

Presentation Materials for the Earnings Briefing

for the First Half of the Fiscal Year
Ending March 31, 2021

November 25, 2020



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Overview of Consolidated Financial Results for First-half of FY3/21



Summary of consolidated financial results

Shalom Business

Sales: Firm ASP service (monthly fees) sales, but total sales below plan due to decline in new customers

Profit: Above plan as expenses decreased because of teleworking, cancelation of events, business travel restrictions and other reasons

CuBe Business

Sales: Contracted development sales below plan because of COVID-19 but GooooN sales were mostly as planned

Profit: Smaller than planned loss as expenses decreased because of teleworking, cancelation of events, business travel restrictions and other reasons

(Thousands of yen, %)

	1H FY3/21 Actual	1H FY3/21 Plan	Vs. Plan	Vs. Plan (%)
Net sales	1,128,029	1,200,014	(71,984)	(6.0)%
Shalom Business	917,304	965,014	(47,710)	(4.9)%
CuBe Business	210,725	235,000	(24,275)	(10.3)%
Operating profit	75,944	26,352	+49,592	+188.2%
Shalom Business	92,309	73,416	+18,893	+25.7%
CuBe Business	(16,365)	(47,063)	+30,698	-
Profit attributable to owners of parent	40,976	14,361	+26,615	+185.3%
Basic earnings per share (Yen)	7.55	2.65	+4.9	-

* The figures of 1H FY3/21 plan above were those announced on May 11, 2020.

Consolidated balance sheet

- Property, plant and equipment increased because of the relocation of the Tokyo office
- Current liabilities decreased because of tax payments and other reasons

(Thousands of yen, %)

	1H FY3/21 (Sep. 30, 2020)	FY3/20 (Mar. 31, 2020)	Change	% Change	Notes
Current assets	1,073,146	1,196,267	(123,121)	(10.3)%	Cash and deposits (137) million yen Accounts receivable-trade (13) million yen
Non-current assets	1,141,223	1,038,471	+102,751	+9.9%	Buildings and fixtures +167 million yen Software (including software in progress) (43) million yen
Current liabilities	545,039	599,588	(54,548)	(9.1)%	New long-term borrowings +200 million yen Accrued consumption taxes (90) million yen Income taxes payable (34) million yen
Non-current liabilities	369,503	330,595	+38,908	+11.8%	Long-term borrowings +38 million yen
Total liabilities	914,542	930,183	(15,640)	(1.7)%	-
Shareholders' equity	1,267,909	1,270,251	(2,342)	(0.2)%	Retained earnings (2) million yen
Total net assets	1,299,827	1,304,555	(4,728)	(0.4)%	-
Total assets	2,214,369	2,234,739	(20,369)	(0.9)%	-
Equity ratio	57.3%	56.8%	+0.4pt	-	-

Consolidated statement of cash flows

● Cash flows were affected by increases in payments for taxes and the Tokyo office relocation

(Thousands of yen, %)

	1H FY3/21	1H FY3/20	YoY Change	Notes
Cash flows from operating activities	77,411	345,758	(268,347)	<ul style="list-style-type: none"> • Depreciation of 154 million yen • Payments of 163 million yen for income taxes and consumption taxes
Profit before income taxes	82,591	159,429	(76,837)	
Increase (decrease) in accounts payable-other	(11,145)	(20,764)	+9,618	
Others	5,965	207,094	(201,128)	
Cash flows from investing activities	(276,810)	(78,643)	(198,166)	<ul style="list-style-type: none"> • Purchase of property, plant and equipment of 181 million yen (Tokyo office) • Investment in software of 95 million yen
Investments in non-current assets	(276,855)	(88,192)	(188,662)	
Others	45	9,549	(9,504)	
Cash flows from financing activities	62,115	(67,276)	+129,391	<ul style="list-style-type: none"> • Proceeds of 200 million yen from a new loan • Cash dividends payment of 43 million yen
Proceeds from borrowings	200,000	100,000	+100,000	
Repayments of borrowings	(94,432)	(112,906)	+18,474	
Others	(43,452)	(54,370)	+10,917	
Net increase (decrease) in cash and cash equivalents	(137,283)	199,839	(337,123)	-
Cash and cash equivalents at end of period	585,534	499,595	+85,939	-

Operating results of the Shalom Business

(Thousands of yen, %)

	1H FY3/21	1H FY3/20	YoY Change	YoY % Change	Notes
Net sales	917,304	874,318	+42,985	+4.9%	(ASP service) • Basic Plan 217 million yen (+3.5%) • House Plan 237 million yen (+13.2%) • Shalom CE (including Shalom CE Lite) 77 million yen (+47.5%) • MYNABOX 120 million yen (+3.8%) • DirectHR 24 million yen (-9.4%)
Cloud service	871,070	817,346	+53,723	+6.6%	(System construction service) • Shalom CE initial implementation service fee 23 million yen (-43.2%)
ASP service	798,802	707,799	+91,003	+12.9%	
System construction service	72,267	109,547	(37,279)	(34.0)%	
System product sale	46,233	56,417	(10,183)	(18.1)%	
Other services	-	554	(554)	-	
Gross profit	491,687	518,753	(27,065)	(5.2)%	Cost of sales: +70 million yen (+19.7%) • Increase in amortization: 27 million yen • Increase in labor cost: 34 million yen (Matsuyama Development Center)
<i>Gross margin</i>	53.6%	59.3%	(5.7)pt	-	
Operating profit	92,309	197,884	(105,574)	(53.4)%	SG&A expenses: +75 million yen (+23.4%) • Tokyo office relocation, sponsorship payment to the Shalom National Organization, etc.
<i>Operating margin</i>	10.1%	22.6%	(12.6)pt	-	

Operating results of the CuBe Business

(Thousands of yen, %)

	1H FY3/21	1H FY3/20	YoY Change	YoY % Change	Notes
Net sales	210,725	309,322	(98,596)	(31.9)%	Breakdown of contracted developments: Develop-and-deliver projects 90 million yen (-47.9%) Maintenance, etc. 102 million yen (+2.9%)
Contracted development	193,753	289,636	(95,883)	(33.1)%	
Cloud services	16,972	19,686	(2,714)	(13.8)%	
Gross profit	70,298	80,939	(10,641)	(13.1)%	Cost of sales: (87) million yen (-38.5%) • Decrease in labor cost: 34 million yen • Decrease in outsourcing expenses: 31 million yen
Gross margin	33.4%	26.2%	+7.2pt	-	
Operating profit*	(16,365)	(37,625)	+21,259	-	SG&A expenses: (28) million yen (-24.1%) • Decrease in personnel expenses: 14 million yen
Operating margin	(7.8)%	(12.2)%	+4.4pt	-	
Order backlog	237,417	228,162	+9,255	+4.1%	(1H FY3/20 include order backlog of 8 million yen for Nenmatsu-chosei CuBe)

*Operating profit includes amortization of goodwill of 19,430 thousand yen.



Business Topics for First-half of FY3/21



Sales promotion activities for labor and social security attorney offices

Online seminars for labor and social security attorneys (17 times), and Shalom user meetings (Online + On-site) (4 times)

追加開催します！ **オンラインセミナーです。** 全国より無料でご参加いただけます。

日程 2020年 全国一斉 5/18(月)・19(火) 100名様限定 (※先着順) **時間** 13:30～15:30

今すぐ始める社労士事務所のテレワークセミナー
実践している事務所のノウハウや課題を大公開

講師 出口 裕美 様 社会保険労務士法人 出口事務所 / 代表社員
出口事務所様では事務所のクラウド化を積極的に進め社労夢を中心にテレワークを実践されています。
皆様から問い合わせの多い内容を中心に、導入や運用に向けてのノウハウ、そして先生が課題とされていることを具体的にご紹介いたします。

一般社団法人社労夢全国会 設立のご案内
社労士事務所の経営基盤の安定を社労夢ベースとした人事・労務の分野から支える社労夢ユーザーの団体一般社団法人社労夢全国会を設立します。
一般社団法人社労夢全国会 事務局より

①WEB申込限定です。(FAX申込はごできません。)
セミナー参加定員数にともなく、事務局・会場でのPC等がご参加いただけます。ネットワーク環境と音声入力可能なPC等をご用意ください。参加申し込みの社労士様にメールでオンラインセミナーへのアクセスURLをお送りいたします。

当日のスケジュール
1 一般社団法人社労夢全国会
2 今すぐ始める社労士事務所のテレワーク
3 社労夢で始めるテレワーク電子申請

April and May 2020

Seminar for labor and social security attorneys

Teleworking Seminar for Starting a Labor and Social Security Attorney Office

eNEN 電子化で年末調整業務がここまで変わる！

年末調整クラウド「eNEN」導入セミナー 参加費 無料

2020年 6月25日(木) 13:30～15:00
場所 全国オンライン (Zoom) **定員** 80名

現在年末調整業務を紙で行われている皆様こんなお悩みありませんか？
本セミナーでは、年末調整の電子化をお考えの皆様を対象に、いつまで何をしなくてはならないのかをご説明いたします。

毎年同じ内容を書いているような…
計算方法が分からない！
問合せ対応に追われて日常業務ができない！
給与データの整合性チェックに時間がかかる！
記入ミスのチェック・対応が終わらない！

申請者 **主管部門**

June 2020

Seminar for labor and social security attorneys

Seminar for purchasing eNEN year-end tax adjustment cloud

助成金を活用して働き方改革の実現！ **社労士様向けオンラインセミナー**

助成金を活用して社労夢ハウスを導入し事務所内の業務効率改善！

2020年 7月29日(水) 開催 (13:30～15:00) 定員 80名 (※先着順)
オンラインで全国よりお気軽にご参加いただけます。

講演者 社会保険労務士法人 あさひ労務管理センター 安田 健一 先生
「助成金を活用して社労夢ハウス導入のチャンス」
社労夢ハウスを導入してテレワーク環境の整備・ネットの活用や手続進捗管理機能を活用し、非対面デジタル化を図り、収益UP
「顧問先への助成金提案による労務改善を推進」
顧問先への情報提供・労務状況改善へ助成金の活用を提案し、新型コロナウイルスの影響で苦戦している中小企業をサポート！

当日のスケジュール

① 自己紹介 (社労夢導入や登録の経緯等)	10分	④ 申込時に貰っていた質問への対応	20分
② インターバルコース	20分	⑤ 質疑応答	20分
③ テレワークコース	20分		

July 2020

Seminar for labor and social security attorneys

Seminar for using subsidies for starting to use Shalom House

電子化で年末調整がここまで変わる！！ **eNEN**

オンラインセミナー 参加無料

eNENを利用したWEB年末調整と顧問先提案イメージ
*製品名が「年末調整 CuBe クラウド」から新しくなりました。

講演 TOMA社会保険労務士法人 坂本 彩 様
2700名の年末調整をシステム化 (実績)

2020年 8月6日(木) より全4回 開催予定 (13:30～15:30)
オンラインで全国よりお気軽にご参加いただけます。

講演者 TOMA社会保険労務士法人 坂本 彩 様
昨年は約70社、従業員ベースで2600名～2700名の規模でWEB年末調整申告システム eNEN (旧名称 年末調整 CuBe クラウド) を顧問先事業所に提供しました。総務の方々と社労士事務所が大量の紙のやりとりやチェックなどで費やしていた時間が短縮されましたので、とにかく紙がなくなつてよかったです。従業員本人が申請を上げて、それが社労士につながる、すぐに手続きが終わるというのは大きなニーズがあると思っています。

August and September 2020

Seminar for labor and social security attorneys

Seminar about web year-end tax adjustments and proposals for clients

MYNABOX × Shalom

手入力にさようなら！マイナンバーの簡単管理
マイナボックス
MYNABOX のご紹介セミナー

2020年 8月19日(水) 13:30～15:00
2020年 9月10日(木) 13:30～15:00
2020年 10月7日(水) 13:30～15:00

参加費 無料

場所 全国オンライン (Zoom) **定員** 80名

社労士事務所 **顧問先企業**

電子申請の際に自動添付してほしいマイナンバー管理・紛失が心配
メールや郵送にリスクを感じる
誤送付・紛失の心配を減らしたい

解決できます！

August and September 2020

Seminar for labor and social security attorneys

Seminar to explain MYNABOX

参加費 無料 セミナー

今まで以上に「勤怠システム」が提案しやすくなる！
社労士事務所の業務を削減しつつ、かつ顧問先との「信頼関係」も高める「勤怠システムの提案ノウハウ」をお伝えします

2020年 9月24日(木) 16:00～17:15
*定員になり次第、締め切らせていただきます。
場所 全国オンライン (Zoom) **定員** 80名 *1事務所2名様までお申し込みいただけます

第一部 勤怠システムの導入提案が苦手な方に！提案が簡単になる、明日から使えるノウハウをお伝えします

講演内容 講演者 五味田 匡功 様 ソピア社会保険労務士事務所 創業者 兼 顧問
顧問先に勤怠システムを提案する際、「話してはいるものの、相手の反応が良くない」「費用負担を嫌がられてしまう」といったケースはありませんか？こんな場合は「勤怠システムの代理店」として見られておらず、その壁を打破することが、受注に向けた提案の力になります！本セミナーでは、社労士事務所の業務を削減しつつ、かつ顧問先との信頼関係も高める、勤怠システムの提案ノウハウをお伝えします。

第二部 事務所の業務が圧倒的に効率化する！勤怠情報からWEB明細まで、給与計算を極めたデータ活用

講演内容 各業務の圧倒的な効率化が実現できる、[ネットde顧問]のフル活用についてご紹介させていただきます！

August and September 2020

Seminar for labor and social security attorneys

Seminar explaining how to create proposals for working time recording systems

Online seminars (since April 2020)

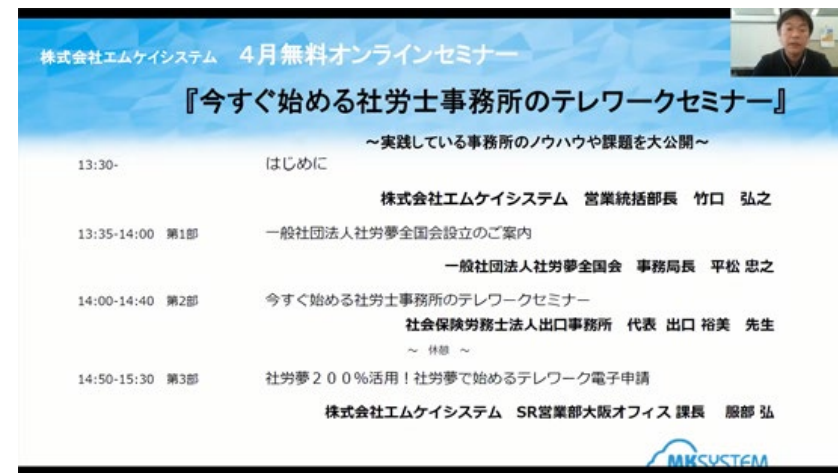
More than 1,000 people have attended nationwide online seminars since April

The seminars are very popular as a way for people anywhere in Japan to participate in these events with ease.

Many seminars are planned for labor and social security attorneys and for companies.

Date of seminar	Number of applicants	Date of seminar	Number of applicants
April 21	96	August 6	78
April 23	82	August 19	25
May 18	46	August 26	56
May 19	46	September 8	54
June 25	80	September 10	44
July 15	57	September 16	80
July 21	76	September 24	61
July 28	84	September 29	81
July 29	25	Total	1,071

Teleworking Seminar for Starting a Labor and Social Security Attorney Office



Online seminar for labor and social security attorneys

*Seminar registration is closed when the limit for participants is reached.

*Some seminars may allow more than the designated limit for participants and other seminars may not.

*The numbers in this table do not reflect registered participants who cancel or fail to attend a seminar.

Sales promotion activities for general corporations

Participated in the online event of the Revival Management Forum Secretariat and co-hosted online seminars

Total of 211 professionals from the personnel and general affairs divisions of major companies attended the co-hosted online seminars.



Personnel Strategies in the Age of Working Style Reforms
2020 Conference in Osaka

MKSystem sponsored online seminars

- **April 28, 2020**
The age of teleworking! Use Shalom for easy e-applications
- **May 15, 2020**
Big changes due to electronic year-end tax adjustments! Start using the year-end tax adjustment cloud
- **June 24, 2020**
The first step for altering working styles to transition to the age of the new normal

BNC sponsored online seminars

- Events for personnel evaluation systems (3 times)

Cross Functional Project (CFP)



Cross Functional Project

The Tokyo office relocation created an excellent opportunity to launch this project in September 2020



Cross Functional Project (CFP)

Goals of the Cross Functional Project

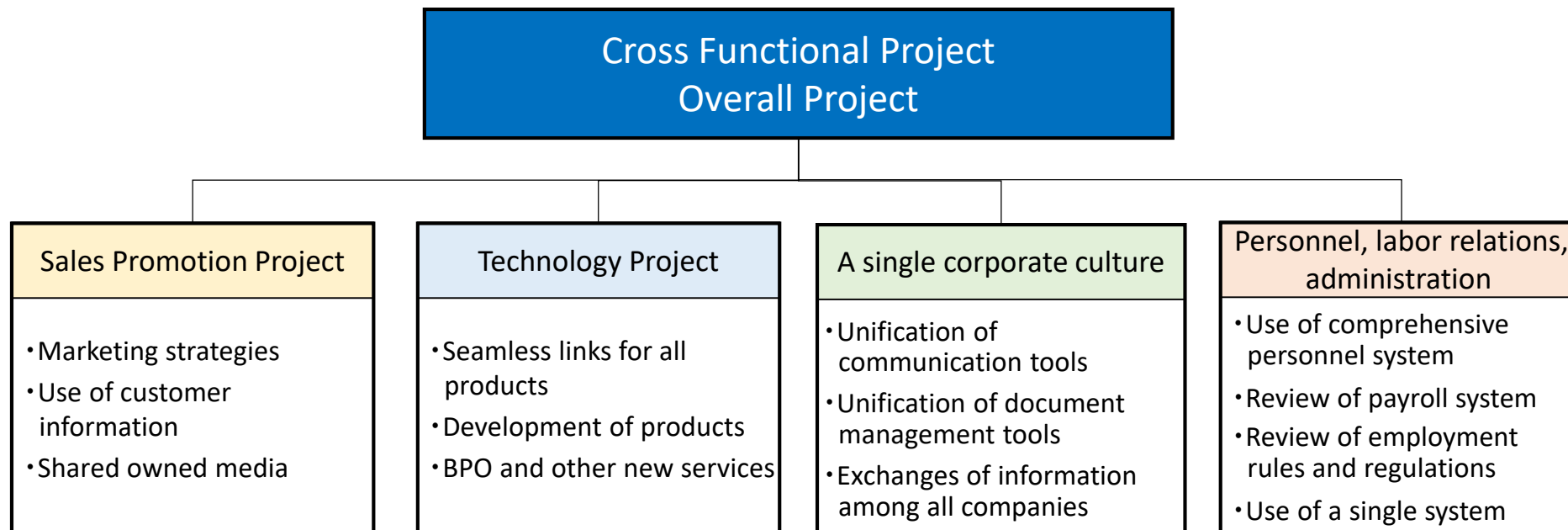
- The mission is to bring together companies and organizations with a broad spectrum of knowledge and experience to study a variety of management issues from many perspectives and create proposals for solutions.
- The new Tokyo office is an ideal environment for efficiently conducting this project by providing space for all parties to share.
- Create a unified corporate culture by combining the products, organizations and information of all participating companies and organizations and increasing interaction among these participants.
- Obtain many types of information collectively from all companies and associations, rather than individually, to build a framework that can eliminate opportunity loss. Use this framework for strengthening sales relations in order to increase sales.



Cross Functional Project (CFP)

How the Project Operates

Structure



Operations

The overall project leader and subleaders are also steering members of the projects for specific themes.

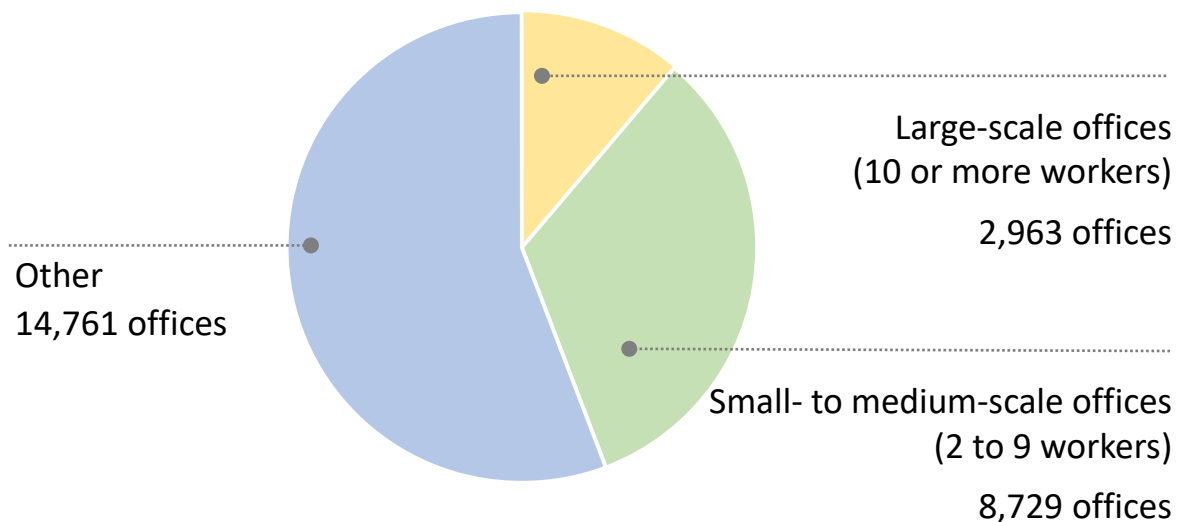
The leaders of the theme-specific projects are also members of the overall project.

The leaders have the authority to add or change members as needed.

Meetings for the overall project are held every month and at other times as needed.

Target markets and market shares (1)

Labor and Social Security Attorney Office Market



Total: 26,453 offices*¹

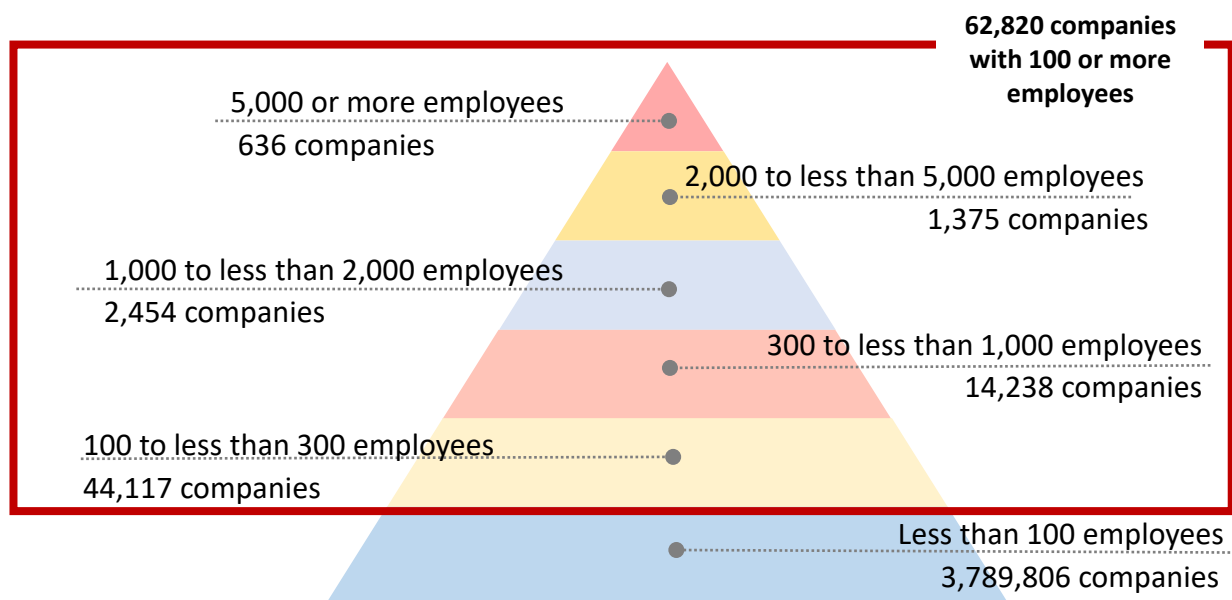
	End-Sep 2020
Offices with our systems introduced* ²	2,535 offices
YoY change	Up 41 offices
Our market share	9.6%
Number of clients registered in our systems	658,000 offices

*¹ The number of labor and social security attorney offices was aggregated by MKSystem based on the Business Report for the fiscal year 2019 prepared by Japan Labor and Social Security Attorney's Association.

*² The number of offices with our systems introduced reflects the number of those for which we started providing service as of September 30, 2020.
(o/w 1,420 for Basic Plan, 669 for House Plan, 385 for Lite Plan, and 61 for the Chukidan System)

Target markets and market shares (2)

General Corporate Market



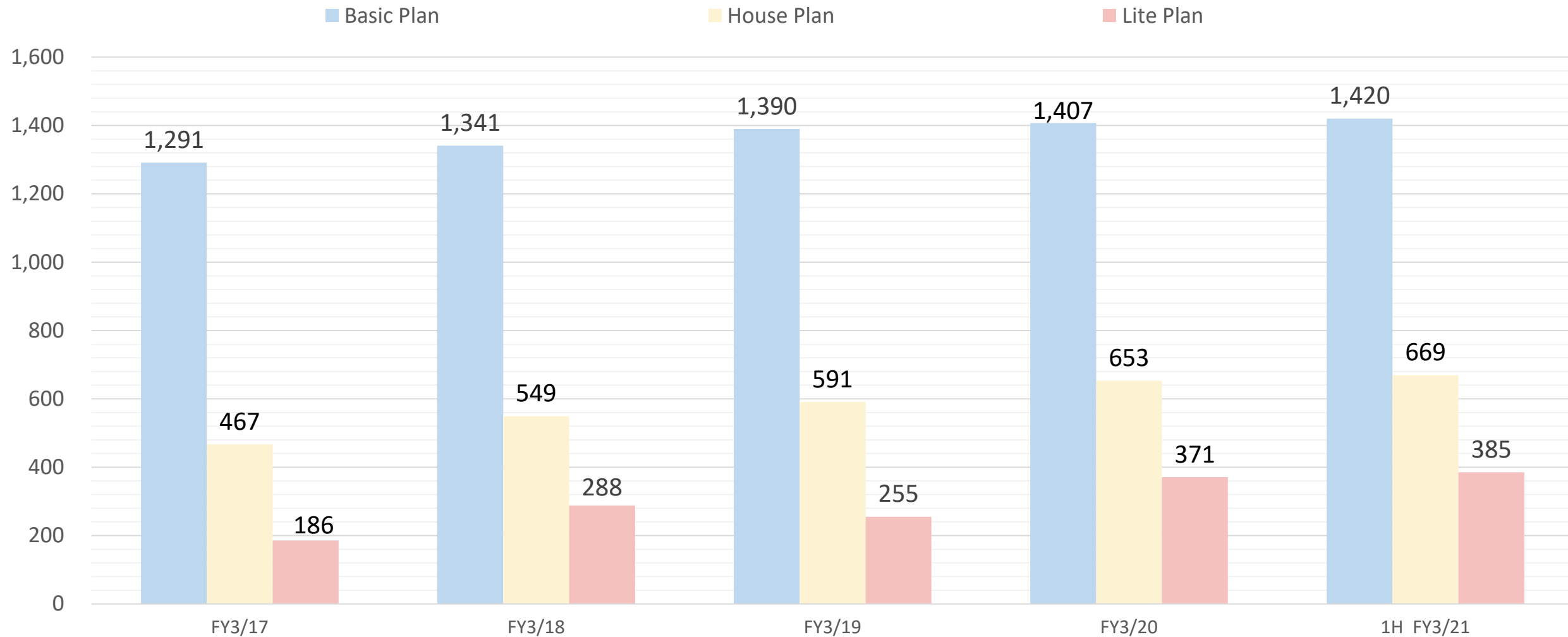
End-Sep 2020

Introductions in the Shalom Business	144 companies
Introductions in the CuBe Business	64 companies

*Aggregated by MKSystem based on the 2016 Economic Census for Business Activity (Tabulation of Enterprises, etc. and Tabulation across industries) conducted by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry.

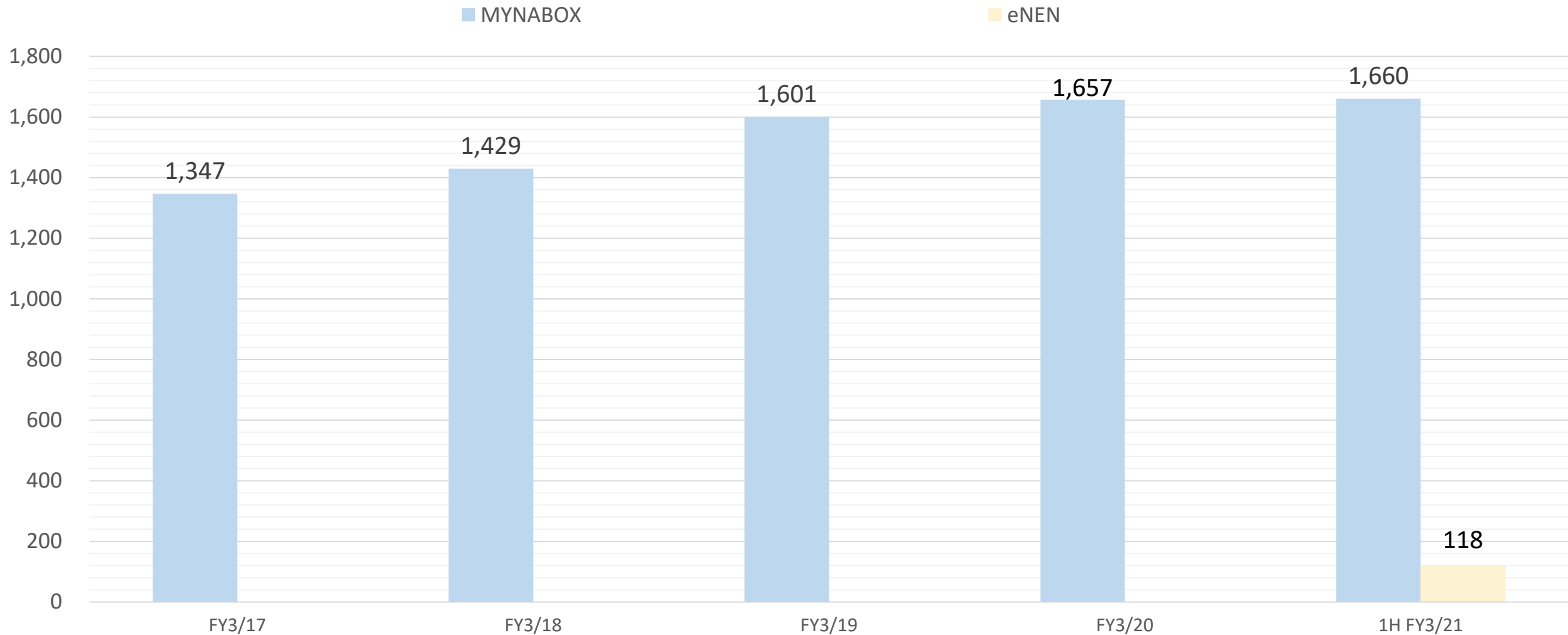
Trends in services for labor and social security attorneys

Users of the mainstay products are increasing steadily.



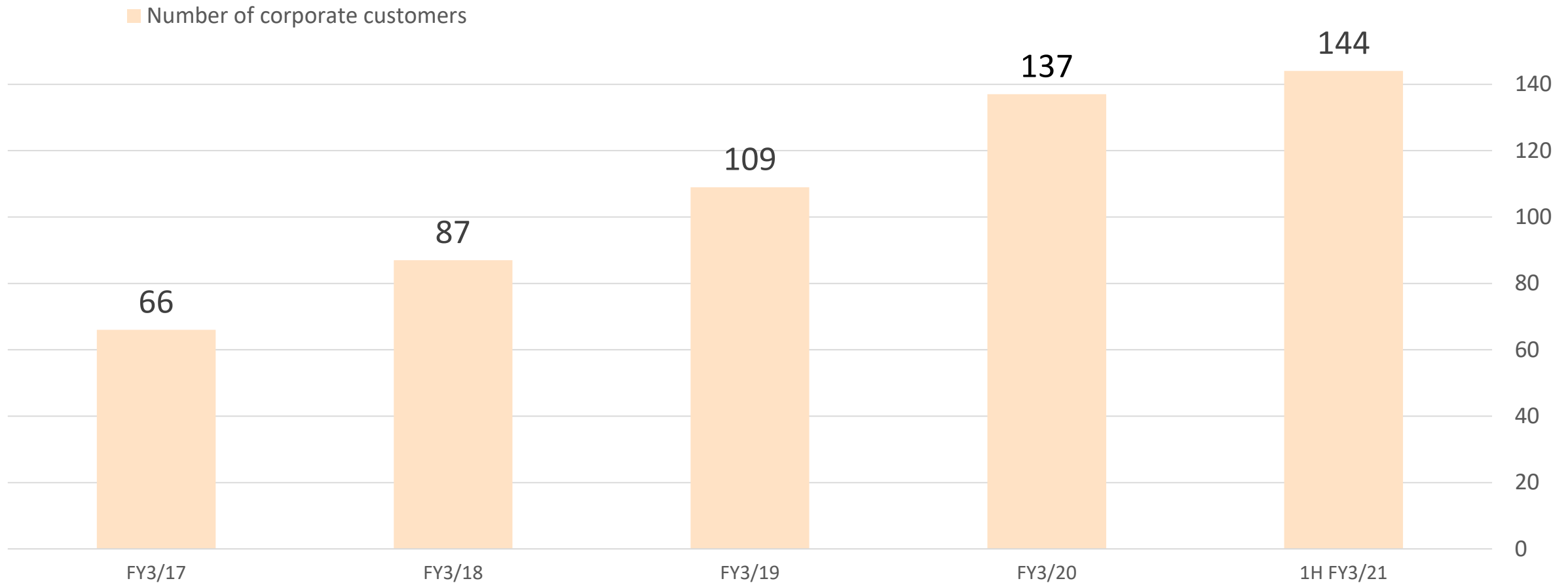
Trends in services for labor and social security attorneys

Users of accessories are increasing steadily.



Trends in services for general corporations

As the government is promoting online one-stop social security and tax procedures, the number of systems introduced by general corporations is showing an increasing trend.



IR news

- May 1, 2020 Redesign of the Shalom Company Edition Logo
- May 8, 2020 Notice of Establishment of the Shalom National Organization and Website
- May 21, 2020 Notice of Change in Format of the FY3/20 Financial Results Meeting
- Jun. 1, 2020 Notice Concerning the “#Remote Work for Business Partners Too” Alliance
- Jul. 31, 2020 Notice of Launch of Cloud Pocket, a New Cloud System
- Aug. 17, 2020 Notice of Completion of the Relocation of the Tokyo Office








Growth Strategies:

First-half Review and Future Development






1H FY3/21 business segment strategy review

Shalom Business: Market-specific strategies

	Demand remains very strong	Labor and social security attorney market
	Delays in sales meetings about Shalom CE	Large companies market
	Delayed release of DirectHR	Small- and medium-sized companies market

CuBe Business: Service-specific strategies

	Maintained a stable revenue stream Improved profit margin	Contracted development type semi-customized services
	Activities with other companies to enlarge sales channels	GooooN
	Sold to MK	Nenmatsu-chosei CuBe Cloud (currently eNEN)

Shalom Business: Market overview

Overview of the current market

- In terms of the number of labor and social security attorney offices:
- In terms of the number of companies involved by labor and social security attorneys:
- In terms of the number of companies not yet involved by labor and social security attorneys:

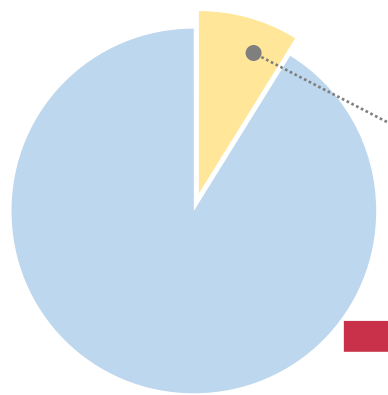
Given that our market share is **9.6%**, there is a large market waiting to be tapped.

The number of clients registered in our systems is **650,000** (**57%** market share).

There is a sufficiently large market still available.

$$\frac{650,000}{3,850,000 \times 30\%}$$

Labor and social security attorney offices



Number of offices with our systems introduced
2,535 offices

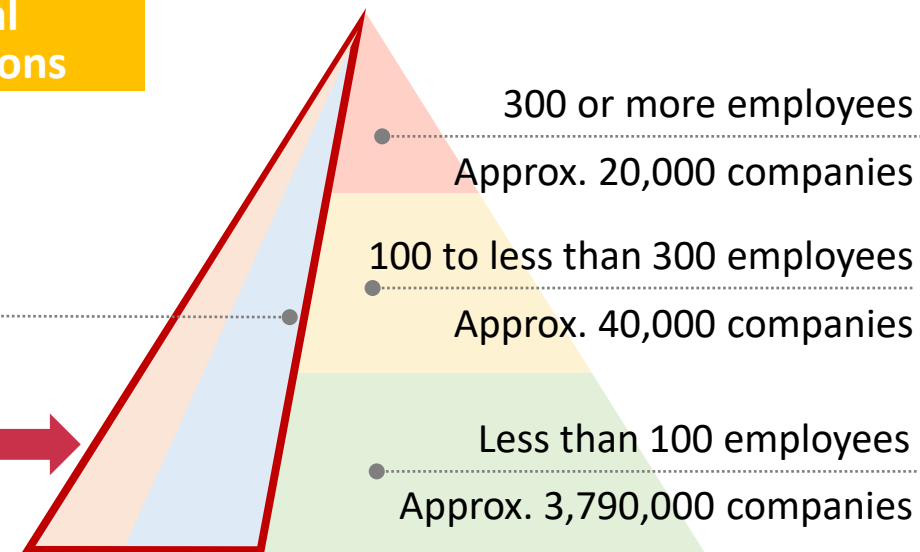
Number of labor and social security attorney offices
26,453 offices

Market share to all offices
Number of clients registered in our systems

9.6%
650,000

Percentage of companies involved by labor and social security attorneys:
Approx. **30%**

General corporations



Total: Approx. 3,850,000 companies

Shalom Business: Market-specific strategies (general corporations)

Promote market-specific strategies (General corporations)

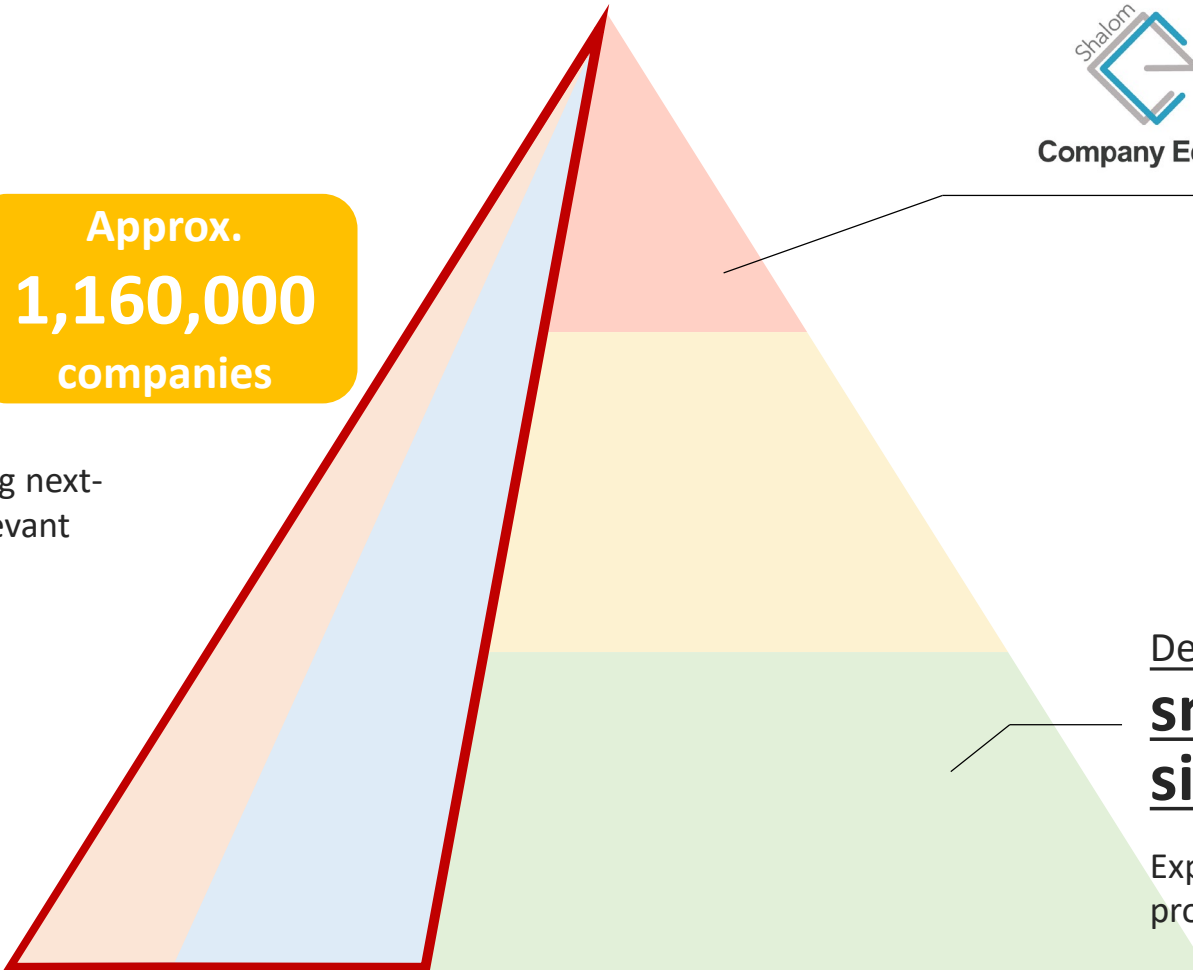


- **Enrich service offerings**
Strengthen sales by launching next-generation products and relevant campaigns



MYNABOX

- **Develop systems in line with amendments to relevant laws and regulations and work style reform**
Promote online one-stop social security and tax procedures



Company Edition

Expand the **corporate customer base**

- **Expand the range of service offerings**
Strengthen the tuning support service
Strengthen BPO compatibility
- **Win new customers**
Strengthen marketing activities

Develop **market for small- and medium-sized companies**

Expand sales of new products

Direct HR

Total: approx. 3,850,000 companies

Percentage of companies involved by labor and social security attorneys:
Approx. **30%**

CuBe Business: Service-specific strategies

Service-specific strategies

Contracted development type semi-customized services

→ Continue stable operation as a key revenue driver by:

- Steadily improving and maintaining existing systems for existing customers 

- Efficiently developing services with the cost of sales ratio in mind 

Continue these activities in the 2H

Cloud services

→ Concentrating resources on GooooN

- Using activities with other companies to enlarge sales channels 

Improve services in the 2H

- Broad and efficient promotions 



Consolidated Earnings Forecast for FY3/21 and Other Information



Consolidated earnings forecast

Shalom Business

Sales: Demand of systems to support diverse work styles is expected to grow in line with the “digital government initiatives” and “work style reform.”

Costs: Lower profit margin due to higher expenses caused by increase in labor cost for strengthening development systems and by expenses for relocating the Tokyo office.

CuBe Business

Contracted development: Forecast a higher operating margin by maintaining the same level of sales as in FY3/20 and improving development efficiency.

Cloud services: Expect sales of services to expand by focusing resources on GooooN. (Millions of yen, %)

	FY3/21 Forecast	FY3/20 Actual	YoY Change	YoY % Change
Net sales	2,749	2,380	+368	+15.5%
Shalom Business	2,144	1,771	+372	+21.0%
CuBe Business	605	608	(3)	(0.6)%
Operating profit	324	314	+10	+3.2%
<i>Operating margin</i>	11.8%	13.2%	(1.4)pt	-
Ordinary profit	322	313	+9	+2.9%
Profit attributable to owners of parent	201	197	+4	+2.1%
Basic earnings per share (Yen)	37.08	36.32	+0.76	-

* The figures of FY3/21 forecast above were those announced on May 11, 2020.

Earnings forecast by segment: Shalom Business

(Millions of yen, %)

	FY3/21 Forecast	FY3/20 Actual	YoY Change	YoY % Change	
Net sales	2,144	1,771	+372	+21.0%	Forecast consistent growth in sales of services for labor and social security attorneys as in prior years and sales growth of about 30% for services for companies because e-application procedures have become mandatory.
Cloud services	2,032	1,658	+374	+22.6%	
System product sale, others	112	113	(1)	(0.9)%	
Cost of sales	942	756	+186	+24.7%	Forecast a lower gross margin because of higher labor cost for strengthening development systems and depreciation expenses associated with upgrading the functions of all Shalom Business products.
Gross profit	1,201	1,015	+185	+18.3%	
<i>Gross margin</i>	56.0%	57.3%	(1.3)pt	-	
SG&A expenses	897	651	+245	+37.6%	Lower operating profit because of higher rent and other expenses resulting from the relocation of the Tokyo office (August 2020).
Operating profit	304	364	(59)	(16.5)%	
<i>Operating margin</i>	14.2%	20.6%	(6.4)pt	-	

* The figures of FY3/21 forecast above were those announced on May 11, 2020.

Earnings forecast by segment: CuBe Business

(Millions of yen, %)

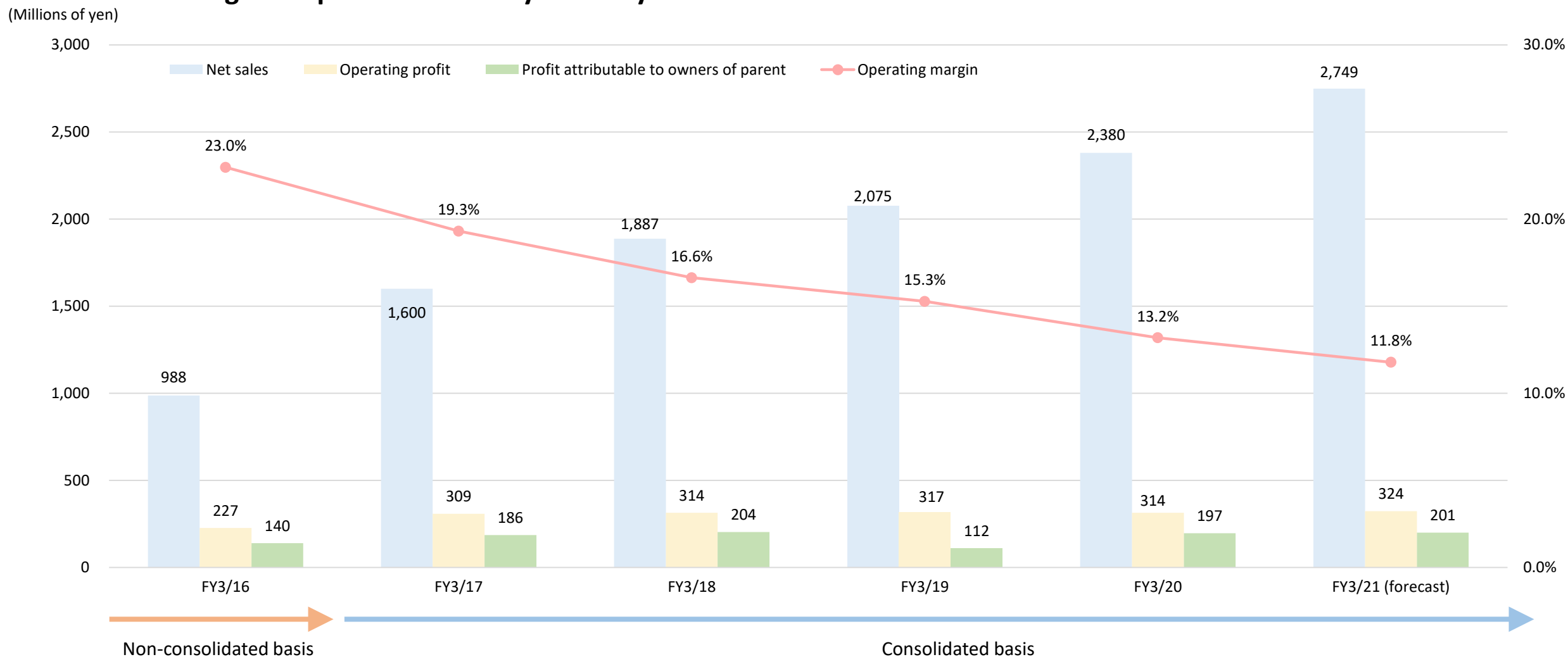
	FY3/21 Forecast	FY3/20 Actual	YoY Change	YoY % Change	
Net sales	605	608	(3)	(0.6)%	Forecast no change in contracted development sales, with many system improvement and maintenance projects, and the cloud services business focuses resources on GooooN, though sales of both businesses tend to be concentrated in the second half of the fiscal year.
Contracted development services	565	564	+0	+0.1%	
Cloud services	40	44	(4)	(10.3)%	
Cost of sales	363	428	(64)	(15.0)%	Forecast a higher gross margin as Matsuyama Development Center labor cost decline and the efficiency of development activities increases.
Gross profit	241	180	+60	+33.5%	
<i>Gross margin</i>	39.8%	29.7%	+10.2pt	-	
SG&A expenses*	224	230	(5)	(2.6)%	Forecast an increase in operating profit as SG&A expenses remain mostly unchanged despite higher personnel expenses to strengthen sales operations and higher expenses caused by the Tokyo office relocation.
Operating profit	16	(49)	+66	-	
<i>Operating margin</i>	2.8%	(8.2)%	+10.9pt	-	

* SG&A expenses include amortization of goodwill (39 million yen).

Trends in business performance and forecast

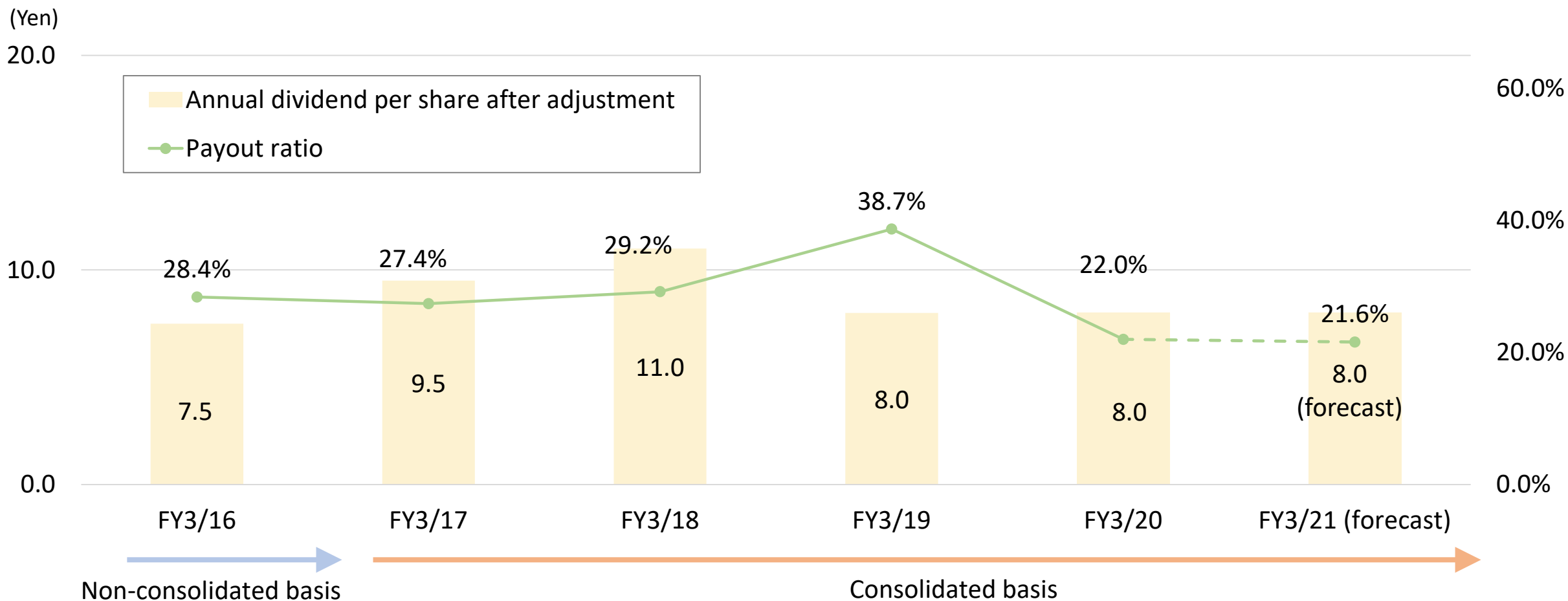
Sales: We will achieve a consecutive year-on-year increase by enhancing a new market for general corporations.

Profit: The operating margin will be lower due to an increase in depreciation attributable to improvement of products and higher expenses caused by the Tokyo office relocation.



Dividend forecast for FY3/21

Our profit distribution policy is “to implement a stable dividend payment with the baseline payout ratio of 20%.”
Dividends for FY3/21 will be paid out based on the basic policy.



* MKSystem conducted a 5-for-1 split of its common stock with an effective date of August 1, 2015 and a 2-for-1 split of its common stock with an effective date of April 1, 2018.
 All the figures above are adjusted accordingly.



Group Overview and Business Activities



Company profile

◆ Company name	MKSystem Corporation
◆ Business	<ul style="list-style-type: none">• The Shalom Business The business of providing software to support business processes associated with social insurance and labor insurance as a cloud service provider.• The CuBe Business The business of developing and providing front-end systems that help enhance efficiency of business processes related to personnel and general affairs.
◆ Representative Director and President	Noboru Miyake
◆ Date of incorporation	February 22, 1989
◆ Date of listing	March 17, 2015
◆ Capital stock	219 million yen (Number of issued shares: 5,428,000 shares)
◆ Head office	30F, Umeda Center Bldg., 2-4-12, Nakazaki-nishi, Kita-ku, Osaka, Japan
◆ Sales and R&D bases	Tokyo; Nagoya; Fukuoka; Ninohe, Iwate Prefecture; and Matsuyama
◆ Subsidiary	Business Net Corporation Co., Ltd. (Minato-ku, Tokyo)
◆ Employees	133 (consolidated); 106 (non-consolidated) (both excluding temporary employees)

Summary of the Group's lines of business

Shalom Business

Cloud service

ASP service

- Provision of cloud services including software to support business processes associated with social insurance, labor insurance, and payroll
- Provision of cloud services with applications aimed at clients of labor and social security attorney office
- Provision of cloud services with applications aimed at personnel divisions in general corporations

System construction service

- Initial set up of cloud services
- Provision of customized services

System product sale

- Sale of various document forms used in labor and social security attorney's business process
- Sale of terminals, servers and PCs

CuBe Business

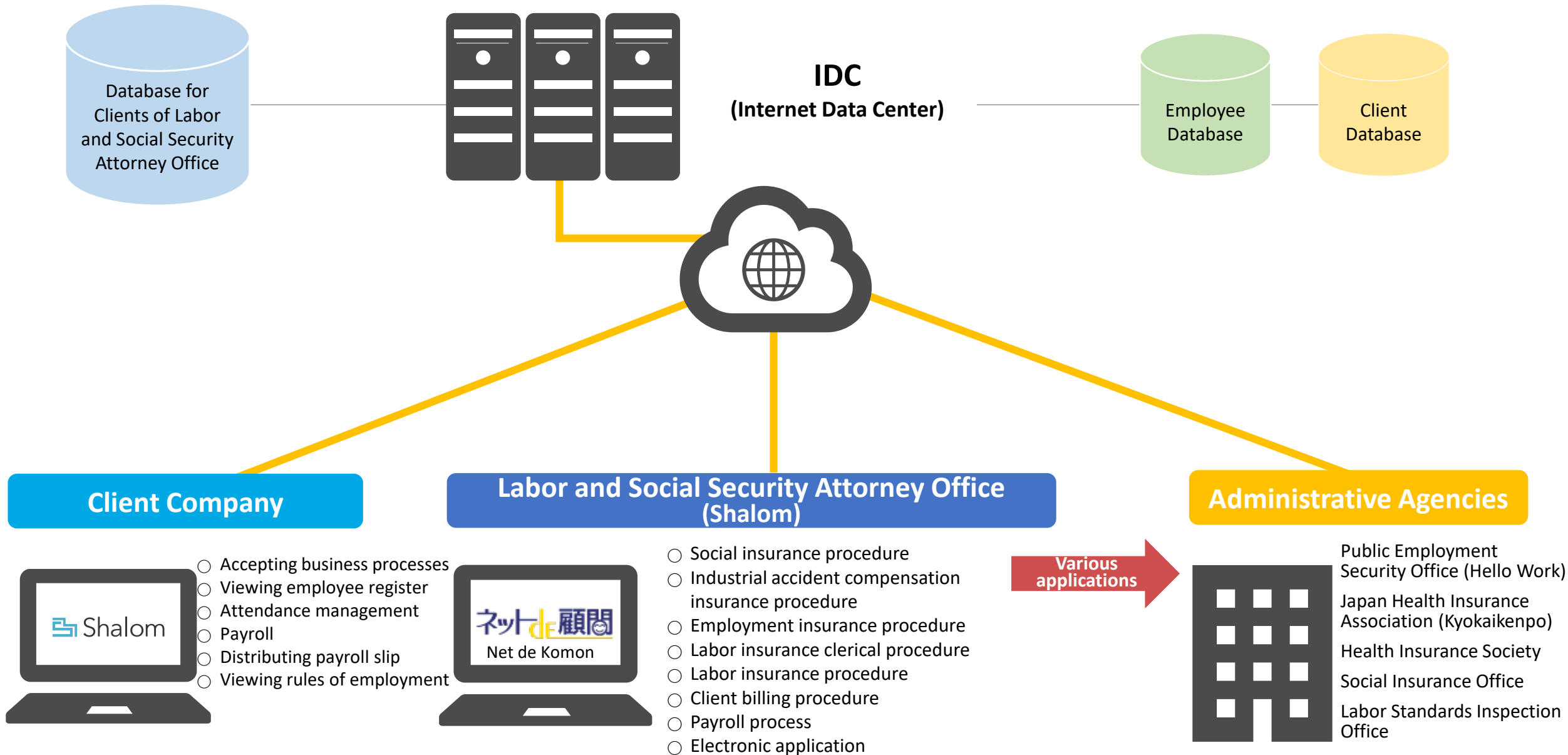
Contracted development type semi-customized services

- Contracted development of front-end systems connecting corporate functions and employees
- Maintenance of contracted development type systems

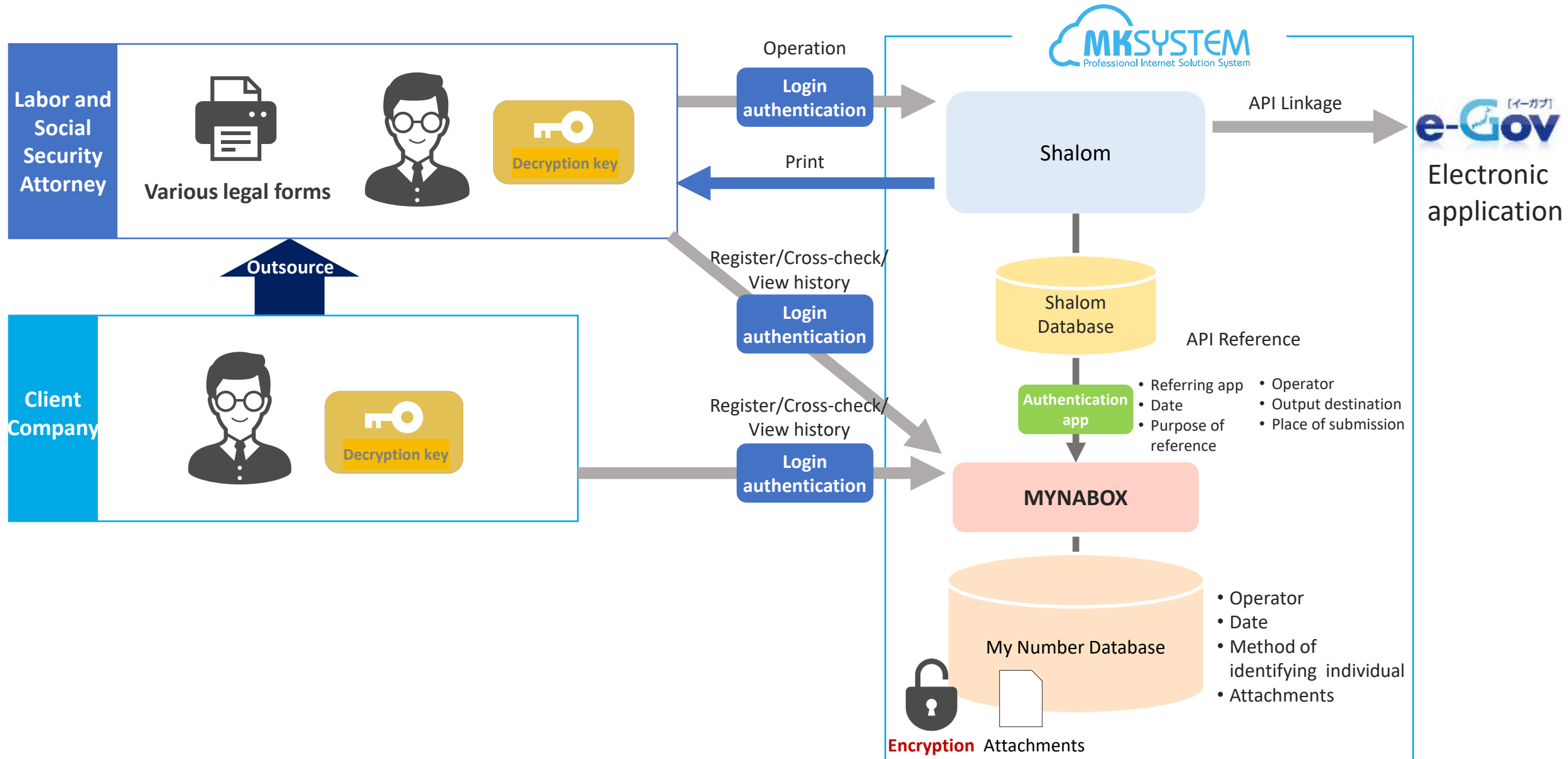
CuBe Cloud

- Provision of cloud services connecting corporate functions and employees (GooooN)

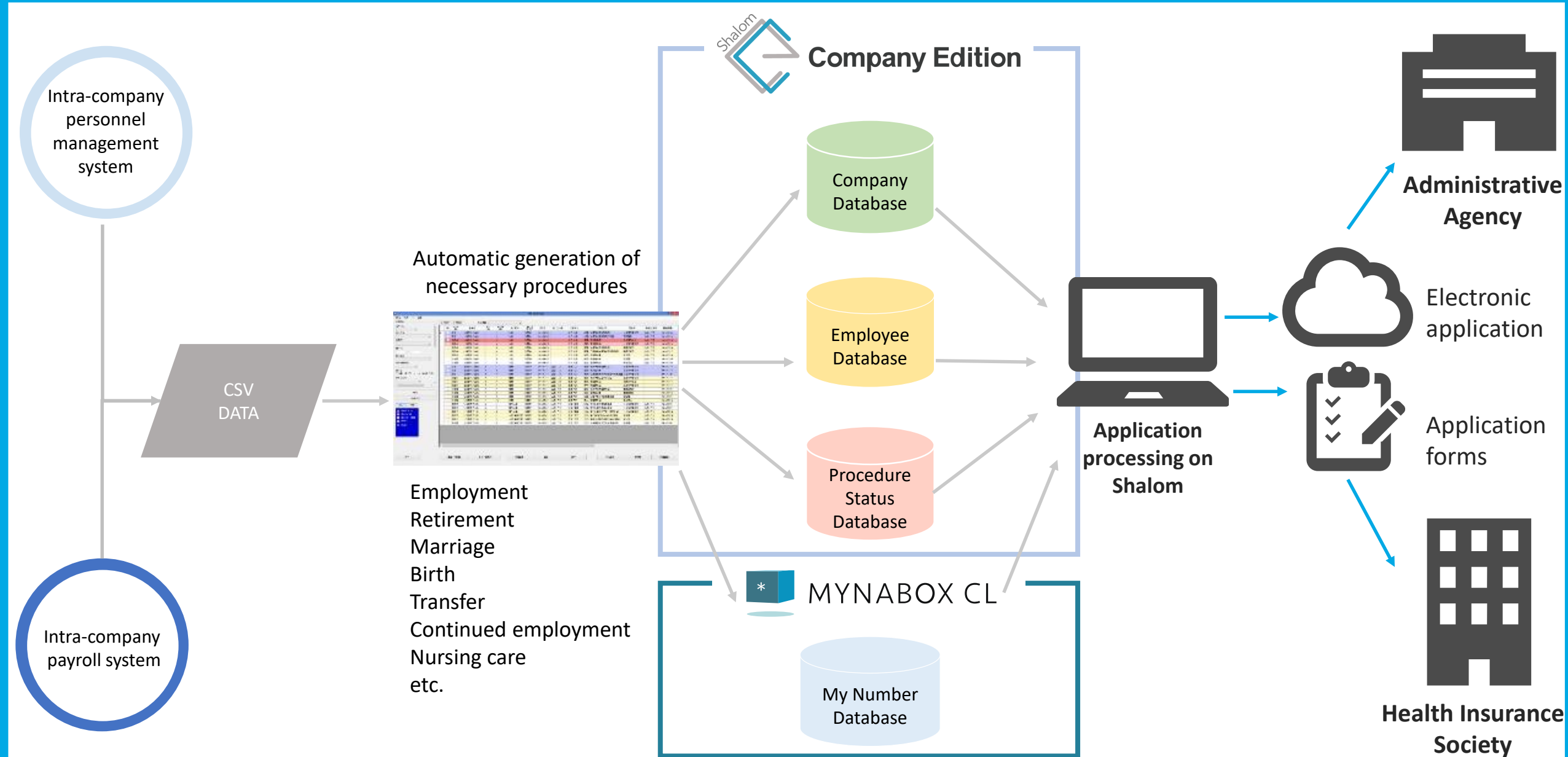
Our mainstay service (Shalom)



Our mainstay service (MYNABOX)



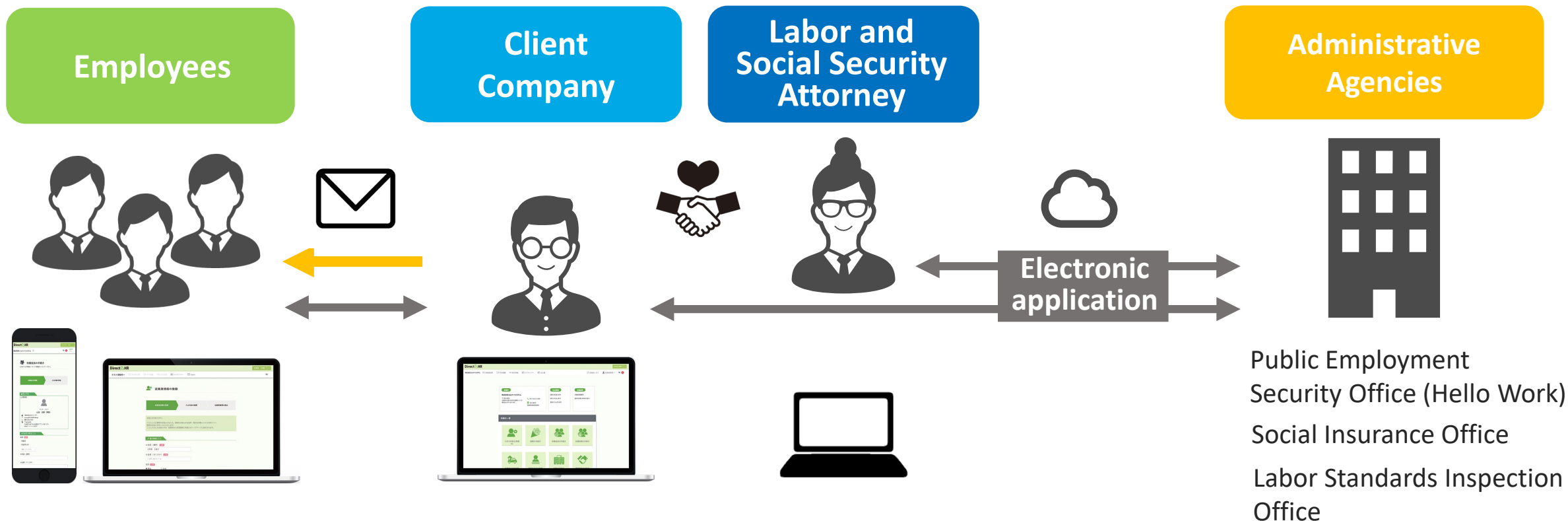
Our mainstay service (Shalom Company Edition)



Our mainstay service (DirectHR)

DirectHR

Centralized management using the cloud for all applications submitted by employees during their entire time at the company, including for events like childbirth. Smartphones and PCs can be used for applications. Handles everything from data input to e-applications.



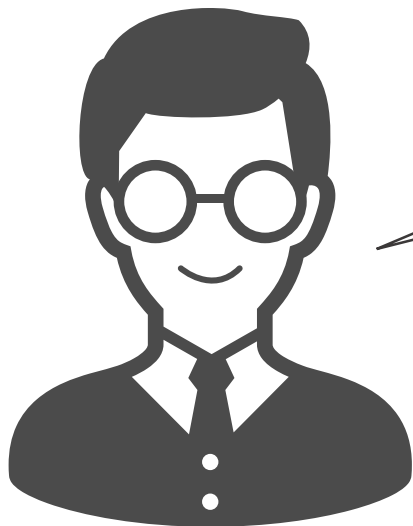
New employment, retirement, addition/deletion of dependents, change of name and address, transfers, employment contracts, senior employment subsidy, start/end of child birth/care leave, nursing care payment, change in monthly salary, basis for calculating monthly salary, insurance benefit payments, change of category, register/change of personal ID number, year-end tax adjustment, payroll slips

Our mainstay service (eNEN, renamed from Nenmatsu-chosei CuBe Cloud) (1)



Fully supporting year-end tax adjustment operations by reducing tax filing input and implementing progress management function

Tax filer



Simple & easy!

Accurate & efficient!

Division in charge of operation



- The system tells me what I should do.
- The entries I have to fill in have become less than before!
- I don't have to think about formula!
- They no longer return to me the forms for correction!

- Following up is easy because we can keep track of the progress from filing to completion!
- We can share work among multiple members!
- We have reduced the volume and number of items we have to check manually!

Our mainstay service (eNEN, renamed from Nenmatsu-chosei CuBe Cloud) (2)



Fully supporting year-end tax adjustment operations by reducing tax filling input and implementing progress management function

1. It makes the operation easy to understand!

The screen guides you “what to do,” “when to do,” and “how to do.”



2. Registered information is displayed from the start!

- ✓ The screen initially displays a form without redundant inputs.
- ✓ The system automatically calculates the deductible amount.
- ✓ The screen initially displays filling data of the previous year.

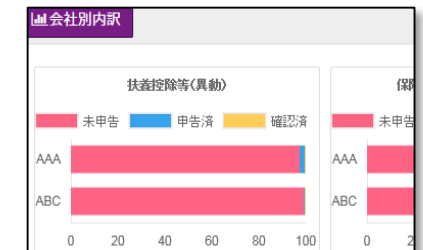
3. It reduces your workload at final submission!

- ✓ The system checks for your mistake.
- ✓ The system guides you what to submit.

Enhanced control with authority settings

Supporting business process of large companies and shared service providers!

Work environment with multiple personnel are classified into three elements (company, department, and person in charge).



Enhanced efficiency with progress management

It lets you know where the bottleneck is, thereby ensuring on-time delivery!

Progress of each process and the entire business process is managed on the system!



A new mainstay service (Cloud Pocket)

NEW!



Cloud Pocket

For the safe and easy distribution and receipt of official documents. Greatly simplifies the distribution of job separation forms, benefit receipt qualification confirmation notices, workplace accident forms and other official forms as well as important company forms and other documents.

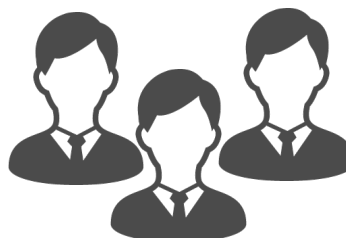
Client Company



● Official/company forms and documents



Employees



Labor and Social Security Attorney



Upload required documents to Cloud Pocket.

Employees can **download** the documents at their convenience.

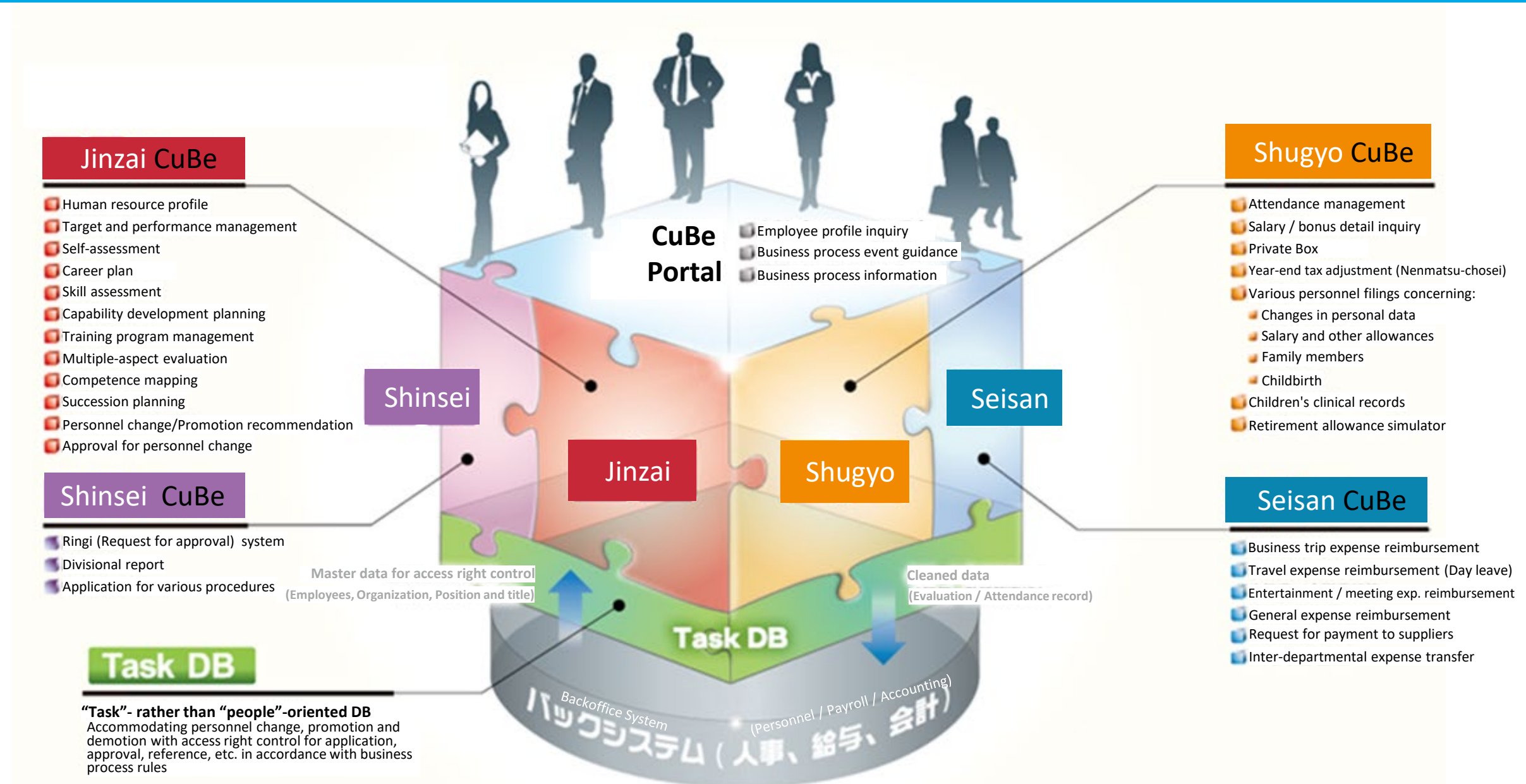
Eliminates the **time** and **expense** needed to send forms and documents by postal mail to individuals at other offices.

✓ Highly secure folders for individuals

✓ Big reduction in the need for postal mail and hand deliveries

✓ Also handles uploads from labor and social security attorney offices

(Contracted development type semi-customized services)



Our mainstay service (GooooN)

The latest **evaluation and training tool** that you can use **on-site** on a **day-to-day basis**, **crystalizing know-how** that has been used by **large companies** for over 20 years.



GooooN coordinates the above three business operations, deepens communication with employees, and supports **human resource development led by on-site staff.**

- 1 Prompting their growth through processes from execution to evaluation of **actual work**.

Target & Performance Management

- We wish to let our personnel learn more about the management's intention.
- We wish to set up target & performance management that makes our employees to participate with more enthusiasm.
- We wish to link target management to improvement in corporate performance.

- 2 **Sharing** information from different viewpoints **among people concerned** to encourage daily growth.

Human Resource Profile Inquiry

- We wish to know personal profile of our staff in a timely manner.
- We wish to manage personnel data in single database and make full use of them.
- We wish to have a system to support employees' career development.
- We wish to have a contact point that directly connects personnel and personnel department.

- 3 Considering about future career, urging the personnel to develop as **he/she wishes**.

Self-assessment / Career Plan

- We wish to make consideration over my current position and the way I want to be in the future.



“We provide cloud solutions that benefit you”

The plans, estimates and other forward-looking statements contained in this material are forecast based on information available at the time this material was prepared, and these statements include risk and uncertainty. Actual performance may differ from these statements due to changes in business environment and other factors. In addition, as certain information within this material is quoted from publicly available information, its accuracy is not guaranteed.

