Ref) Prepared by Alpha-Win Research Dept. based on the securities report.

(Note) The number of shares has been retroactively adjusted for the 3-for-1 stock split conducted in October 2021.

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).

◆ Environment

- **Promoting paperless and digitalized operations, as well as energy saving**

Although the Company does not have production facilities and its business is not the kind that harms the environment, it is working on shifting to paperless operation through the digitization of internal documents, promoting digitalization of operations, improving the efficiency of business activities, saving energy and electricity, and recycling.

◆ Society

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

As its mission statement, the Company has declared to "support customers' businesses through enterprise system software." The concept is to fulfill its social responsibility by contributing to the improvement of user convenience and efficiency. With services centered on the PCA Cloud, the Company has realized labor reduction and automation for data entry operations. It provides various services, including services using AI, for the productivity improvement of back-office operations and for business continuity planning against disasters and other risks. Through these solutions, it aims to support small/medium-sized companies (its users) in rational management and secure business operations based on data, as well as supporting their transformation into a digital company.

- **Proactively supporting sports, people with physical disabilities, and the discovering and developing of IT talents**

It also supports the discovering and developing of talented programmers who will create the future, as well as promoting sports through ads and sponsorship (including marathon running, basketball, professional baseball, and golf; it has entered a sponsorship contract with the professional golf player Kokona Sakurai). It additionally supports the employment of people with physical disabilities.

- **Working on health management**
- **Certified as the 2023 Health and Productivity Management Outstanding Organization (Large enterprise Category)**

The Company believes that its people are the most important business resource for sustainable growth. To this end, the Company has made the Health Management Declaration in which one of the most important management issues is to develop an environment in which each and every employee can continue to take on challenges while remaining mentally and physically healthy and experiencing job satisfaction and growth. In particular, the Company is working on improving and developing health management, the workplace environment, flexible work styles, and work-life balance. It was 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.

◆ Governance

- **Of the total of 12 directors and auditors, three are women. Seven are external directors and external auditors.**

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.

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%[5]) are female.

(5) 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

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

◆ With a pioneering spirit, the Company became the first to begin and quickly expand cloud services in the industry

(6) SaaS (Software as a Service): Software (or the providing of such software) that allows users to access the necessary function for the required amount of time. Instead of users installing the software, the vendor hosts it and provides the necessary functions to users 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.

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

◆ Company History

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.

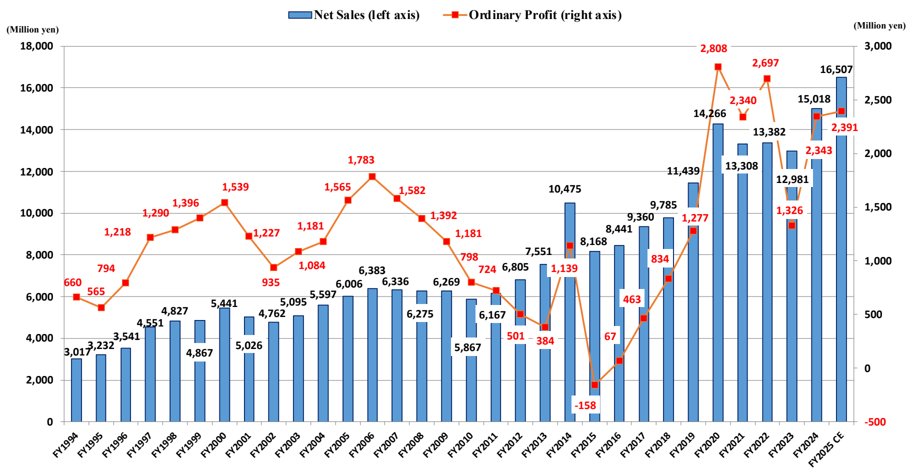
Then, with the emergence of the PC era, the Company grew mainly through the following four strategies: 1) creation of a greater variety of packaged software for Japanese customers as well as their version upgrades, 2) expansion of the maintenance service, 3) development of the cloud business, and 4) 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[6]) in 2008.

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

As described above, the Company has been expanding its business 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 7 (regarding supplemental information on the past history of financial results, see our previous report issued in July 2024).

【Figure 7】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. (Note) The new revenue-recognition standard, etc., have been applied since FY2022.

6. Industry Landscape

◆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**

The number of small/medium-sized companies, or the Company's main potential customers, has been on a declining trend due to the closure of businesses in response to the decreasing and aging population of Japan. According to the Small and Medium Enterprise Agency, the number of small/medium-sized companies (in thousands) has been decreasing from 3,809 in July 2014 to 3,578 (-231 YoY) in June 2016 and 3,365 (-43 YoY) in June 2021. In recent years, this trend seems to be accelerating due to rising labor costs and prices, as well as due to the shortage of labor.

- **The size of the enterprise system software market is expected to steadily grow over the medium to long term (especially for cloud-based software).**

On the other hand, companies and organizations have been working on rebuilding or strengthening their enterprise systems, as they have been experiencing an increasingly serious labor shortage and facing needs to improve 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 (especially cloud services and other subscription businesses) will continue to steadily grow over the medium to long term with rising demand for software to digitalize and improve operational efficiency.

Current Situation of Small/Medium-Sized Companies (main potential users): The BOJ Tankan

- **Software investment by small/medium-sized companies in FY2024 (plan) is expected to continue to increase by more than 10%.**

According to the Bank of Japan's Tankan survey announced in October 2024, actual software investment by small/medium-sized companies (across all industries) in FY2023 was 20.3% greater than the previous fiscal year (+8.9% for manufacturing and +24.5% for non-manufacturing), a significant growth. Although investment growth is expected to slow down to 12.1% across all industries in FY2024 (plan), steady growth is still expected, especially in the manufacturing industries which will benefit from the weak yen (+36.4% for manufacturing and +4.2% for non-manufacturing). Similar trends are seen among mid-tier companies, with software investment growth of 10.0% in FY2023 (across all industries) and 7.4% planned in FY2024.

- **Business sentiment is positive but flat.**

In the June 2024 and September 2024 surveys, business sentiment of small/medium-sized companies remained mostly flat for both the recent sentiment (+7 and +8, respectively) and the future sentiment (+5 and +6, respectively) (business sentiment was calculated on an all-industry basis as "good" minus "bad"; calculated as percentage points).

- **Slowdown in sales growth and worsening earnings environment are concerns for small/medium-sized companies.**

Similarly, with regard to sales and profits, the sales growth rate of small/medium-sized companies (across all industries) was 4.0% YoY in FY2023, while it is planned to be 1.2% in FY2024. For ordinary profit, the growth rate was 13.1% in FY2023 but is planned to be -3.7% in FY2024, raising concerns about slowing sales growth and a deteriorating earnings environment. Since IT investments and earnings trends tend to be closely linked, they should be closely monitored.

- **Labor shortage persists.**

Regarding the employment condition D.I. (excessive minus insufficient; percentage points), in the September 2024 survey, the D.I. was -36 for recent conditions and -40 for future conditions across all company sizes and industries, indicating that the labor market remains tight.

7. This First Half's Results and This Fiscal Year's Forecast

◆ Financial Results for the First Half of FY2025 (March to September 2024)

◆ **Results for the first half of the fiscal year were strong, with double-digit increases in both sales and profits.**

Summary

Consolidated financial results for the first half of FY2025 were as follows: net sales of 7,895 million yen (+11.6% YoY), operating profit of 1,375 million yen (+37.7% YoY), ordinary profit of 1,408 million yen (+37.2% YoY), and profit attributable to owners of the parent of 913 million yen (+38.4% YoY; hereinafter, "net profit"). Sales grew at a double-digit rate and profits increased significantly (Figure 8).

【Figure 8】Financial Results for the First Half of FY2025 (March to September 2024) **(Unit: million yen or %)**

		First-Half Results					First Half's Progress (%) against the Full-Year Plan	
Results		FY2024 First Half	FY2025 First Half	% Change	Amount of Change	% of Total	FY2024 First Half	FY2025 First Half
Unit: million yen		Apr-Sep 2023	Apr-Sep 2024	YoY: %	YoY: million yen	%	Apr-Sep 2023	Apr-Sep 2024
Consolidated Net Sales		7,074	7,895	11.6	821	100.0	47.1	47.8
Sales by Category	Products	713	299	-58.1	-414	3.9	58.3	62.8
	Merchandise	198	215	8.6	17	2.7	37.2	41.5
	Maintenance Service	1,715	1,906	11.1	191	24.1	48.1	53.9
	Cloud Services	3,443	4,509	30.9	1,066	57.1	46.1	47.7
	Other Operating Revenue	1,002	967	-3.5	-35	12.2	45.0	38.5
Gross Profit		4,429	5,186	17.1	757		46.0	49.7
	Gross Profit Margin (%)	62.6	65.7		3.1		-1.6	2.4
SG&A Expenses		3,430	3,811	11.1	381		46.8	47.1
	SG&A Expense Ratio (%)	48.5	48.3		-0.2		-0.3	-0.7
Operating Profit		998	1,375	37.7	377		43.2	58.3
	Operating Profit Margin (%)	14.1	17.4		3.3		-1.3	3.1
Ordinary Profit		1,026	1,408	37.2	382		43.8	58.9
	Ordinary Profit Margin (%)	14.5	17.8		3.3		-1.1	3.3
Net Profit		660	913	38.4	253		41.0	55.1
	Net Profit Margin (%)	9.3	11.6		2.2		-1.4	1.5

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. The Company's first-half plan is not disclosed. Progress (%) is the percentage of progress in the first half toward achieving the Company's full-year result or forecast. For the profit margins, progress is calculated as the first half's margin minus the full fiscal year's margin

◆ **Making strong progress with profits in terms of achieving the full-year plan.**

Comparison with Forecast

The Company does not announce its first-half forecasts. However, progress in this first half in terms of achieving its full-year plan was 47.8% for sales, 58.3% for operating profit, and 55.1% for net profit. Progress has been greater than past years (average progress for each of the profits over that past six years is 49.3% and 51.6%, respectively), so the results have most likely been significantly greater than the Company's internal forecasts.

◆ **Net sales grew; the price revision contributed significantly to this increase.**

Sales

Each sales category's impact on net sales in the first half of this fiscal year is as shown in Figure 9 on page 17. Company-wide, the price revision made in July 2023 (a price increase of around 20%) seems to have had a significant effect in increasing sales (actual contribution to the current fiscal year was during the three months from April to June).

◆ **The decline in the sales of products (on-premises software), whose sales have ended, was offset by subscription-based revenue from the cloud and maintenance services.**

Looking at sales by category, due to the termination of sales of products (on-premises software) in March 2024, sales of products fell significantly (-414 million yen or -58.1% YoY). However, this was within expectations. Subscription-based revenue from the cloud and maintenance services compensated for this decline in product sales.

◆ **Cloud services' sales have continued to grow. Largest growth driver.**

Demand for the products has shifted to the cloud services, leading to a steady increase in the number of corporate users. As a result, the cloud services became the main driver of overall growth, with a significant sales growth of 1,066 million yen YoY (+30.9%) (equivalent to 129.8% of the

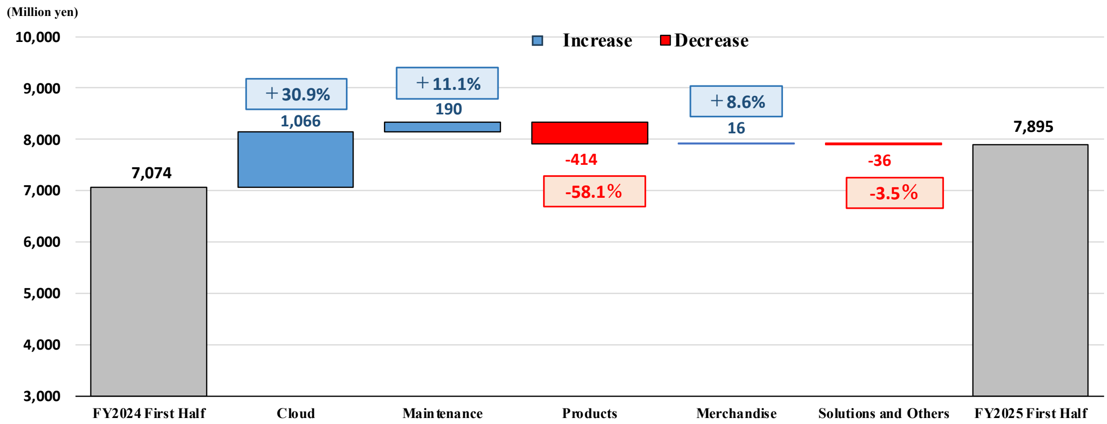
◆ **Proportion of cloud services' sales has risen to 57% of the total.**

Company's net sales growth of 821 million yen). The proportion of the cloud services' sales to net sales rose from 48.7% in the first half of the previous fiscal year to 57.1%, exceeding 50%.

Maintenance, the other subscription business, saw a sales growth of 190 million yen (+11.1%) due to a net increase in the number of subscribers in the previous year following an increase in product sales.

Sales of solutions and others declined slightly by 36 million yen (-3.5%) due to lower revenue from the professional support service in line with the decline in product sales in the current fiscal year. Sales of merchandise increased slightly by 16 million yen (+8.6%). However, the impact of these was minimal.

【Figure 9】Each Sales Category's Impact on Net Sales in the First Half of FY2025 (April to September 2024)



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

Cloud Services

1. Number of Corporate Users

◆ **The number of corporate users of the cloud services is increasing steadily. A high net growth rate is maintained.**

The number of corporate users of the cloud services has been steadily increasing (Figure 4 on page 10).

The number of corporate users of the PCA Cloud reached 10,000 on January 11, 2018. Since then, the number of users has been increasing at a high rate 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 10 on page 18).

◆ **The number of corporate users of the cloud services surpassed 23,000 as of the end of this first half.**

Furthermore, the number of corporate users has increased from 22,238 (+2,385 YoY) at the end of September 2023 to 23,797 (+1,559 YoY) one year later at the end of September 2024.

2. Cloud Services' Sales

◆ **A high sales growth rate has been maintained for the cloud services, albeit at a slower rate than before.**

The cloud services' sales have increased 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).

- **Cloud services' sales growth rate has recovered to about 30% in the first half of this fiscal year.**

The cloud services' sales rose from 3,443 million yen in the previous first half (+20.4% or +583 million yen YoY) to 4,509 million yen in this first half. There was an increase of 1,066 million yen (+30.9%), indicating a recovery in the sales growth rate (+36.4% in Q1 and +26.2% in Q2).

- **Average unit price per corporate user is on an upward trend.**

Since the cloud services' sales include the PCA Hub and PCA Subscription, a simple comparison cannot be made. However, annual sales per corporate user (= annual sales / average number of corporate users of the PCA Cloud during the fiscal year; unit of thousand yen per company per year) have been generally increasing over time (Figure 10).

Similarly, looking at the quarterly figures, the average unit price in Q1 and Q2 of this fiscal year shows an increase of about 26% and 18%, respectively, compared to the same period of the previous fiscal year (Figure 11). This is most likely due to the shift to higher price ranges and the growth of PCA Subscription, in addition to the effect of the price revision.

【Figure 10】 Change in the Number of Corporate Users (non-consolidated) and Sales (consolidated) of the Cloud Services (annual and semi-annual changes)

Fiscal Year	Number of 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
	Unit: companies	Unit: 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	–	–	32.3	598	–	–
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	–	–
FY2024 First Half	22,238	3,443	12.0	2,385	20.4	583	318	27
FY2025 First Half	23,797	4,509	7.0	1,559	30.9	1,066	386	32

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary
(Notes) Average unit price was calculated by dividing the sales for the period by the average number of corporate users during the period. The average annual unit price for both year's first half is the unit price which has been calculated for the full year (simply the first half's figure multiplied by two).

【Figure 11】 Change in the Number of Corporate Users (non-consolidated) and Sales (consolidated) of the Cloud Services (quarterly changes)

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 (unit: companies)	% Change (YoY)	Change in Number (YoY)	% Change (QoQ)	Change in Number (QoQ)	For Each Quarter (unit: 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%
Ended June 2024 (Q1)	23,252	7.7	1,658	1.5	353	2,204	36.4	588	5.4	113	31.8	25.9%
Ended Sept. 2024 (Q2)	23,797	7.0	1,559	2.3	545	2,305	26.2	478	4.6	101	32.7	17.5%

(Ref) Prepared by Alpha-Win Research Dept. from the financial results summary
(Note) The cloud services' monthly unit price is the average unit price per month for each three-month period.

Subscription-Based Business

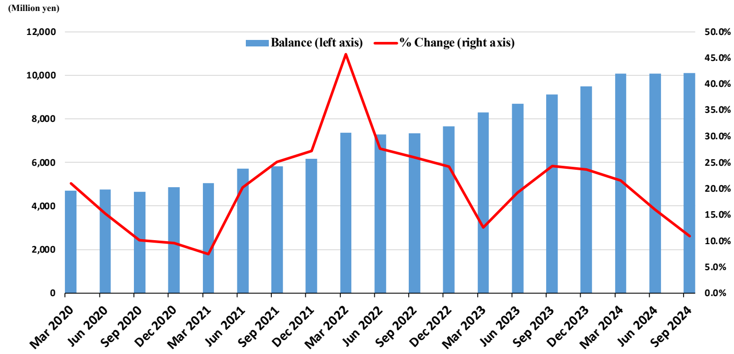
- **The sales proportion of the subscription businesses has increased to more than 80%.**

As described earlier, the proportion of subscription-based revenue (sum of the maintenance service's sales and the cloud services' sales) to net sales, which is a key indicator for the Company, has increased from the first half of FY2022 to the first half of FY2025, rising from 60.5% to 73.8% to

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

72.9% to 81.2%. The balance of contract liabilities (advances received for the cloud and maintenance services; future sales) has also increased from 7,364 million yen at the end of FY2022 to 8,293 million yen at the end of FY2023, 10,076 million yen at of the end of FY2024, and 10,104 million yen at the end of the first half of FY2025 (+28 million yen or +0.3% compared to the end of the previous fiscal year) (Figure 12).

【Figure 12】Change in the Balance of Contract Liabilities (unit: million yen or %)

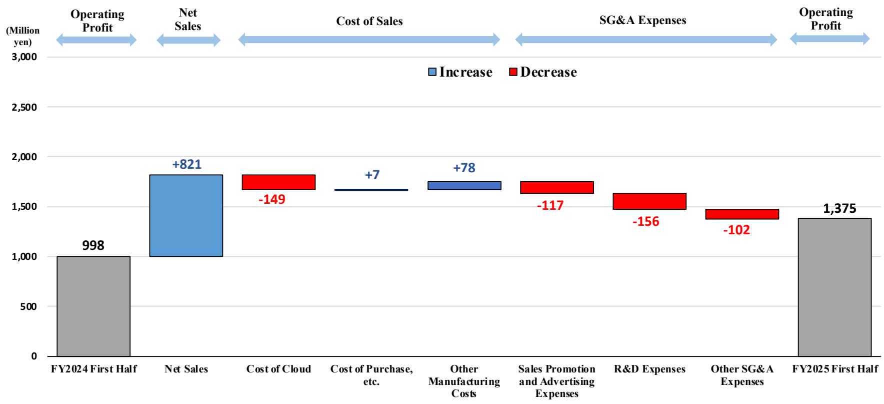


(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary.
(Note) Figures for FY2021 and before are the sum of unearned revenue and long-term unearned revenue. "% Change" is YoY.

Profit

Figure 13 shows the factors that contributed to an increase or decrease in consolidated operating profit in this first half.

Figure 13】Factors that Increased/Decreased Operating Profit in the First Half of FY2025 (Mar-Sep 2024)



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

On a company-wide basis, the first half of this fiscal year saw a 377 million yen increase in profit over the first half of the previous fiscal year. The main factor that contributed to profit growth was the increase in net sales (+821 million yen compared the previous fiscal year's first half), which offset all the negative impact of the increases in various costs.

◆ **Sales growth absorbed the increase in costs.**

◆ **Cost of the cloud increased due to the scaling of business.**

The significant increase in the cost of the cloud (+149 million yen) due to the expansion of the cloud business caused the cost of sales to rise, negatively impacting profit. In addition, SG&A expenses increased by a total of 381 million yen, which was another factor that negatively impacted profit. Specifically, there was an increase of 156 million yen in development investment for future growth, an increase of 102 million yen

◆ **Development, personnel, and sales promotion expenses increased.**

in other SG&A expenses (mainly due to an increase in personnel expenses associated with increased headcount and an increase in system usage fees), and an increase of 117 million yen in sales promotion and advertising expenses due to events (such as the PCA FES) held during this first half.

Profit Margins and the SG&A Expense Ratio

◆ **The gross profit margin improved significantly. Meanwhile, the SG&A expense ratio fell, and the operating profit margin rose by 3.3%.**

Despite an increase in development expenses and subcontracting costs, the gross profit margin rose by 3.1 percentage points from the previous fiscal year's first half to 65.7% in this fiscal year's first half due to the effect of price revision and an improvement in the product mix (an increase in the sales proportion of the highly profitable subscription businesses).

Although SG&A expenses increased (+381 million yen YoY), the rate of increase was 11.1%, which was slightly lower than the rate of sales growth (11.6%). Consequently, the SG&A expense ratio decreased by 0.2 percentage point from 48.5% to 48.3%. As a result, the operating profit margin improved by 3.3 percentage points, from 14.1% to 17.4%.

◆ **The improvement in the profit margin was the main factor that contributed to the increase in profit.**

Analyzing the factors that increased or decreased profit in terms of profit margins, we estimate that the improvement of the operating profit margin caused profit to increase by 233 million yen (= [the rise in the operating profit margin from the previous first half to the current first half] x [net sales in the previous first half] = 3.3% x 7,074 million yen), while the increase in net sales caused profit to increase by 144 million yen (= [overall amount of increase in profit] – [increase in profit due to improvement of the operating profit margin] = 377 million yen – 261 million yen ≈ overall amount of increase in net sales x operating profit margin for the current first half = 821 million yen x 17.4%).

The subscription businesses, which accounted for a large proportion of net sales, are based on a business model characterized by a high marginal profit ratio. Therefore, the increase in these businesses' sales absorbed the increase in upfront investment costs, improving the profit margin and leading to a significant profit growth.

Quarterly Financial Results

◆ **Both Q1 and Q2 saw an increase in sales and profit.**

Looking at the quarterly results, both Q1 and Q2 were strong with increased sales and profits (Figure 14). In Q1, net sales were 3,879 million yen (+14.5% YoY) and operating profit was 700 million yen (+63.6% YoY). In the following Q2, net sales was 4,016 million yen (+8.9% YoY) and operating profit was 675 million yen (+18.4% YoY), with continued sales growth. The operating profit margin rose from the previous fiscal year's Q1 (12.6%) and Q2 (15.5%) to 18.0% and 16.8%, respectively, in the current fiscal year. The margin for the entire first half was also high at 17.4%.

【Figure 14】Quarterly Change in Financial Performance

		FY2023				FY2024				FY2025		FY2025: YoY Change (amount)		FY2025: YoY Change (%)	
Results		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q1	Q2
Unit: million yen		Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022	Jan-Mar 2023	Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Apr-Jun 2024	Jul-Sep 2024	Apr-Jun 2024	Jul-Sep 2024
Consolidated Net Sales		2,954	3,209	3,370	3,448	3,387	3,687	3,888	4,056	3,879	4,016	492	329	14.5	8.9
Sales by Category	Products	241	316	308	284	349	364	244	265	156	143	-193	-221	-55.3	-60.7
	Merchandise	108	114	210	145	95	103	216	118	107	108	12	5	12.6	4.9
	Maintenance Service	838	850	800	839	839	876	911	942	957	949	118	73	14.1	8.3
	Cloud Services	1,361	1,499	1,512	1,584	1,616	1,827	1,933	2,091	2,204	2,305	588	478	36.4	26.2
	Other Operating Revenue	404	430	541	594	486	516	584	641	453	514	-33	-2	-6.8	-0.4
Gross Profit		1,829	2,083	2,064	2,075	2,116	2,313	2,511	2,696	2,546	2,640	430	327	20.3	14.1
	Gross Profit Margin (%)	61.9	64.9	61.2	60.2	62.5	62.7	64.6	66.5	65.6	65.7	3.2	3.0	-	-
SG&A Expenses		1,520	1,545	1,570	2,128	1,688	1,742	1,810	2,086	1,846	1,965	158	223	9.4	12.8
	SG&A Expense Ratio (%)	51.5	48.1	46.6	61.7	49.8	47.2	46.6	51.4	47.6	48.9	-2.2	1.7	-	-
Operating Profit		309	538	493	-52	428	570	701	610	700	675	272	105	63.6	18.4
	Operating Profit Margin (%)	10.5	16.8	14.6	-1.5	12.6	15.5	18.0	15.0	18.0	16.8	5.4	1.3	-	-
Ordinary Profit		315	556	501	-46	436	590	708	609	708	700	272	110	62.4	18.6
	Ordinary Profit Margin (%)	10.7	17.3	14.9	-1.3	1.3	1.6	18.2	15.0	1.8	1.7	0.5	0.1	-	-
Net Profit		142	352	330	59	266	394	502	449	455	458	189	64	71.1	16.2
	Net Profit Margin (%)	4.8	11.0	9.8	1.7	7.9	10.7	12.9	11.1	11.7	11.4	3.9	0.7	-	-

(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

- **The Company has not changed the forecasts for this fiscal year that were announced at the beginning of the fiscal year. Expecting single-digit growths in sales and operating profit, as well as record-high sales.**

The Company has not changed the full-year plan that it announced at the beginning of the fiscal year. In FY2025 (this fiscal year), it expects single-digit increases in sales and profits, with 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) (Figure 15).

This fiscal year, the Company expects to achieve record-high net sales for the second consecutive year, surpassing the previous fiscal year's record. Operating and ordinary profits are expected to be the third highest on record, following the record highs achieved in FY2020 and FY2022 due to high, event-driven demand.

- **The Company may manage cost control to some extent to meet the full-year profit targets.**

In addition, to achieve the profit goals announced at the beginning of the fiscal year, the Company may either promote or suppress expenditure depending on the situation.

【Figure 15】Financial Forecast for This Fiscal Year (the Company's plan and Alpha-Win's forecasts)

Consolidated (unit: million yen)		FY2024	FY2025: Company Forecast			FY2025: Alpha-Win's Forecast (most recent)			Difference between Alpha-Win's Forecast and Company 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	Forecast - Company Forecast
Net Sales		15,018	16,507	1,489	9.9%	16,700	1,682	11.2%	193
Sales by Category	Products	1,222	476	-746	-61.0%	500	-722	-59.1%	24
	Merchandise	532	518	-14	-2.6%	550	18	3.4%	32
	Maintenance Service	3,568	3,535	-33	-0.9%	3,800	232	6.5%	265
	Cloud Services	7,467	9,462	1,995	26.7%	9,650	2,183	29.2%	188
	Other Operating Revenue	2,227	2,514	287	12.9%	2,200	-27	-1.2%	-314
Gross Profit		9,636	10,441	*805*	8.4%	10,400	*764*	7.9%	-41
	Gross Profit Margin	*64.2%*	*63.3%*	*-0.9%*		*62.3%*	*-1.9%*		-1.0%
SG&A Expenses		7,326	8,084	758	10.3%	7,900	574	7.8%	-184
	SG&A Expense Ratio	*48.8%*	*49.0%*	*0.2%*		*47.3%*	*-1.5%*		-1.7%
Operating Profit		2,309	2,357	48	2.1%	2,500	191	8.3%	143
	Operating Profit Margin	*15.4%*	*14.3%*	*-1.1%*		*15.0%*	*-0.4%*		0.7%
Ordinary Profit		2,343	2,391	48	2.1%	2,530	187	8.0%	139
	Ordinary Profit Margin	*15.6%*	*14.5%*	*-1.1%*		*15.1%*	*-0.5%*		0.7%
Profit Attributable to Owners of the Parent		1,611	1,656	45	2.8%	1,700	89	5.5%	44
	Net Profit Margin	*10.7%*	*10.0%*	*-0.7%*		*10.2%*	*-0.5%*		0.1%
Annual Dividend Per Share (yen)		81.00	83.00	*2.0*		84.00			1.00

(Ref) Prepared by Alpha-Win Research Dept.

Summary of the Full-Year Forecast (Sales)

This fiscal year, the Company expects net sales to increase by 1,489 million yen YoY (+9.9%) due to increased sales of the cloud services, the effect of the price revisions of its mainstay products and services (price increases of around 20% in July 2023), and sales expansion of the Hub series.

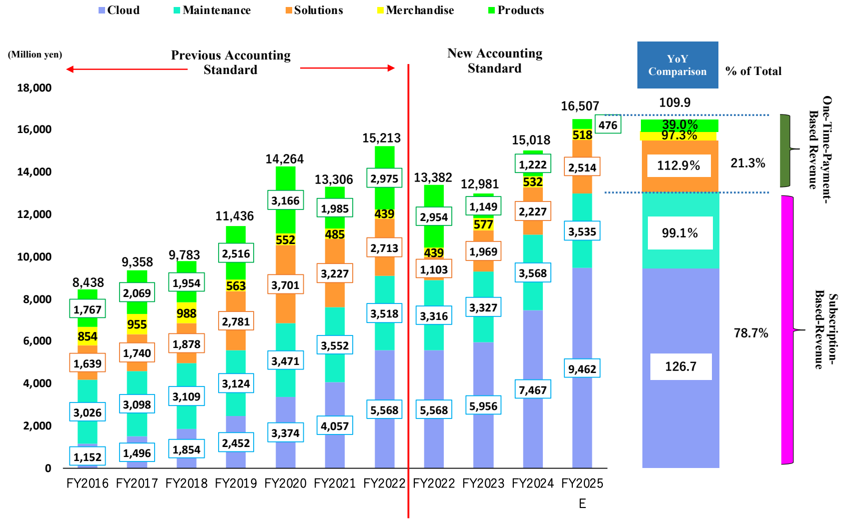
- **Its plan (announced at the beginning of the fiscal year) is that continued growth of the cloud services and solutions will compensate for the decline in product sales.**

The sales forecasts for each sales category have also not been changed from the initial plan at the beginning of the fiscal year. By sales category, the cloud services are expected to see a significant increase in sales of 1,995 million yen (+26.7% YoY), accounting for 134% of the forecasted increase in net sales. Sales of solutions are also expected to increase by 287 million yen (+12.9% YoY), accounting for 19% of the forecasted increase in net sales (Figure 16 on page 22).

On the other hand, sales of products are expected to decrease significantly by 746 million yen (-61.0% YoY) from 1,222 million yen to 476 million yen, since product sales now mostly come from Xronos (a consolidated subsidiary) due to the termination of sales of the parent company PCA's products (on-premises software). The Company also expects sales of maintenance and merchandise to decrease slightly by 33 million yen and 14 million yen, respectively, but the impact of these will be limited.

As a result, the proportion of subscription-based sales to net sales is planned to rise to 78.7% this fiscal year (73.5% in the previous fiscal year; the goal has already been achieved at 81.2% in the first half of this fiscal year).

【Figure 16】Change in Sales and This Fiscal Year's Forecasted Sales Breakdown by Category (unit: million yen or %)



(Ref) Modified and prepared by Alpha-Win Research Dept. based on the financial results briefing and financial results summary (partially edited the YoY comparison). Sales forecasts (amount; E) are the amounts forecasted by the Company.

(Note) Since the accounting standard for the posting of sales as merchandise or solutions was partially changed in FY2020, adjustments have been retroactively made for FY2019 according to this 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. For FY2022, the Company announced sales forecasts based on both the previous and the new standard. "% of Total" is based on the Company's forecast for FY2025.

- **The sales growth rate of each category in the first half exceeded the Company's plan for the full year (for the sales growth rate), except for solutions.**

A simple comparison of each sales category's sales growth rate between the first-half results and the full-year forecasts shows that, in the first half, the sales growth rate of solutions fell short of the full-year plan by 16.4 percentage points, while products, merchandise, maintenance, and cloud services exceeded the full-year plan by 2.9 percentage points, 11.3 percentage points, 12.0 percentage points, and 4.3 percentage points, respectively. The first half's net sales growth rate was solid at 11.6%, 1.7 percentage points higher than the planned annual sales growth rate of 9.9%.

Summary of the Full-Year Forecast (Profit)

Figure 17 on page 23 shows the factors that are expected to increase or decrease consolidated operating profit (YoY) in the current fiscal year (no change from the initial plan).

- **The Company forecasts an increase in profit, since sales growth is expected to absorb the upfront investment costs, including investment in new product development and increases in personnel expenses and subcontracting costs.**

To strengthen product development for the next phase of growth, including the PCA Hub series, there will be an increase in the cost of sales (YoY: +280 million yen in the cost of the cloud, +140 million yen in subcontracting costs for product development, and +430 million yen in other manufacturing costs including +149 million yen in labor costs), as well as an increase in the R&D expenses (+26 million yen YoY).

In addition, sales promotion and advertising expenses will increase due to the strengthening of events nationwide (+189 million yen YoY). There will also be an increase in other SG&A expenses (+543 million yen YoY), which includes an increase in personnel expenses due to increased headcount (+99 million yen YoY) and greater system usage fees (+311 million yen YoY). However, since sales growth (+1,488 million yen YoY) is expected to absorb all of these costs, an increase in profit is expected.

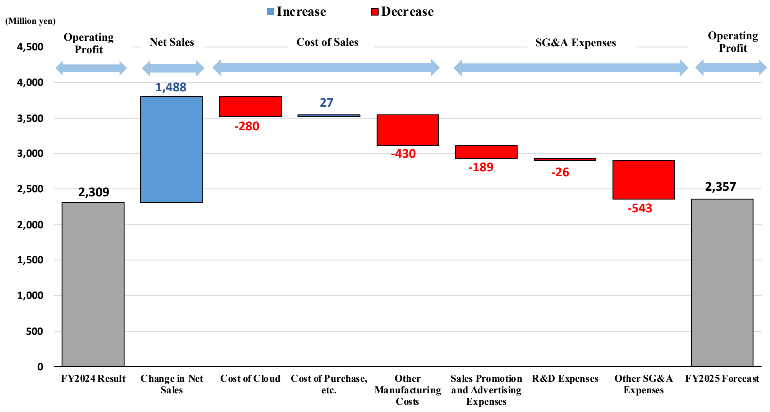
The gross profit margin is planned to fall by 0.9 percentage point, from 64.2% in the previous fiscal year to 63.3% this fiscal year (the same order applies hereinafter). In addition, the rate of increase in SG&A expenses is expected to be 10.3% YoY, which will be higher than the sales growth rate (9.9%). This will cause the SG&A expense ratio to increase by 0.2 percentage point from 48.8% to 49.0%.

- **Due to upfront investment costs, the operating profit margin is expected to decline, and the profit growth rate is expected to be lower than the sales growth rate.**

As a result, the operating profit margin is expected to decline by 1.1 percentage points, from 15.4% to 14.3%. Due to upfront investment costs, the operating profit margin is expected to be lower than the sales growth rate this fiscal year.

The Company will record a small gain or loss on sales of securities under extraordinary income or losses this fiscal year. However, no significant items are expected, including non-operating income or losses.

【Figure 17】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 materials.

Summary of Forecast for This Second Half (Sales and Profit)

The Company's forecast for the second half of this fiscal year, calculated by subtracting the first half's results from the full-year forecasts, is as follows (Figure 18).

【Figure 18】Financial Forecast for the Second Half of FY2025 (the Company's plan)

		Second-Half Financial Performance				
Results and Forecasts		FY2024 Second Half	FY2025 Second Half: CE	% Change	Change in Amount	% of Total
Unit: million yen		Oct. 2023 - Mar. 2024	Oct. 2024 - Mar. 2025	YoY: %	YoY: million yen	%
Consolidated Net Sales		7,944	8,612	8.4	668	100.0
Sales by Category	Products	509	177	-65.2	-332	2.1
	Merchandise	334	303	-9.3	-31	3.5
	Maintenance Service	1,853	1,629	-12.1	-224	18.9
	Cloud Services	4,024	4,953	23.1	929	57.5
	Other Operating Revenue	1,225	1,547	26.3	322	18.0
Gross Profit		5,207	5,255	0.9	48	
	Gross Profit Margin (%)	65.5	61.0		-4.5	
SG&A Expenses		3,896	4,273	9.7	377	
	SG&A Expense Ratio (%)	49.0	49.6		0.6	
Operating Profit		1,311	982	-25.1	-329	
	Operating Profit Margin (%)	16.5	11.4		-5.1	
Ordinary Profit		1,317	983	-25.4	-334	
	Ordinary Profit Margin (%)	16.6	11.4		-5.2	
Net Profit		951	743	-21.9	-208	
	Net Profit Margin (%)	12.0	8.6		-3.3	

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

- **While sales are expected to increase in the second half of the year, profits are expected to decrease by more than 20%. Plans to continue and strengthen upfront investments.**

In the second half of FY2025, the Company expects net sales of 8,612 million yen (+8.4% YoY), operating profit of 982 million yen (-25.1% YoY), ordinary profit of 983 million yen (-25.4% YoY), and net profit of 743 million yen (-21.9% YoY). It expects an increase in sales but a decline in profit of more than 20% (Figure 18 on page 23).

In addition to the budget carried over from the first half of the fiscal year, the Company will mostly likely continue to increase subcontracting costs, labor costs, the cost of the cloud, and commission expenses in the second half. It also expects an increase in sales promotion expenses to strengthen advertising.

In the financial results briefing for this fiscal year's first half, the CEO again expressed growing confidence in the Company's ability to achieve its full-year profit targets.

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

Summary

We reviewed our forecast for the current fiscal year, taking into account the first half's results, the Company's plan for the current fiscal year, and the current situation (Figure 15 on page 21).

- **We have revised upward our net sales forecast for the current fiscal year.**

Previously, we had forecasted net sales of 16,500 million yen, which was about the same as the Company's plan. However, we have revised net sales upward to 16,700 million yen based on the first half's results and current situations. We raised our forecast by 200 million yen in total (+1.2%) because the cloud and maintenance services are performing better than expected, while the solutions business is sluggish.

- **We have not changed our profit forecasts, which are slightly higher than the Company's plan.**

On the other hand, we have not changed our profit and dividend forecasts. We expect an operating profit of 2,500 million yen and a net profit of 1,700 million yen, which are slightly above the Company's forecast. We expect dividends to be 84 yen per share, which is 1 yen greater than the Company's forecast.

Profits have been strong due to the strong performance of the high-margin subscription businesses and the postponement of expenses to later periods. However, considering its focus on investments for future growth, the Company will most likely manage budget execution and cost control so that the profits will land around their targets. Therefore, no major positive surprises are expected.

Risk Factors and Factors that May Cause Change During This Fiscal Year and Over the Medium Term

- **The key risk factor is a decline in IT investment interest due to a deteriorating macroeconomic environment.**

The main risk factor to the medium-term financial forecast including this fiscal year is that the corporate users' business performance and IT investment interest may worsen due to rising domestic interest rates, inflation, currency fluctuations, expanding geopolitical risks and global recession, international trade friction, and stagnation of economic activities in response to an outbreak of infection or its prolongation. These may cause corporate users to refrain from purchasing products and services or to postpone their implementation.

- **Risks are limited, since the Company is mainly focused on subscription businesses that benefit from digitalization and work-style reforms.**

However, at this point, any further adverse effects by external factors should most likely be limited. The current services of the PCA Group are also centered on stable subcription businesses, which will benefit 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 with growing sales and profits, so the risks due to macroeconomic factors are expected to be limited.

- **Increasing costs, intensifying competition, and slower growth rate of the cloud services are the risk factors.**

Other risks include increases in costs such as labor costs, personnel expenses, and subcontracting costs, as well as a slowdown in the growth of the cloud business due to intensifying competition with competitors.

- **Monetization of the new businesses will be the challenge.**

In addition, although presumably not included as a large part of the budget, progress may not be made as expected regarding the new services such as the PCA Hub, PCA Subscription, healthcare business, and hyper in terms of providing these service, acquiring new customers, and increasing their sales. Monetization of these new businesses will be the challenge.

(7) Mandatory stress check: The interim report (disclosed in November 2024) of the Study Group on Mental Health Measures Including the Stress Check Program (Ministry of Health, Labour and Welfare) included plans to expand mandatory stress checks and other mental health measures to all workplaces.

If the expansion of mandatory stress checks to all workplaces[7] is implemented, it will provide a tailwind to Dreamhop. However, since Dreamhop seems to be continuing to post a loss this fiscal year, drastic management reforms are awaited.

- **The impact of revisions and changes in the tax and accounting systems on business performance will be a key point.**

Other factors that may impact the Company's earnings are revisions and changes in the tax and accounting systems, whose impact should be closely monitored. Although our forecasts do not reflect any anticipation of events that may create high demand, tax system revisions are currently under active discussion. Any revision or change could cause significant changes in demand and impact the Company's sales before and after the revision or change.

- **From a medium- to long-term perspective, we should closely monitor whether the M&A strategy and CVC business will succeed.**

In addition, if a new M&A is conducted, whether it succeeds or not will impact business performance. Going forward, the Company will also face evaluation on its investment outcomes over the medium to long term, in terms of identifying M&A deals that will create high synergy effects and contribute quickly to the PCA Group's performance (efficiency of invested capital), as well as in terms of the corporate venture capital business in effectively utilizing its abundant cash and deposits for growth strategies.

8. Growth Strategy

◆ Medium- to Long-Term Vision and Plan

Long-Term Vision

- **Long-term vision is to become a "Management Support Company" focused on the business of providing management support to its corporate customers.**

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 corporate customers."

Medium-Term Management Plan

- **In line with its medium-term plan, it aims to strengthen its development capacity, build its business foundation, and transform its business structure for sustainable growth.**

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

- **Executing priority measures based on four themes.**

There has been no change to this medium-term plan so far. To provide total solution services centered on software, it has been working on the following themes: 1) establish a strong revenue base for the core businesses, 2) create new business opportunities, 3) strengthen monozukuri (creation of things) with a focus on safety, security, and anticipation of needs, and 4) build a high-profit and sustainable management foundation (for details of the priority measures and their progress, see our full report published in June 2023).

- **The main pillars of the medium-term plan are to strengthen the subscription-based business model, meet digitalization needs, create business opportunities, and strengthen its development and service system as well as management foundation.**

The priority measures have basically been developed 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[8] of operations by 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.

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

◆ Management Indicators Set as Goals

Numerical Goals of the Medium-Term Plan

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

The seven items below have been set as numerical targets of 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 returns (Figure 19 on page 27). No changes have been made to these goals.

Aside from the two items related to sales, all figures have already been achieved in the past, such as during periods of event-driven high demand. Therefore, they seemed at first to be realistically achievable targets.

- **Currently, the sales-related targets seem achievable, but the profit-related targets are high hurdles.**

However, comparing this fiscal year's forecasts announced at the beginning of the fiscal year with the same year's performance goals in the medium-term plan, we see a divergence in the values of items excluding net sales, dividend payout ratio, and DOE. The Company faces a somewhat high hurdle in achieving its goals for consolidated operating profit, operating profit margin, and ROE.

【Figure 19】Goals of the Medium-Term Management Plan and Their Progress/Outlook

Goals of the Current Medium-Term Management Plan (FY2022 - FY2025)		FY2025 The Company's Medium-Term Plan	FY2025 The Company's Initial Forecast	Achieved Goals / Predicted Achievement	Record High
Business Performance	• Consolidated Net Sales	15 billion yen or more	16.51 billion yen	Achieved	15.02 billion yen (FY2024)
	Of which, sales of the subscription businesses (maintenance & cloud)	9.5 billion yen or more	13.0 billion yen	Achieved	11.04 billion yen (FY2024)
	• Consolidated Operating Profit	2.5 billion yen or more	2.36 billion yen	Slightly short of target (forecast)	2.78 billion yen (FY2020)
	• Consolidated Operating Profit Margin	16% or more	14.3%	Slightly short of target (forecast)	During the past 10 years: 19.8% (FY2022) During the longest period with data available: 28.5% (FY1999)
Capital Efficiency	• ROE	10% or more	8.9%	Slightly short of target (forecast)	15.4% (FY2022)
Shareholder Return	• DOE	2.5%	9.0%	Achieved / Change in policy	-
	• Dividend Payout Ratio	30% ⇒ 100% (changed)	100.4%	Achieved / Change in policy	-

(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 have not changed our medium-term financial forecasts.**

Since the Company's performance this fiscal year has been largely in line with our expectations, we have maintained our medium-term forecasts for the next fiscal year and the year after that (Figure 20 on page 28). We will review our medium-term forecasts again after the Company announces its next medium-term management plan.

Underlying Assumptions for Sales, Expenses, and Profits

- **We expect the product mix to improve, but operating profit margin to decline gradually YoY due to cost increases.**

We predict that the Company will be able to increase sales and profits over the medium term due to sales growth of the cloud services (growth of about 20% per year), the improvement in the product mix due to the rising proportion of the cloud services, the transition of various businesses to the subscription-based business model, and the streamlining of business. Although the SG&A expense ratio is expected to decrease gradually as business expands, the gross profit margin is also expected to decrease due to higher costs, leading to a gradual decline in the operating profit margin. We consequently expect the Company to see an increase in profit mainly due to higher sales.

- **The subscription businesses will continue to be the growth drivers.**

The subscription businesses (cloud versions of the accounting software, work management software, etc.) have a high marginal profit ratio and a high growth potential. Therefore, 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 the increase in sales and profits. Also, if the Company could put its current new businesses on track and monetize them (new businesses: the mental health business that it is struggling with, PCA Subscription, Hyper, and CVC), it should be able to more solidly continue its growth trend for sales and profits.

Forecast for the Next Fiscal Year (FY2026)

- **We expect that the Company will continue to increase sales and profits in the next fiscal year, as well as increasing dividends consecutively.**

For the next fiscal year (FY2026), we forecast net sales of 18,340 million yen, operating profit of 2,650 million yen, and net profit of 1,800 million yen. These represent a 9.8% increase in net sales and about a 6% increase in profits compared to our forecasts for the current fiscal year. We expect the operating profit margin to be 14.4% (-0.6 percentage point YoY compared to our forecast of 15.0% for the current fiscal year).

- **Next fiscal year will be the first year of the next medium-term plan. We expect the Company to continue to make upfront investments for growth.**
- **The cloud services will drive growth.**

Next fiscal year will be the first year of the next medium-term management plan. We have made our forecasts based on the assumption that the Company will accelerate investment for growth. Next fiscal year's sales are expected to continue to grow steadily, mainly in the cloud services, despite the diminished impact of the price increase (since the price increase was made in July 2023, its effect will last only through this fiscal year).

Assuming that the sales of the cloud services will increase by 20% and the sales of categories other than the cloud services will remain flat, net sales will increase by around 2 billion yen. If the marginal profit ratio is 60% to 70%, then the marginal profit will be 1.2 billion yen to 1.4 billion yen.

However, in the next fiscal year, the Company as a whole is expected to continue experiencing high levels of upfront investment and rising costs due to inflation, which will negatively impact profit growth. For dividends, we expect 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 have also not changed our 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).

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 dividend per share, we forecast an increase of 7 yen from FY2026 to 96 yen.

Forecasted Profit Growth Rate Over the Medium Term

- **We predict the annual sales growth rate over the medium to long term to be 10% and the profit growth rate to be 5-8%, driven by the subscription businesses.**

Over the medium term (the next three to five years starting this fiscal year), we expect net sales to increase at a nearly double-digit rate, supported by the sales growth of the cloud services.

However, compared to the sales growth rate, we predict a somewhat slower profit growth rate of 5-8% (annual average) since upfront investments for the next stage of growth are expected to continue for the time being to secure human resources and development expenses. In addition, 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 earnings.

【Figure 20】Medium-Term Financial Forecast

	Unit: million yen or %	FY2023	FY2024	FY2025 CE	FY2025 E	FY2026 E	FY2027 E	FY2025 CE Medium-Term Plan
Net Sales		12,981	15,018	16,507	16,700	18,340	20,400	15,000
Category	Products	1,149	1,222	476	500	490	500	
	Merchandise	577	532	518	550	500	480	
	Maintenance Service	3,327	3,568	3,535	3,800	3,450	3,400	9,500
	Cloud Services	5,956	7,467	9,462	9,650	11,400	13,520	
	Other Operating Revenue	1,969	2,227	2,514	2,200	2,500	2,500	
Gross Profit		8,051	9,636	10,441	10,400	11,250	12,350	
Gross Profit Margin	(ratio to sales)	62.0%	64.2%	63.3%	62.3%	61.3%	60.5%	
SG&A Expenses		6,763	7,326	8,084	7,900	8,600	9,500	
SG&A Expense Ratio	(ratio to sales)	52.1%	48.8%	49.0%	47.3%	46.9%	46.6%	
Operating Profit		1,288	2,309	2,357	2,500	2,650	2,850	2,500
Operating Profit Margin	(ratio to sales)	9.9%	15.4%	14.3%	15.0%	14.4%	14.0%	16.7%
Ordinary Profit		1,326	2,343	2,391	2,530	2,680	2,880	
Ordinary Profit Margin	(ratio to sales)	10.2%	15.6%	14.5%	15.1%	14.6%	14.1%	
Net Profit		883	1,611	1,656	1,700	1,800	1,925	
Net Profit Margin	(ratio to sales)	6.8%	10.7%	10.0%	10.2%	9.8%	9.4%	
Net Sales (YoY growth rate)		-3.0%	15.7%	9.9%	11.2%	9.8%	11.2%	
Category	Products	-61.1%	6.4%	-61.0%	-59.1%	-2.0%	2.0%	
	Merchandise	31.4%	-7.8%	-2.6%	3.4%	-9.1%	-4.0%	
	Maintenance Service	0.3%	7.2%	-0.9%	6.5%	-9.2%	-1.4%	
	Cloud Services	7.0%	25.4%	26.7%	29.2%	18.1%	18.6%	
	Other Operating Revenue	78.5%	13.1%	12.9%	-1.2%	13.6%	0.0%	
Gross Profit Margin (% YoY diff.)		-3.8%	2.1%	-0.9%	-1.9%	-0.9%	-0.8%	
SG&A Expenses (% growth)		9.9%	8.3%	10.3%	7.8%	8.9%	10.5%	
Operating Profit (% growth)		-51.5%	79.2%	2.1%	8.3%	6.0%	7.5%	
Ordinary Profit (% growth)		-50.8%	76.6%	2.1%	8.0%	5.9%	7.5%	
Net Profit (% growth)		-62.7%	82.5%	2.8%	5.5%	5.9%	6.9%	

(Ref) Prepared by Alpha-Win Research Dept. CE: the Company's forecast/estimate. E: Alpha-Win's forecast/estimate. (Note) Only the sales of FY2025 E (net sales and sales of each category) have been revised since the previous forecast.

9. Analyst's View

◆ Shareholder Return and Shareholder Benefit Program

Capital Policy

- **New capital and dividend policies implemented, with a new target for the EVA spread in addition to the ROE.**

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 implementation of the following new capital policy and dividend policy (Figures 21 and 22 on page 30).

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

・The Company recognizes that achieving a positive EVA spread[9] is essential to enhance shareholder value and, furthermore, to raise corporate value. It will therefore aim 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."

- **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%.**

・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 aim to 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 investment in the expansion of its subscription business.

The EVA spread (ROIC[10] minus WACC[11]), 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, the spread is expected to remain positive but 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 for improving earnings to achieve the above goals have been set out since then.

Measures to increase net operating profit after tax[12] (NOPAT) are especially likely to be a key point. We look forward to further disclosure in the next medium-term plan.

(9) 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).
(10) ROIC: Return on invested capital = NOPAT / (net assets + interest-bearing debt), an indicator of the efficiency of profits relative to invested capital.
(11) 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).
(12) 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%

- **The Company's dividend policy had been to make stable dividend payments based on a dividend payout ratio of 30% and a DOE of 2.5%.**

The Company's basic policy had been to continue stable dividend payments while improving the ratio of net profit to shareholders' equity (ROE) under effective business management.

It had been determining 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%.

◆ **Has been increasing dividends over the long term**

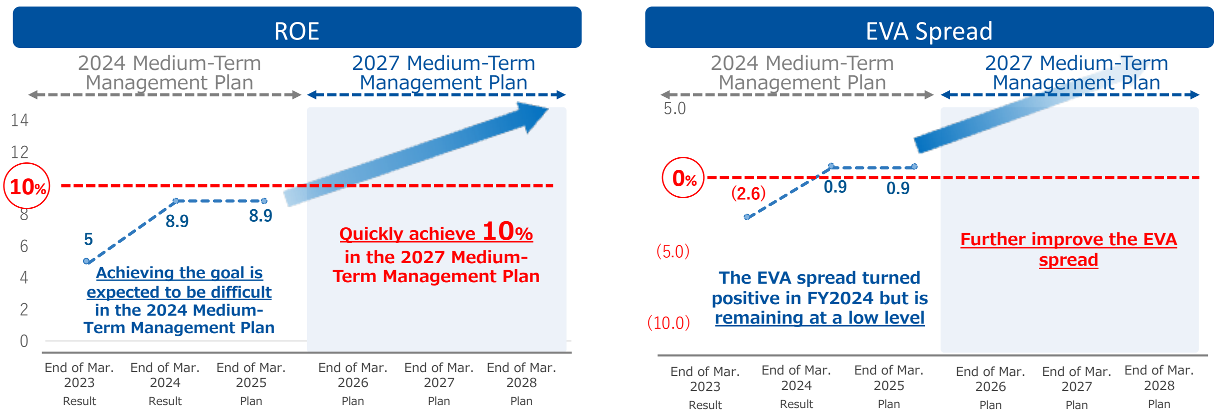
For many years after its stock became listed, the ordinary dividend had stayed fixed with no increase or decrease. Since FY2020, though, the Company has generally been gradually increasing its ordinary dividend and has also paid commemorative dividends (Figure 23 on page 31).

◆ **In line with the new shareholder return policy (dividend payout ratio of 100%), there was a large dividend hike in the previous fiscal year. An increase in dividends is also expected for the current fiscal year.**

In line with its new policy to strengthen shareholder returns (consolidated dividend payout ratio of 100%), dividend per share for the previous fiscal year was raised from the initial plan of 17 yen to 62 yen during the fiscal year, and then ultimately raised significantly to 81 yen (+64 yen or +376% compared to the year before; dividend payout ratio of 100.6%).

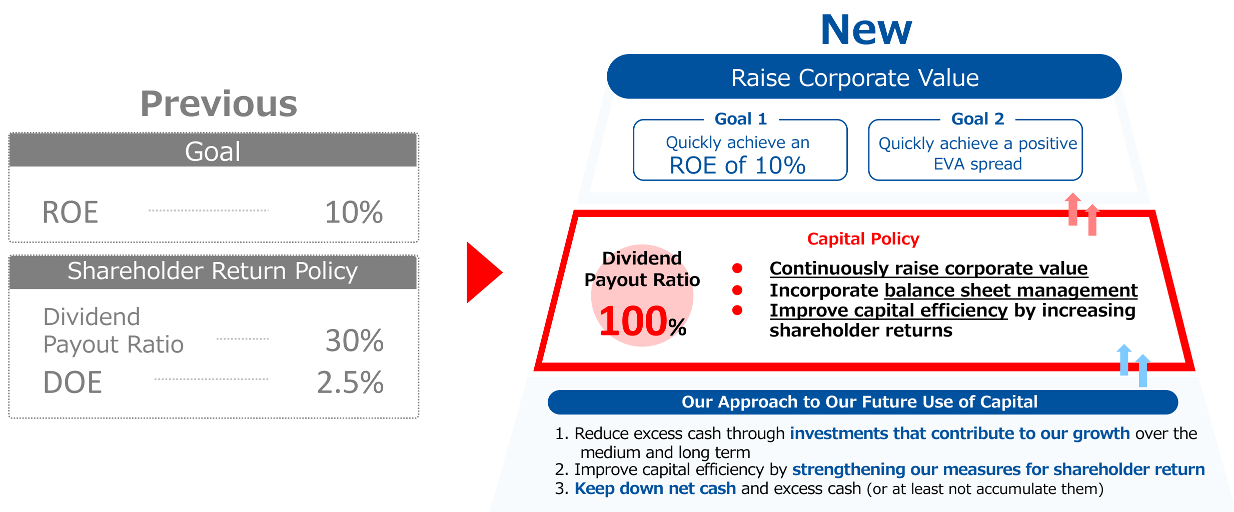
For the current fiscal year, dividend per share is expected to be increased to 83 yen (+2 yen or +2.5% YoY; dividend payout ratio of 100.4%) (based on the Company's forecast).

【Figure 21】Capital Policy and Shareholder Return Measures (ROE and EVA Spread)



(Ref) Figures 21 and 22 have been excerpted from the Company's financial results briefing materials and its news release (on January 29, 2024).
(Notes) ROE and EVA spread for each period in Figure 21 are figures as of the end of March. DOE in Figure 22 is the ratio of dividends to net assets.

【Figure 22】Capital Policy and Shareholder Return Measures (Dividend Payout Ratio)



- **Dividend yield is 4.1%, which is 294th from the top among all 1,642 companies listed on the TSE Prime Market.**

Even though the Company's stock price soared after the announcement of the new shareholder return policy, its forecasted dividend yield based on the most recent stock price is high at 4.1%, which is 294th from the top among all 1,642 companies listed on the TSE Prime Market (top 17.9%).

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."

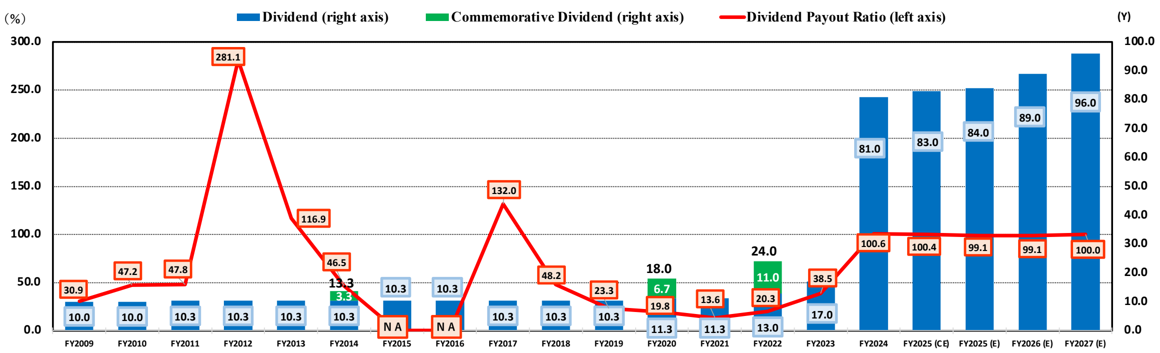
- **We positively evaluate the Company's capital and dividend policies.**

We therefore positively evaluate the Company's new 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 to maintain 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 the ROE reaches 10% and the EVA spread turns positive).

【Figure 23】Change in Dividends and Dividend Payout Ratio (reflecting stock split)



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

Actual Dividend Yield Reflecting the Shareholder Benefit Program

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 as of the end of March of every year.

- **The actual annual net yield including the shareholder benefit program is high at about 4.4% (at maximum).**

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 2,029 yen (closing price on November 22, 2024), the actual annual net yield for a shareholder owning 300 shares is about 4.4% (at maximum) including an ordinary dividend of 83 yen and the shareholder benefit program (Figure 24 on page 32).

- **The actual annual net yield including the shareholder benefit program is also much higher than its competitors.**

Based on the same conditions, the actual annual net yield of its two competitors is about 1.8% 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 24】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	4.42
900	1500	3,000	83	4.25
1,500		4,000	83	4.22

(Ref) Prepared by Alpha-Win Research Dept.
(Note) Actual net yield = (Dividend + Shareholder benefit program's value) / Stock price; calculated based on the minimum number of shares owned for each range. Stock price: 2,029 yen (closing price on November 22, 2024).

Stock Split, Stock Cancellation, and Treasury Shares

- **Conducted a stock split in 2021 and a stock cancellation in 2022.**

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 (3-for-1 stock split) on October 1, 2021 (there has been no stock split since then).

In December 2022, the Company cancelled 1,100 thousand shares (4.8% of total issued shares before the cancellation) out of approx. 3,001 thousand shares held as treasury shares.

As a result, as of the end of September 2024, total issued shares amount to 22,000 thousand shares, of which the Company owns 1,948 thousand shares as treasury shares (8.85% of total issued shares).

◆ Stock Price and Factors that May Impact Stock Price

Performance

- **With solid financial performance, stock price has increased largely and has been significantly outperforming the TOPIX over the past approximately eight years.**

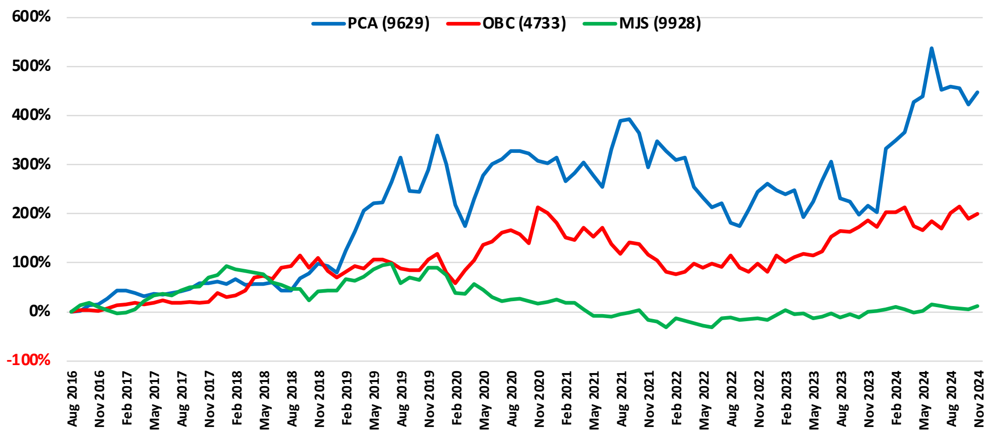
The Company's stock price and relative stock price compared to the TOPIX over the past approximately eight years and three months are shown in the summary section (Figure C on page 4). Its stock price has risen by approx. 5.4x during this period, significantly outperforming the TOPIX which has meanwhile only increased by 2.0x.

Also, over the approximately eight years and three months since August 2016, the Company's stock performance has been extremely strong 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 25).

- **Has been outperforming its competitors and the TOPIX since the beginning of the year, since its measures to strengthen shareholder returns have been well-received.**

Since the beginning of the year, too, the Company has been significantly outperforming its two competitors and the TOPIX after its measures to strengthen shareholder returns were well-received (Figure 26).

【Figure 25】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 November 22, 2024.

Valuation

When compared to the average of all stocks listed on the TSE Prime Market on which the Company is listed, the Company's current stock price seems overvalued in terms of valuation indicators excluding dividend yield (Figure 26).

【Figure 26】Comparison of Valuation and Performance with Major Indices

Notes						Date of Announcement of First-Half Results	Date of Announcement of Measures to Enhance Shareholder Returns
Closing price on November 22, 2024	Stock Price / Indices	This Fiscal Year's Forecasted P/E Ratio	Actual P/B Ratio (at the end of quarter)	Dividend Yield (simple average)	YTD Return	Return Since Oct. 28, 2024	Return Since Jan. 29, 2024
PCA (PRM 9629)	2,029	24.53	2.20	4.09	80.36	-2.1	67.5
Average of All TSE Prime Stocks: PRM	1,387.74	15.41	1.34	2.48	13.97	1.5	6.6
Average of All TSE Standard Stocks: STD	1,235.59	14.12	1.00	2.53	5.67	1.9	1.1
Average of All TSE Growth Stocks: GRT	814.57	48.42	3.09	0.80	-8.58	4.2	-8.8
TOPIX	2,696.53	-	-	-	13.95	1.5	6.6
Nikkei Stock Average	38,283.85	15.60	1.42	2.02	14.4	-0.8	6.3

(Ref) Prepared by Alpha-Win Research Dept. based on various stock price data. (Note) PCA's P/E ratio and dividend yield are based on its forecast and actual figures.

◆ **Its stock is overvalued compared to the TSE Prime's average, excluding dividend yield.**

Compared to the TSE Prime's forecasted average P/E ratio of 15.41, the Company's P/E ratio based on its forecast is 24.53. Similarly, compared to TSE Prime's actual P/B ratio of 1.34, the Company's is 2.20, and compared to the TSE Prime's forecasted dividend yield (simple average) of 2.48%, the Company's is 4.09% (based on the closing price on November 22, 2024).

◆ **There is also no sense of undervaluation in the stock price compared to its two listed competitors.**

Based on our profit forecasts, the Company's P/E ratio is expected to be 18.2 for the current fiscal year, 17.4 for the next fiscal year, and 16.5 for the fiscal year after the next. When its valuation is compared with its two competitors (OBC and MJS), the Company's dividend yield is the highest, while its P/B ratio is low along with MJS, but the other valuation indicators (P/E ratio, P/S ratio, and EV/EBITDA) are about average. There is no sense of undervaluation in the stock price (Figure 27).

【Figure 27】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 Market)	9629 P	4733 P	9928 P	3994 P	4478 G
	Stock price (closing price on 11/22/2024)	2,029	7,090	1,950	4,330	2,589
	Market capitalization (million yen)	44,638	534,614	67,872	236,744	151,742
	P/E Ratio (price-to-earnings ratio)	24.5	33.9	13.1	-	-
	P/B Ratio (price-to-book ratio)	2.2	3.4	2.2	9.5	9.0
	Dividend yield (%)	4.1	1.3	2.8	-	-
	EV/EBITDA	9.9	17.1	6.5	Negative	121.7
	P/S Ratio (price-to-sales ratio)	2.7	11.1	1.5	5.8	4.6
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 ending June 2025	Net Sales (million yen)	16,507	48,000	45,500	39,500 - 42,000	33,060
	Gross Profit Margin (%)	63.3	81.9	64.0	Not disclosed	Not disclosed
	Operating Profit (million yen)	2,357	21,500	6,740	(1,898) - (3,898)	(Adjusted) 1 - 1,000
	Operating Profit Margin (%)	14.3	44.8	14.8	-	-
	EPS (company forecast): YoY change (%)	81.4	13.5	4.7	-	-
Last Fiscal Year's Full-Year Results	DOE (%): Result	9.0	4.2	5.9	-	-
Past Growth Rates	Past 10 Years' Sales Growth Rate	83.9	111.6	96.4	Past 10 years: 3 ⇒ 30,380	Past 9 years: 216 ⇒ 25,430
	Past 10 Years' Operating Profit Growth Rate	N.A.	119.1	142.1	Past 7 years: (876) ⇒ (6,329)	Past 5 years: (2,830) ⇒ (8,386)
This First Half's Results (excl. MF and FR) *PCA, OBJ, and MJS: This FY's first half ended Sept. 2024 *MF:This FY's Q3 ended Aug. 2024 *FR: Q1 of FY ending June 2025	Equity Ratio (%)	55.9	77.1	59.7	28.4	42.3
	Net Sales (million yen)	7,895	22,738	22,749	*29,673*	*7,376*
	Sales Growth Rate	11.6	16.7	7.4	*37.5*	*29.0*
	Operating Profit (million yen)	1,375	10,111	2,967	*(2,837)*	*213*
	Profit Growth Rate	37.7	23.9	6.0	-	-
	Operating Profit Margin (%)	17.4	44.5	13.0	-	*2.9*
	Progress (%) toward Achieving the Full-Year Sales Target	47.8%	47.4%	50.0%	*72.8%*	*22.3%*
	Progress (%) toward Achieving the Full-Year Operating Profit Taret	58.3%	47.0%	44.0%	-	*21.3%*

(Notes)

・P and G of the TSE Market stands for the Prime and Growth markets, respectively.
・Market capitalization = total issued shares x market stock price [closing price on November 22, 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 ending June 2025 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.
・Dividends are based on the companies' forecasts for this fiscal year.
・P/S ratio = market cap / sales [the companies' forecast]
・The average value was used in making estimates when a forecast was disclosed as a range.
・Past 10 years' 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 (this fiscal year's Q3 result for MF; this fiscal year's Q1 result for FR; similar for the sales and operating profit progress in the bottom-most two rows).
・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.

(Ref) Prepared by Alpha-Win Research Department based on the financial results summaries.

- **The two competitors in the area of cloud-based accounting have extremely high valuations.**

Money Forward (P: 3994) and freee (G: 4478) are also the Company's competitors among listed companies, mainly in the area of cloud-based accounting software. However, they are not reasonable targets for valuation comparison since they have been posting net losses (or have low profitability and insufficient disclosure of forecasts) and paying no dividend. Their valuations are extremely high compared to the Company in terms of the P/S and P/B ratios, which are the comparable valuation indicators.

Stock Price Outlook

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

The Company has strengths and significant growth potential in its subscription businesses, including the maintenance service for its packaged, enterprise system software and the cloud or subscription versions of its software.

It will most likely continue to be seen as a domestic-demand-oriented growth stock which will benefit from the government's promotion of the work-style reform, digitalization (including adaptation to the new invoicing system and revision of the Electronic Books Preservation Act), and the expansion of the mental-health-related market.

Also, we believe the Company will be able to return to a strong growth trajectory if the cloud business (including the work management system) drives growth, and if the new businesses (including the CVC) contribute to financial performance.

We expect the Company to maintain an upward trend for sales and profits since IT investments by its corporate customers are expected to remain strong, backed by strong business performances. In addition, the Company's upfront investment costs will most likely peak out, and the new businesses including those based on the subscription model are expected to gain momentum over time.

- **Trends of increasing sales, profits, and dividends are also expected to continue in the next fiscal year and beyond.**
- **Considering the medium-term growth potential, we believe that there is an upside to the stock price.**

If it manages cost control properly, this fiscal year's results may turn out to be somewhat higher than expected, but they are unlikely to be a positive surprise.

In the next fiscal year onwards, the Company is expected to continue growing profit over the medium term with increasing EPS and dividends. These suggest that its stock price has an upside potential.

Going forward, the following will be the key factors that may potentially impact stock price.

- **Key points are this fiscal year and next fiscal year's financial performance, profit growth rate over the medium term, the cloud services' growth rate, monetization of the new businesses/services (especially PCA Hub and Dreamhop), measures to return profit to shareholders, and utilization of its cash.**

1. Financial results of this fiscal year (full year) and the level of financial performance in the next fiscal year
2. Contents of the new medium-term management plan and the profit growth rate over the medium term
3. Performance of the cloud business (changes in the PCA Cloud's number of corporate users and the sales growth rate)
4. Financial performance of the acquired company Dreamhop as well as Xronos (whose growth is highly anticipated), and the development and sales situation of the PCA Hub series, which the Company is currently focused on, as well as its contribution to profit
5. Progress with the PCA Subscription, sales of hyper, progress with the other new products and services, progress with new business

development, the amount of upfront investment, the businesses' contribution to profit, and market competition

6. Shareholder return measures such as dividend hikes, share buybacks, stock splits, and enhancement of the shareholder benefit program
7. Progress with the M&A and alliance strategies
8. New tax systems and changes in regulations
9. How its ample cash will be effectively used

(End of document)