Alpha-Win Company Research Report

PCA CORPORATION
(9629 TSE Prime)

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

● Financial Results Flash Report

◆ A major player specialized in enterprise system software, leading the market as the No. 1 player in cloud-based software

・PCA CORPORATION (hereinafter, the "Company") and its group provide in-house developed, cloud-based business software (for accounting, sales management, purchasing and inventory management, payroll, human resources, work management, attendance management, and more), primarily to small and medium-sized enterprises. It also offers related maintenance services. Its mission is to contribute to society as a "Management Support Company" that supports companies in streamlining management and operation.

・It leads the market as the No. 1 player in cloud-based business software (PCA Cloud). Thanks to its transition to a subscription-based business model, the stability and profitability of business have improved significantly. It is primarily focused on cloud and solution services, offering software designed to enhance business operations for corporate users.

・Record-high sales and profits were achieved in FY2020 (note that the Company's fiscal years are March-ending, i.e., FY2020 ended in March 2020) thanks to a surge in demand in response to the consumption tax revision and the end of Windows 7 support. In FY2022, although there was a change in the revenue-recognition standard, strong performance was maintained due to high, event-driven demand for the products. In addition, a gain on sales of securities was recorded under extraordinary income, resulting in record-high net profit.

・On the other hand, in a reactionary decline from this previous high demand, sales and profits declined in FY2023. However, in FY2024, the Company achieved record-high sales for the first time in four fiscal years, driven by the cloud services. Although record profits were not reached, profits recovered sharply. The Company also increased dividends significantly for the enhancement of shareholder returns (based on a dividend payout ratio of 100%).

◆ Results for the Third Quarter of This Fiscal Year: Strong performance maintained, with significant increases in sales and profits due to continued growth of the cloud services.

First Nine Months: Summary of Financial Results

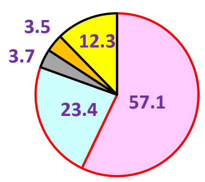
・Results for the first nine months of FY2025 (April-December 2024; hereinafter, "Q3 YTD") were as follows: net sales of 12,061 million yen (+10.0% YoY), operating profit of 2,107 million yen (+24.0% YoY), ordinary profit of 2,147 million yen (+23.9% YoY), and profit attributable to owners of parent (hereinafter, "net profit") of 1,443 million yen (+24.1% YoY) (Figure 1). Both sales and profits saw double-digit growth YoY.

・Although sales of products fell by half, sales of the highly profitable cloud services grew and drove the Company's overall performance. In addition, company-wide price revisions and cost control led to improved profit margins and high profit growth rates.

【Figure 1】Q3 YTD Results (April-December 2024)

Q3 YTD Results		FY2024 Q3 YTD	FY2025 Q3 YTD	Amount of Change (YoY)	% Change (YoY)	% of Total
Unit: million yen		Apr-Dec 2023	Apr-Dec 2024	Million yen	%	Apr-Dec 2024
Consolidated Net Sales		10,962	12,061	1,099	10.0	100%
Sales Category	Products	957	447	-510	-53.3	3.7%
	Merchandise	414	418	4	0.8	3.5%
	Maintenance Service*	2,626	2,822	196	7.4	23.4%
	Cloud Services*	5,376	6,892	1,516	28.2	57.1%
	Other Operating Revenue	1,586	1,491	-95	-6.7	12.4%
Gross Profit		6,940	7,801	861	12.4	
	Gross Profit Margin (%)	63.3	64.7	1.4		
SG&A Expenses		5,240	5,693	453	8.6	
	SG&A Expense Ratio (%)	47.8	47.2	-0.6		
Operating Profit		1,699	2,107	408	24.0	
	Operating Profit Margin (%)	15.5	17.5	2.0		
Ordinary Profit		1,734	2,147	413	23.9	
	Ordinary Profit Margin (%)	15.8	17.8	2.0		
Net Profit		1,162	1,443	281	24.1	
	Net Profit Margin (%)	10.6	12.0	1.4		

【Figure 2】Sales Composition by Category in Q3 YTD (%)



(Source) Prepared by Alpha-Win Research Dept. based on the financial results summary. (Note) Subscription businesses = Cloud services + maintenance service

Q3 YTD Progress Against Full-Year Plan

・The Company's Q3 YTD progress in terms of achieving its full-year plan was 73.1% for net sales, 89.4% for operating profit, and 87.1% for net profit, which were higher than the average of the past 20 years (70.3% for net sales and 71.7% for operating profit).

・The Q3 YTD sales growth rate (YoY) was in line with the full-year plan. Meanwhile, both profit growth rates exceeded the full-year plan by more than 20 percentage points, suggesting that Q3 YTD profits were most likely significantly higher than the Company's expectations.

Q3 YTD: Sales by Category

・Q3 YTD sales of each category (the Company's sales segmentation) were as described below. The decline in product sales was compensated by sales growth of the subscription businesses (cloud and maintenance) (Figure 1 on page 1).

1. **Products:** To shift business resources for development and support to the subscription services, the Company discontinued sales of the previously provided packaged software (PCA Software) in March 2024. Consequently, from the Q3 YTD of last fiscal year to the Q3 YTD of this fiscal year (the same order applies hereinafter), product sales were halved from 957 million yen to 447 million yen (-510 million yen or -53.3% YoY). As a result, the products' proportion of net sales declined from 8.7% to 3.7%. The impact was limited, however, as this category's sales had already declined in the previous fiscal year.

2. **Merchandise (ledger sheets, etc.)**: With the trend towards digitalization and paperless operations, sales only increased slightly from 414 million yen to 418 million yen (+4 million yen or +0.8% YoY). Its proportion of net sales declined slightly from 3.8% to 3.5%.

3. **Maintenance Service**: Despite the continued shift from the on-premises (products) to the cloud services, sales grew steadily from 2,626 million yen to 2,822 million yen (+196 million yen or +7.4% YoY) due to on-premises sales expansion and price revisions in the previous fiscal year.

4. **Cloud Services**: Sales grew from 5,376 million yen to 6,892 million yen (+1,516 million yen or +28.2% YoY), maintaining a high growth rate, thanks to the steady increase in the number of corporate users of the cloud services and the price revisions. The cloud services' amount of sales growth represented 137.9% of the Company's net sales growth of 1,099 million yen.

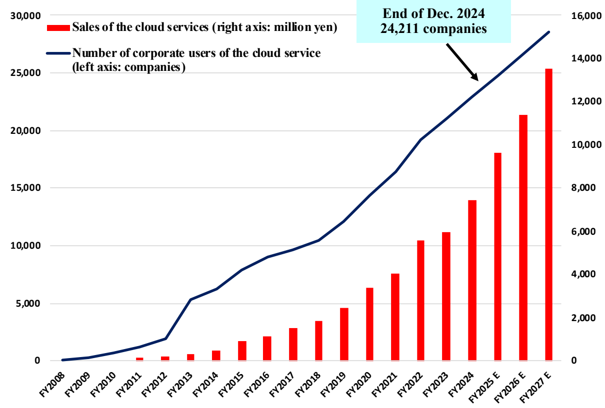
   Sales of the cloud services accounted for 57.1% of the Company's net sales, making it the largest sales category (its sales proportion was 49.0% in the previous fiscal year's Q3 YTD). Together with maintenance service (23.4% of net sales), the subscription businesses accounted for the majority of net sales, at 80.5% (73.0% in the previous fiscal year's Q3 YTD) (Figure 2 on page 1). With long-term viability and high marginal profit ratios, both businesses are most likely making a significant contribution to the Company's business performance in terms of both sales and profits.

   Regarding the (net) number of corporate users of the PCA Cloud series, the number has been increasing from 12,070 at the end of March 2019 to 14,327 at the end of March 2020 (+2,257 YoY), 16,444 at the end of March 2021 (+2,117 YoY), 19,152 at the end of March 2022 (+2,708 YoY), 21,022 at the end of March 2023 (+1,870 YoY), 22,899 at the end of March 2024 (+1,877 YoY), and 24,221 at the end of December 2024 (+1,492 or +6.5% compared to 22,729 at the end of the previous year's December) (Figure 3 on page 3).

   A quarterly comparison of the number of corporate users (as of the end of each quarter) shown in Figure 4 on page 3 indicates a slowdown in both the YoY and QoQ growth rates, as well as the net increase in number, compared to past periods.

   However, thanks to the acquisition of new customers leading to an increase in the number of corporate customers, as well as the continued rise in the (estimated) average revenue per subscription due to price revisions, the sales growth rate (YoY) has exceeded 20%, driving steady sales growth.

【Figure 3】Annual Change in the Sales and Number of Corporate Users of the PCA Cloud Series



(Source) Prepared by Alpha-Win Research Dept. based on the financial results summary and briefing materials.
(Note) "E" represents estimates/forecasts made by Alpha-Win Research Dept.

【Figure 4】Quarterly Change in the Number of Corporate Users, Sales, and Estimated Average Revenue Per Subscription of the PCA Cloud Series

	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
		% 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	%
Mar 2021 (Q4)	16,444	14.8	2,117	—	—	1,076	14.0	132	4.3	44		
June 2021 (Q1)	Not disclosed	—	—	—	—	1,255	31.1	298	16.6	179		
Sept. 2021 (Q2)	17,785	16.5	2,523	—	—	1,340	35.1	348	6.8	85		
Dec. 2021 (Q3)	18,578	—	—	4.5	793	1,449	40.4	417	8.1	109	26.6	
Mar. 2022 (Q4)	19,152	16.5	2,708	3.1	574	1,524	41.6	448	5.2	75	26.9	
June 2022 (Q1)	19,441	—	—	1.5	289	1,361	8.4	106	-10.7	-163	23.5	
Sept. 2022 (Q2)	19,853	11.6	2,068	2.1	412	1,499	11.9	159	10.1	138	25.4	
Dec. 2022 (Q3)	20,406	9.8	1,828	2.8	553	1,512	4.3	63	0.9	13	25.0	-5.8%
Mar. 2023 (Q4)	21,022	9.8	1,870	3.0	616	1,584	3.9	60	4.8	72	25.5	-5.3%
June 2023 (Q1)	21,594	11.1	2,153	2.7	572	1,616	18.7	255	2.0	32	25.3	7.5%
Sept. 2023 (Q2)	22,238	12.0	2,385	3.0	644	1,827	21.9	328	13.1	211	27.8	9.3%
Dec. 2023 (Q3)	22,729	11.4	2,323	2.2	491	1,933	27.8	421	5.8	106	28.7	14.5%
Mar. 2024 (Q4)	22,899	8.9	1,877	0.7	170	2,091	32.0	507	8.2	158	30.6	19.9%
June 2024 (Q1)	23,252	7.7	1,658	1.5	353	2,204	36.4	588	5.4	113	31.8	25.9%
Sept. 2024 (Q2)	23,797	7.0	1,559	2.3	545	2,305	26.2	478	4.6	101	32.7	17.5%
Dec. 2024 (Q3)	24,221	6.6	1,492	1.8	424	2,383	23.3	450	3.4	78	33.1	15.4%

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

5. **Other Operating Revenue**: Sales fell by 105 million yen (-6.7% YoY) from 1,586 million yen to 1,481 million yen. Sales were weak compared to the full-year plan, but this may partly be due to seasonal factors such as postponements.

Q3 YTD: Profits

・In terms of profit, since the Company's main business has a high marginal profit ratio, changes in sales tend to have a significant impact on profit margins and profit. Indeed, in this fiscal year's Q3 YTD, the gross profit margin rose by 1.4 percentage points from 63.3% in the previous fiscal year's Q3 YTD to 64.7%, driven by an improvement of the product mix resulting from the relatively high sales growth rate of the cloud services, as well as the price revisions (implemented in July 2023).

・SG&A expenses increased (+453 million yen or +8.6% YoY), mainly due to higher personnel and development expenses, but their rate of increase was below the net sales growth rate of 10.0%. Consequently, the SG&A expense ratio improved by 0.6 percentage point, from 47.8% to 47.2%, and the operating profit margin rose from 15.5% to 17.5% (+2.0 percentage points). This Q3 YTD's operating profit margin largely exceeded the Company's expectation of 14.3% for the full fiscal year (+3.2 percentage points).

・The Company posted a non-operating income of 40 million yen for this fiscal year's Q3 YTD (+6 million yen YoY). It also posted a net loss of 24 million yen under extraordinary losses (which were zero in the previous fiscal year) due to the sale of strategically held shares. Since there were no other major items, net profit also saw a significant increase.

Quarterly Performance Trends

・The quarterly performance trends for this fiscal year are as shown in Figure 5 on page 4. In the first three quarters of this fiscal year (Q1–Q3), both sales and profits increased YoY (seven consecutive quarters of sales and profit growth since Q1 of FY2024). Additionally, Q3 sales reached 4,166 million yen, the highest sales ever on a quarterly basis. Profits, however, were high but did not surpass the record.

・The sales growth rates (YoY) of Q1, Q2, and Q3 of this fiscal year were 14.5%, 8.9%, and 7.2%, respectively, and the operating profit growth rates were 63.6%, 18.4%, and 4.4%. Although momentum has somewhat slowed, business performance has remained steady.

・Similarly, from last fiscal year to this fiscal year, the operating profit margin improved from 12.6% to 18.0% in Q1 (+5.4 percentage point) and from 15.5% to 16.8% in Q2 (+1.3 percentage point), but decreased from 18.0% to 17.6% in Q3 (-0.4 percentage point), indicating that the YoY amount of improvement is gradually narrowing.

・On a quarterly basis, too, the cloud services' sales growth has continued to stably contribute to earnings.

【Figure 5】Quarterly Business Performance Trends

		FY2024				FY2025				FY2025: YoY Change (amount)				FY2025: YoY Change (%)			
Results		Q1	Q2	Q3	Q4	Q1	Q2	Q3	*Q4 CE*	Q1	Q2	Q3	*Q4 CE*	Q1	Q2	Q3	*Q4 CE*
Unit: million yen		Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024	*Jan-Mar 2025*	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024	*Jan-Mar 2025*	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024	*Jan-Mar 2025*
Consolidated Net Sales		3,387	3,687	3,888	4,056	3,879	4,016	4,166	*4,446*	492	329	278	*390*	14.5	8.9	7.2	*9.6*
Sales Category	Products	349	364	244	265	156	143	148	*29*	-193	-221	-96	*-236*	-55.3	-60.7	-39.3	*-89.1*
	Merchandise	95	103	216	118	107	108	203	*100*	12	5	-13	*-18*	12.6	4.9	-6.0	*-15.3*
	Maintenance Service	839	876	911	942	957	949	916	*713*	118	73	5	*-229*	14.1	8.3	0.5	*-24.3*
	Cloud Services	1,616	1,827	1,933	2,091	2,204	2,305	2,383	*2,570*	588	478	450	*479*	36.4	26.2	23.3	*22.9*
	Other Operating Revenue	486	516	584	641	453	514	514	*1,033*	-33	-2	-70	*392*	-6.8	-0.4	-12.0	*61.2*
Gross Profit		2,116	2,313	2,511	2,696	2,546	2,640	2,615	*2,640*	430	327	104	*-56*	20.3	14.1	4.1	*-2.1*
	Gross Profit Margin (%)	62.5	62.7	64.6	66.5	65.6	65.7	62.8	*59.4*	3.2	3.0	-1.8	*-7.1*	-	-	-	-
SG&A Expenses		1,688	1,742	1,810	2,086	1,846	1,965	1,882	*2,391*	158	223	72	*305*	9.4	12.8	4.0	*14.6*
	SG&A Expense Ratio (%)	49.8	47.2	46.6	51.4	47.6	48.9	45.2	*53.8*	-2.2	1.7	-1.4	*2.3*	-	-	-	-
Operating Profit		428	570	701	610	700	675	732	*250*	272	105	31	*-360*	63.6	18.4	4.4	*-59.0*
	Operating Profit Margin (%)	12.6	15.5	18.0	15.0	18.0	16.8	17.6	*5.6*	5.4	1.3	-0.4	*-9.4*	-	-	-	-
Ordinary Profit		436	590	708	609	708	700	739	*244*	272	110	31	*-365*	62.4	18.6	4.4	*-59.9*
	Ordinary Profit Margin (%)	1.3	1.6	18.2	15.0	1.8	1.7	1.8	*0.5*	0.5	0.1	-16.4	*-14.5*	-	-	-	-
Net Profit		266	394	502	449	455	458	530	*213*	189	64	28	*-236*	71.1	16.2	5.6	*-52.6*
	Net Profit Margin (%)	7.9	10.7	12.9	11.1	11.7	11.4	12.7	*4.8*	3.9	0.7	-0.2	*-6.3*	-	-	-	-

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

Balance Sheet

・As of the end of this fiscal year's Q3 (December 2024), there was no significant change in the balance sheet compared to the end of the previous fiscal year (March 2024). Although cash & deposits have decreased by a little more than 600 million yen since the end of March, they are still maintained above the annual sales at approx. 20.3 billion yen. With an equity ratio of 56.5% and a current ratio of 201.4%, its financial standing is strong.

・Contract liabilities (consideration received for services not yet provided under subscription contracts, such as those of the cloud services) have been maintained at a high level of 10,331 million yen, at a slight increase of 255 million yen (+2.5%) compared to the end of March.

◆Financial Forecast for This Fiscal Year and Beyond

The Company's Financial Forecast for This Fiscal Year

・The Company has not changed its initial full-year forecast announced at the beginning of the fiscal year. It forecasts full-year net sales of 16,507 million yen (+9.9% YoY), operating profit of 2,357 million yen (+2.1% YoY), and net profit of 1,656 million yen (+2.8% YoY). Steady growth is expected to continue in the current fiscal year, particularly with the cloud services, but the profit margin is expected to deteriorate due to upfront investments for the next stage of growth (the operating profit margin is expected to decline by 1.1 percentage points from 15.4% in the previous fiscal year to 14.3% in the current fiscal year). The profit growth rate is therefore expected to be small compared to the sales growth rate (Figure 6 on page 5).

・For this full fiscal year, the Company expects a net sales growth of 1,489 million yen (+9.9% YoY). It expects product sales to fall by 746 million yen YoY (-61.0% YoY) due to the discontinuation of packaged software sales, along with which maintenance sales are also expected to decline slightly by 33 million yen (-0.9% YoY).

・On the other hand, due to the increasing number of corporate users and the shift from products to PCA Cloud and PCA Subscription, the cloud services' sales are expected to increase significantly this fiscal year by 1,995 million yen (+26.7% YoY). This is expected to offset the decline in sales of products and merchandise (the amount of sales growth from the cloud services is expected to account for 134% of the net sales growth amount). Other operating revenue (solutions and others) is also expected to rise by 287 million yen (+12.9% YoY), despite the decline up through Q3.

・Cost of sales (labor, subcontracting, and cloud costs), R&D expenses, and other SG&A expenses (personnel expenses, advertising and sales promotion expenses, and system usage fees) are planned to be increased to strengthen the development of products such as the PCA Hub series for the next stage of growth. Consequently, the gross profit margin will fall by 0.9 percentage point from 64.2% to 63.3% (from the previous to the current fiscal year; the same order applies hereinafter). Meanwhile, the SG&A expense ratio is expected to increase by 0.2 percentage point from 48.8% to 49.0%.
・As a result, the operating profit margin is expected to fall by 1.1 percentage points from 15.4% to 14.3%. However, profit growth brought by increased sales is expected to absorb all negative impacts on the profit margin, ensuring an increase in profit.
・The Company seems to expect no major non-operating or extraordinary income/losses in this fiscal year's Q4.

【Figure 6】Financial Forecast for This Fiscal Year

Consolidated (unit: million yen)		FY2024	FY2025: Company Forecast (CE)			FY2025: Alpha-Win's Forecast (E)			FY2025: Difference between Alpha-Win's Forecast and the Company's Plan	
		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	Amount of Difference (E-CE)	% Difference (E-CE)/CE
Net Sales		15,018	16,507	1,489	9.9%	16,700	1,682	11.2%	193	1.2%
Sales Category	Products	1,222	476	-746	-61.0%	500	-722	-59.1%	24	5.0%
	Merchandise	532	518	-14	-2.6%	550	18	3.4%	32	6.2%
	Maintenance Service	3,568	3,535	-33	-0.9%	3,800	232	6.5%	265	7.5%
	Cloud Services	7,467	9,462	1,995	26.7%	9,650	2,183	29.2%	188	2.0%
	Other Operating Revenue	2,227	2,514	287	12.9%	2,200	-27	-1.2%	-314	-12.5%
Gross Profit		9,636	10,441	805	8.4%	10,400	764	7.9%	-41	-0.4%
	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	-2.3%
	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	6.1%
	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	5.8%
	Ordinary Profit Margin	15.6%	14.5%	-1.1%		15.1%	-0.5%		0.7%	
Profit Attributable to Owners of Parent		1,611	1,656	45	2.8%	1,700	89	5.5%	44	2.7%
	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	

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

・For annual dividends, the Company plans to pay 83 yen/share, an increase of 2 yen/share from the previous fiscal year (no change to plan). It plans for a dividend payout ratio of 100.4%, the same level as the previous fiscal year, expecting to achieve the new dividend payout ratio target of 100% (Figure 6). The DOE, which was 9.0% in the previous fiscal year, is also expected to remain largely unchanged at 8.9% this fiscal year (the Company's forecast).

Alpha-Win Research Department's Forecast for This Fiscal Year and Beyond

・In the current fiscal year, we expect the Company to achieve net sales of 16,700 million yen (+11.2% YoY), which is slightly greater than the Company's forecast (16,507 million yen; +9.9% YoY). Regarding the Company's profit forecasts, we believe that upward revisions are possible since improvements of the gross profit margin have been greater than expected and the Company's cost assumptions (the SG&A expense ratio) seem somewhat conservative.
・For operating profit, the Company's forecast is 2,357 million yen, while we forecast 2,500 million yen (+143 million yen or +6.1% compared to the Company's forecast). For net profit, the Company's forecast is 1,656 million yen, while we forecast 1,700 million yen (+44 million yen or +2.7% compared to the Company's forecast) (no change to our forecasts).
・We expect dividends for the current fiscal year to be 84 yen/share, which is greater than the Company's plan of 83 yen/share due to the difference in the EPS forecast.

・Our financial forecasts for the current fiscal year, the next fiscal year, and the fiscal year after the next remain unchanged from our previous report (Figure A on page 9; please refer to our previous report issued on November 29, 2024, for further details).
・Inflation, rising domestic interest rates, labor shortages, and trade tensions caused by the U.S. raising tariffs on foreign countries may lead to deteriorating performance and reduced IT investment among small and medium-sized enterprises (the Company's users). These factors, along with cost management, should be considered as potential variables or risks affecting financial performance.

・Actual profits through Q3 of the current fiscal year have significantly exceeded our expectations.
・The Company's Q4 forecast (i.e., full-year forecast minus Q3 YTD result) is as follows: net sales of 4,446 million

yen (+9.6% YoY), operating profit of 250 million yen (-59.0% YoY), and net profit of 213 million yen (-52.6% YoY). The Q4 operating profit margin is also expected to drop sharply to 5.6% from 15.0% in the previous fiscal year. Unless the Company intentionally increases investments and expenses beyond the initial plan, it seems unlikely that it will experience a significant decrease in profits despite a YoY increase in sales during this period.

・Therefore, while the outcome will depend on the Company's plan for budget execution in Q4, we believe that with appropriate cost control, there is a high likelihood of upward revisions in full-year profits. However, as the Company may increase development investments, sales promotion expenses, personnel expenses, and other expenses for future growth, we have kept our profit forecasts unchanged.

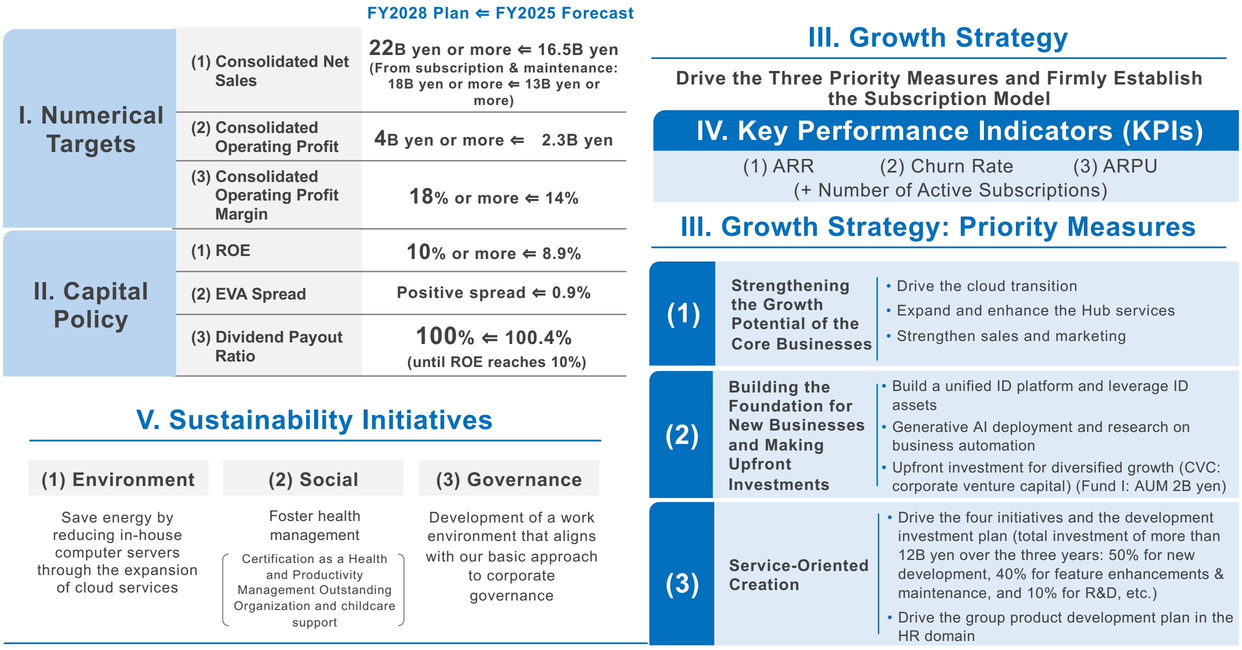
New Medium-Term Management Plan

・On December 23, 2024, the Company announced the 2027 Medium-Term Management Plan (hereinafter referred to as the "next medium-term plan"), covering the three fiscal year years from April 2025 to March 2028.

・In the next medium-term plan, the Company's mission is to continue to be a "Management Support Company" that helps companies streamline their management and operations, with a focus on providing enterprise system software that enables high levels of automation.

・The outline of the next medium-term plan is shown in Figure 7.

【Figure 7】Outline of the New Medium-Term Management Plan (FY2026-FY2028)



(Source) Prepared and edited by Alpha-Win Research Dept. based on the "2027 Medium-Term Management Plan" (presentation slides).
(Note) Regarding the numerical targets and capital policy, the left-hand side of each item indicates the target of the new medium-term plan, while the right-hand side indicates the forecast for the current fiscal year.

I. Regarding numerical targets for the final year of the plan, the Company has set (1) consolidated net sales to be at least 22 billion yen, which is 1.34x the Company's forecast for the current fiscal year (annualized: approx. +10%). Of this, sales from subscription and maintenance are expected to reach at least 18 billion yen, which is 1.38x this fiscal year's forecast (annualized: +11.5%). Similarly, for (2) consolidated operating profit, the Company has set the target to be at least 4 billion yen, which is 1.74x this fiscal year's forecast (annualized: +20%). For (3) operating profit margin, the Company's target is 18% or more, which is more than 4 percentage points higher than this fiscal year's plan. Overall, the Company has set ambitious goals.

II. In terms of capital policy, the Company is targeting (1) ROE of at least 10%, an increase of more than 1.1 percentage points compared to the current fiscal year's plan. For (2) EVA spread, it aims to achieve a positive spread (a positive spread of 0.9% is already expected this fiscal year). In addition, the Company has set the (3) dividend payout ratio target to be 100%, which it expects to achieve again this fiscal year (100.4%), as it did last fiscal year. All of these targets seem likely to be achieved.

III. Regarding its growth strategy, the Company aims to firmly establish the subscription model and drive the following three priority strategies: (1) strengthening the growth potential of the core businesses, (2) building the foundation for new businesses and making upfront investments, and (3) service-oriented creation.

IV. The three key performance indicators (KPIs) it announced are (1) ARR (annual subscription revenue), (2) churn rate, and (3) ARPU (annual revenue per subscription). In the next medium-term plan that it announced, the Company disclosed these three KPIs on a quarterly basis from FY2022 through the first half of the current fiscal year, in addition to the number of active subscriptions. However, the figures for the end of this fiscal year's Q3 were not disclosed. Going forward, it is hoped that the Company will disclose these four key performance indicators on a quarterly basis, in a timely and consistent manner.

・After acquiring Dreamhop Co., Ltd., as a subsidiary, the Company has been focused on improving its financial performance by strengthening sales, services, products, and capital. Although information on recent situations has not been disclosed, Dreamhop seems to be continuing to post a loss; drastic measures are awaited.

・The Company is also focused on the sales promotion of PCA Subscription, PCA Hyper (enterprise systems for mid-tier companies), and the PCA Hub series, whose sales trends should be monitored.

・The Company's business is a cash cow, with accumulated cash and deposits in abundance. For the next medium-term plan, the Company announced the management strategies and measures for improving capital efficiency and profitability (quickly achieving an ROE of at least 10% and a positive EVA spread), as well as an overview of the businesses that will become the next pillars of revenue. The specific execution status of these measures and their contribution to earnings should be closely monitored.

◆ Stock Price and Characteristics

・The Company is evaluated as a defensive, small-cap, and domestic-demand-oriented growth stock with a subscription-based business. It has been significantly outperforming the TOPIX since December 2018 (Figure C on page 10). Since the announcement in January 2024 of enhanced shareholder returns through changes in capital and dividend policies, the stock price has been especially strong and solid, significantly outperforming both the TOPIX and its competitors.

・When compared to the average valuation of all stocks listed on the TSE Prime Market, based on key valuation indictors, the Company appears somewhat overvalued, with a forecasted P/E ratio of 23.76 (based on the Company's forecast for this fiscal year) and an actual P/B ratio of 2.13 (Figure 8).

・On the other hand, in terms of the high expected dividend yield of 4.22%, the stock appears undervalued (based on the closing price on January 31, 2025; as reference, the TSE Prime's averages are 15.74 for the forecasted P/E ratio, 1.38 for the P/B ratio, and 2.47% for the simple average of the dividend yield).

【Figure 8】Comparison of Valuation and Performance with Major Indices

Notes Based on the closing price on January 31, 2025	Stock Price / Indices	This Fiscal Year's Forecasted P/E Ratio	Actual P/B Ratio (at the end of quarter)	Dividend Yield (simple average)	2025 YTD Return (based on the closing price as of December 30, 2024)	Date of Announcement of Shareholder Return Enhancement Measures Return Since Jan. 29, 2024
PCA (PRM 9629)	1,965	23.76	2.13	4.22	-8.9	62.3
Average of All TSE Prime Stocks: PRM	1,435.35	15.74	1.38	2.47	4.9	10.3
Average of All TSE Standard Stocks: STD	1,277.37	14.43	1.02	2.51	5.4	4.5
Average of All TSE Growth Stocks: GRT	836.77	50.80	3.21	0.79	7.0	-6.4
TOPIX	2,788.66	-	-	-	0.1	10.2
Nikkei Stock Average	39,572.49	16.09	1.46	1.99	-0.8	9.8

(Source) Prepared by Alpha-Win Research Dept. The Company's valuations were calculated based on the Company's forecast.

・We also compared the key valuation indicators with its competitors Obic Business Consultants (securities code 4733) and Miroku Jyoho Service (securities code 9928), which are both listed on the TSE Prime Market. The Company is in the middle in terms of the P/E, P/B, and P/S ratios and the EV/EBITDA, but its dividend yield is the highest (Figure 9).

【Figure 9】Comparison with Competitors (Valuation, Business Performance, and Financial Indicators)

	Company Name	PCA (consolidated)	Obic Business Consultants (OBC: nonconsolidated)	Miroku Jyoho Service (MJS: consolidated)
Market where Listed, Stock Price, and Valuation	Code (TSE Prime Market)	9629	4733	9928
	Stock Price (closing price on 1/31/2025)	1,965	7,818	1,914
	Market Capitalization (million yen)	43,230	589,508	66,619
	This Fiscal Year's Forecasted P/E Ratio (price-to-earnings ratio)	23.8	37.4	12.9
	Actual P/B Ratio (price-to-book ratio)	2.1	3.8	2.0
	This Fiscal Year's Forecasted Dividend Yield (%)	4.2	1.3	2.9
	This Fiscal Year's Forecasted EV/EBITDA	8.8	19.6	6.3
	This Fiscal Year's Forecasted P/S Ratio (price-to-sales ratio)	2.6	12.3	1.5
Company Forecasts for This Fiscal Year (full fiscal year ending March 2025)	Net Sales (million yen)	16,507	48,000	45,500
	Gross Profit Margin (%)	63.3	81.9	64.0
	Operating Profit (million yen)	2,357	21,500	6,740
	Operating Profit Margin (%)	14.3	44.8	14.8
	Net Profit (million yen)	1,656	15,704	4,440
	Net Profit: % Change (YoY)	2.8	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' Operating Profit Growth Rate (%)	NA	119.1	142.1
This Fiscal Year's Q3 YTD Results	Equity Ratio (%)	56.5	77.2	63.9
	Net Sales (million yen)	12,061	34,763	34,738
	Sales Growth Rate (YoY)	10.0	14.2	5.9
	Operating Profit (million yen)	2,107	15,911	4,890
	Profit Growth Rate (YoY)	24.0	20.0	7.5
	Operating Profit Margin (%)	17.5	45.8	14.1
	Progress (%) toward Achieving the Full-Year Sales Target	73.1%	72.4%	76.3%
	Progress (%) toward Achieving the Full-Year Operating Profit Taret	89.4%	74.0%	72.6%

(Source) Prepared by Alpha-Win Research Department based on each company's financial results summary and stock price data.
(Notes)・Market capitalization = total issued shares x stock price [closing price on January 31, 2025]
・The EPS values used in the P/E calculations are the companies' most recent forecasts for FY2025. The BPS values used in the P/B calculations reflect the results of this fiscal year's Q3.
・EV/EBITDA = (market cap + interest-bearing debt - cash & deposits) / (operating profit + depreciation + intangible fixed asset amortization, etc.)
・Interest-bearing debt and cash & deposits also reflect the results of this fiscal year's Q3.
・Operating profit is based on each company's forecast for this full fiscal year. Depreciation and intangible fixed asset amortization, etc., were estimated for the current full fiscal year by Alpha-Win based on the Q3 results.
・P/S ratio = market cap / sales [the companies' forecast for FY2025]

・As mentioned earlier, we expect upward revisions to profits for the current fiscal year compared to the Company's forecast. The P/E ratio is estimated to be 23.2 based on our forecast for the current fiscal year, 21.9 for the next fiscal year (FY2026), and 20.5 for the fiscal year after the next (FY2027). Despite the decline, the P/E ratio does not suggest undervaluation (Figure B on page 10). The same is true for the P/B ratio, which is 2.1 (based on this fiscal year's forecast).
・However, EPS is expected to rise over the medium term. Assuming a dividend payout ratio of 100%, the expected dividend yield would be 4.3%, 4.5%, and 4.9% for these three years, respectively, which suggests undervaluation even at the current elevated stock price.

・In the final year of the next medium-term plan or FY2028, the post-tax net profit is expected to be 2.8 billion yen, assuming that the consolidated operating profit will be 4 billion yen in line with the Company's plan and that the corporate tax rate will be approximately 30%. Similarly, under the assumption of no dilution, EPS would be 139.64 yen, and if the dividend payout ratio remains at 100%, dividend per share would be about 140 yen.

・Based on the above figures for FY2028, the forecasted P/E ratio would be 14.1 and the dividend yield would be 7.1% (calculated using the closing price at the end of January 2025). Although the forecasted P/E ratio based on FY2028's figures is lower than the ratio based on the Company's forecast for the current fiscal year and is approximately 10% below the market average (based on the current fiscal year's forecasts), there is no particular indication of undervaluation.

- On the other hand, the dividend yield is expected to rise significantly by 2.9 percentage points from the 4.2% forecasted for the current fiscal year, reaching a highly attractive level. Supported by the high growth of its subscription-based business model, the Company's medium-term performance targets appear to be achievable levels as long as costs are managed appropriately, suggesting upside potential for its stock price.
- Going forward, the following are the key points: financial results for this full fiscal year, financial forecast for the next fiscal year, the likelihood of achieving the profit targets for FY2028, progress and results of the upfront investments (in particular, the impact of the development investments on profitability and the results of the CVC or corporate venture capital investments), the growth rate of the cloud services which are the growth drivers (PCA and Xronos), sales trends of the PCA Hub series and PCA Subscription, financial performance of Dreamhop and Xronos, and the impact on financial performance resulting from the replacement of accounting software due to the transition to the new accounting standards for public interest corporations*.

*The Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundation was passed, and in December 2024, the new "Accounting Standards for Public Interest Corporations" and "Implementation Guidelines for the Accounting Standards for Public Interest Corporations" were published. These standards will apply to fiscal years beginning on or after April 1, 2025, with a three-year transitional period extending until March 31, 2028. The Company offers accounting software for public interest corporations, such as PCA Cloud and PCA Subscription (for public interest corporation accounting), holding a top-tier market share in this field.

- As the Company is cash-rich, the following are also key factors that may impact stock price: share buybacks, M&As, investments and financing, dividend increases in line with profit growth, and stock splits.
- It should be noted that the volatility of financial performance and stock price tends to increase before and after periods of high demand caused by events such as changes in the tax system or accounting standards.

【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
2028	CE: Next Medium-Term Plan	22,000		4,000								
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	885.19	0.00
2025	Q2	4,016	8.9	675	18.4	700	18.6	458	16.2	22.84	922.62	0.00
2024	Q3	3,888	15.4	701	42.2	708	41.3	502	52.1	24.78	913.26	0.00
2025	Q3	4,166	7.2	732	4.4	739	4.4	530	5.6	26.09	944.82	0.00
2024	Q4	4,056	17.6	610	To profit	609	To profit	449	661.0	22.70	932.76	81.00
2025	Q4: CE	4,446	9.6	250	-59.0	244	-59.9	213	-52.6	11.02	-	83.00
2024	Q3 YTD	10,962	15.0	1,699	26.8	1,734	26.3	1,162	41.0	57.78	913.26	0.00
2025	Q3 YTD	12,061	10.0	2,107	24.0	2,147	23.9	1,443	24.1	71.68	944.82	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	932.76	81.00
2025	H2: CE	8,612	8.4	982	-25.1	983	-25.4	743	-21.9	37.11	-	83.00

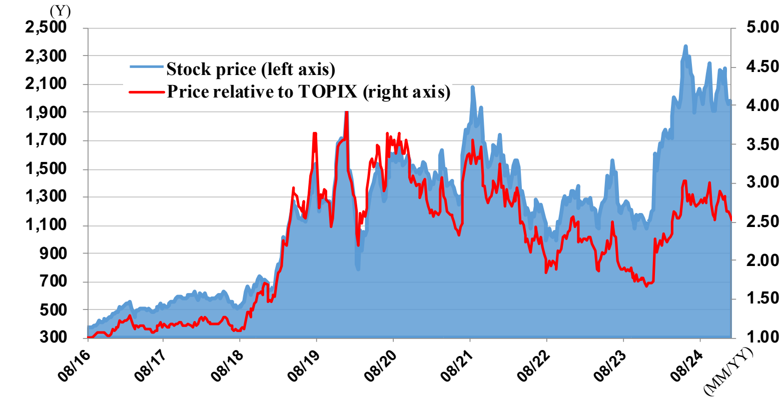
(Notes) A: actual results. CE: the Company's forecast/estimate. E: Alpha-Win's forecast/estimate. Q1: results for the period from April to June. Q2: results for the period from July to September. Q3: results for the period from October to December. Q4: results for the period from January to March. Q3 YTD: results for the period from April to December. H1(first half): results for the period from April to September. H2 (second half): results for the period from December to March. EPS, BPS, and dividends are actual values that retroactively reflect the 3-for-1 stock split on October 1, 2021. "Old Standard" stands for the previous revenue-recognition standard and "New Standard" stands for the new revenue-recognition standard.

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

Item	1/31/2025	Item	P/E Ratio	P/B Ratio	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	1,965	Results for Last Fiscal Year	24.4	2.1	4.1%	13.6%
Total Issued Shares (thou.)	22,000	Forecast for This Fiscal Year	23.2	2.1	4.3%	99.1%
Market Capitalization (million yen)	43,230	Forecast for Next Fiscal Year	21.9	2.1	4.5%	99.1%
Dilutive Shares (thou.)	0	Forecast for Fiscal Year After the Next	20.5	2.1	4.9%	100.0%
Equity Ratio at the End of This Fiscal Year's Q3	56.5%	Dividend on Equity (DOE) at the End of Last Fiscal Year	9.0%		Last Fiscal Year's ROE	8.9%

(Source) Prepared by Alpha-Win Research Dept. (Note) Valuations are based on Alpha-Win's financial forecasts.

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



【Performance】		
Period	Return	Relative to TOPIX
1 month	-8.9%	-9.0%
3 months	1.3%	-2.2%
6 months	-4.1%	-3.9%
12 months	22.4%	13.1%

(Notes) Reflects stock price and index values through the closing price on January 31, 2025. Performance relative to TOPIX is the relative performance calculated by subtracting the TOPIX's performance from the stock performance.

(Note) From the fourth week of August 2016 to the fifth week of January 2025 (through the closing price on 1/31)

(Source) Prepared by Alpha-Win Research Dept. based on stock price data.

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