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PCA

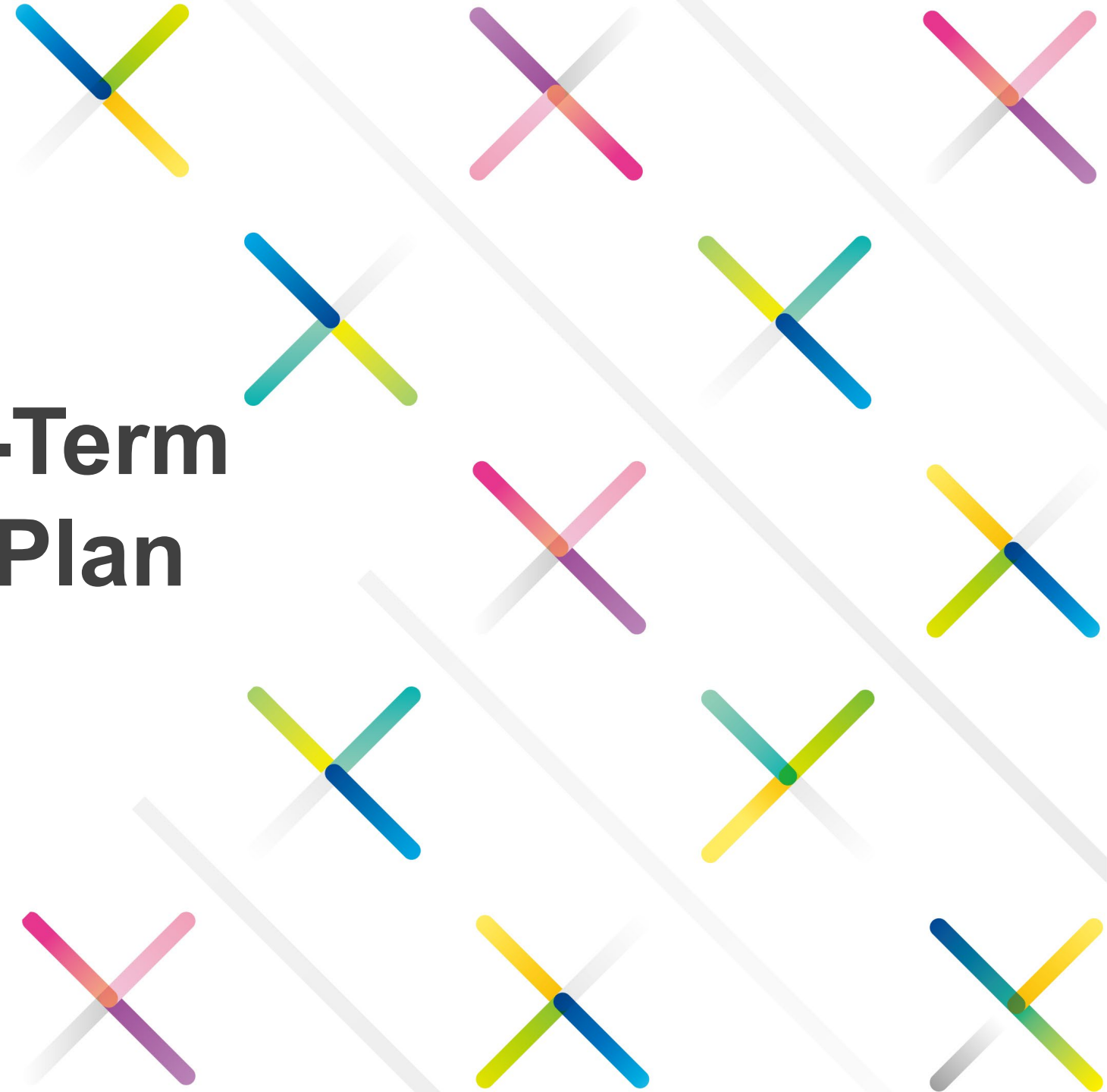
# 2027 Medium-Term Management Plan

## 2025-2027

December 23, 2024

PCA Corporation

Fumiaki Sato, President and CEO



## Index

<b>1</b>	<b>Medium- to Long-Term Policy</b> .....	<b>3</b>
<b>2</b>	<b>Review of the Current Medium-Term Management Plan and Summary of the Next Medium-Term Management Plan</b> .....	<b>6</b>
<b>3</b>	<b>Target Market and Competitive Advantage</b> .....	<b>10</b>
<b>4</b>	<b>Growth Strategy</b> .....	<b>14</b>
<b>5</b>	<b>Numerical Targets and Key Performance Indicators</b> .....	<b>25</b>
<b>6</b>	<b>Capital Policy</b> .....	<b>30</b>
<b>7</b>	<b>Commitment to Sustainability Management</b> .....	<b>33</b>

# 01

## Medium- to Long-Term Policy

We have redefined our purpose, vision, mission, and value.

## Purpose

**Create new value in work, unlocking precious time and possibilities for all**

Through our services, we will help workers and companies focus on their core business, creating success and happiness for everyone including our customers, partner companies, employees, and their families.

## Vision

**By quickly recognizing changes in society and offering solutions, we aim to support workers throughout their journey.**

By staying half a step ahead of our customers in identifying their needs and changes in society, we will effectively solve problems together.

## Mission

**We will 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.**

## Value

### ■ Professional

We will continue to grow as professionals to provide solutions to our customers, always keeping up with the latest technologies, societal changes, and customer needs.

### ■ Customer First

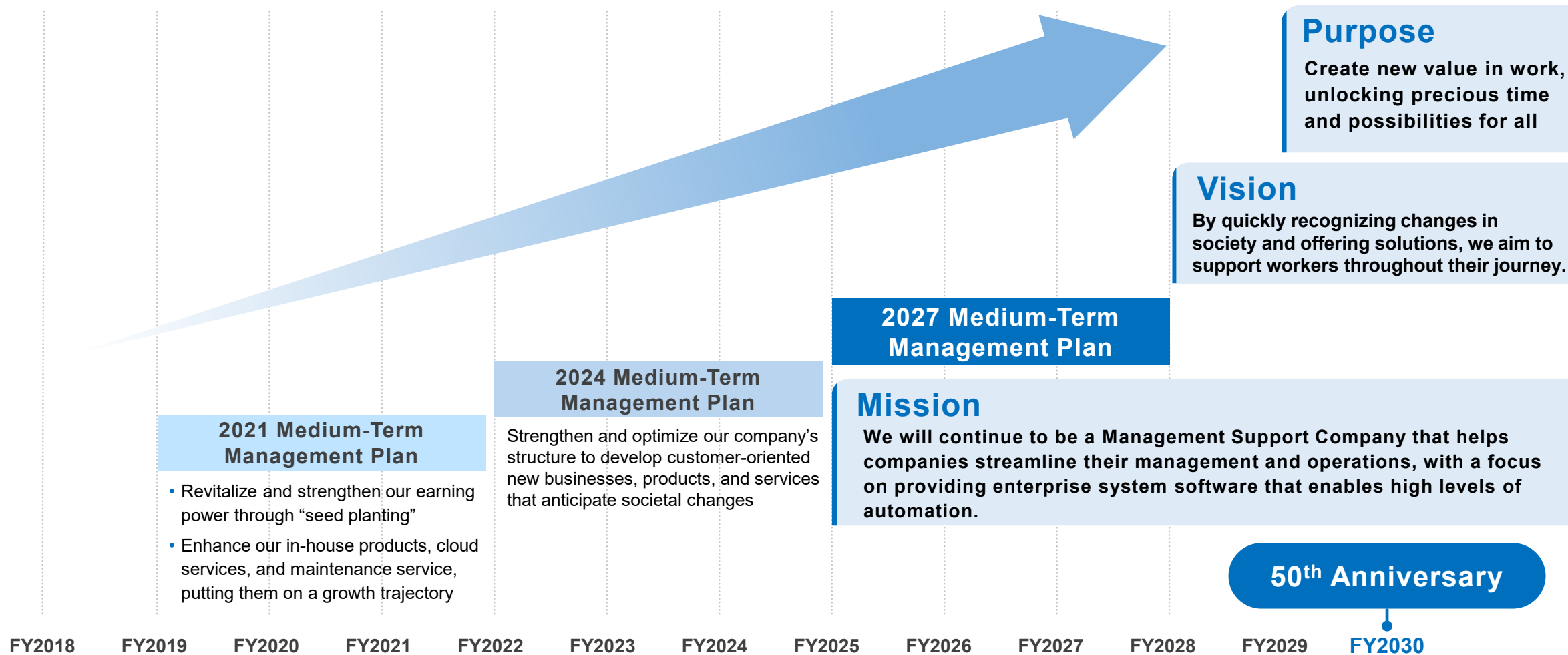
We will continue to engage with our customers and partners with sincerity and integrity.

### ■ As One

To achieve our purpose, vision, and mission, we will approach our day-to-day tasks with respect, cooperation, and strong teamwork.

\*Our company name, PCA, stands for Professional Computer Automation.

We have formulated the 2027 Medium-Term Management Plan, reaffirming our mission as a Management Support Company – a concept outlined in PCA Vision 2030.



# 02

## Review of the Current Medium-Term Management Plan and Summary of the Next Medium-Term Management Plan

The target for consolidated net sales was achieved in the second year of the plan. We are currently making growth investments (development investments) in preparation for the next medium-term plan.

## Numerical Targets and Expected Results

	Target	Forecast for March 2025
Consolidated Net Sales	15 billion yen or more (9.5 billion yen or more from subscription & maintenance)	<b>16.5 billion yen</b> (13 billion yen or more from subscription & maintenance)
Consolidated Operating Profit	2.5 billion yen or more	<b>2.3 billion yen</b>
Consolidated Operating Profit Margin	16% or more	<b>14%</b>
ROE	10% or more	<b>8.9%</b>
DOE	2.5%	<b>9.0%</b> *Change in policy
Dividend Payout Ratio	30%	<b>100.4%</b> *Change in policy

## Key Achievements and Challenges of Initiatives

- ### 1 Build a strong revenue base for the core businesses

  - Achievement** Achieved the target for consolidated net sales in the second year of the plan due to the advancement of the cloud shift
  - Challenge** Further drive the transition from on-premises software to cloud services to strengthen our growth potential
- ### 2 Create new business opportunities

  - Achievement** Released the PCA Hub services (entered the peripheral solutions area)
  - Challenge** Development of new products and areas of business using cutting-edge technologies (AI, etc.)
- ### 3 Strengthen our monozukuri (creation of things) with a focus on safety, security, and anticipation of needs

  - Achievement** Adapted our enterprise system series and Hub services to meet the requirements of the revised Electronic Books Preservation Act for our customers
  - Challenge** Modernization of development for creating next-generation services
- ### 4 Build a high-profit and sustainable management foundation

  - Achievement** Implemented work-style reforms, becoming certified as a Health and Productivity Management Outstanding Organization
  - Challenge** Further enhance our sustainability initiatives

### \*Change in dividend policy (announced on Jan. 29, 2024)

Before the change: DOE of 2.5% and a dividend payout ratio of 30%

After the change: A dividend payout ratio of 100% until an ROE of 10% or more and a positive EVA spread are achieved

Numerical Targets	Consolidated Net Sales	<b>22 billion yen or more</b> (18 billion yen or more from subscription & maintenance)
	Consolidated Operating Profit	<b>4 billion yen or more</b>
	Consolidated Operating Profit Margin	<b>18% or more</b>
Capital Policy	ROE	<b>10% or more</b>
	EVA Spread	<b>Positive spread</b>
	Dividend Payout Ratio	<b>100%</b> (until ROE reaches 10%) As a general principle, we will continue with a progressive dividend policy even after the ROE target is achieved.

## Sustainability Initiatives

<b>Environment</b>	<b>Social</b>	<b>Governance</b>
Save energy by reducing in-house computer servers through the expansion of cloud services	Foster health management [ Certification as a Health and Productivity Management Outstanding Organization and childcare support ]	Development of a work environment that aligns with our basic approach to corporate governance

## Growth Strategy

Drive the Three Priority Measures and Firmly Establish the Subscription Model

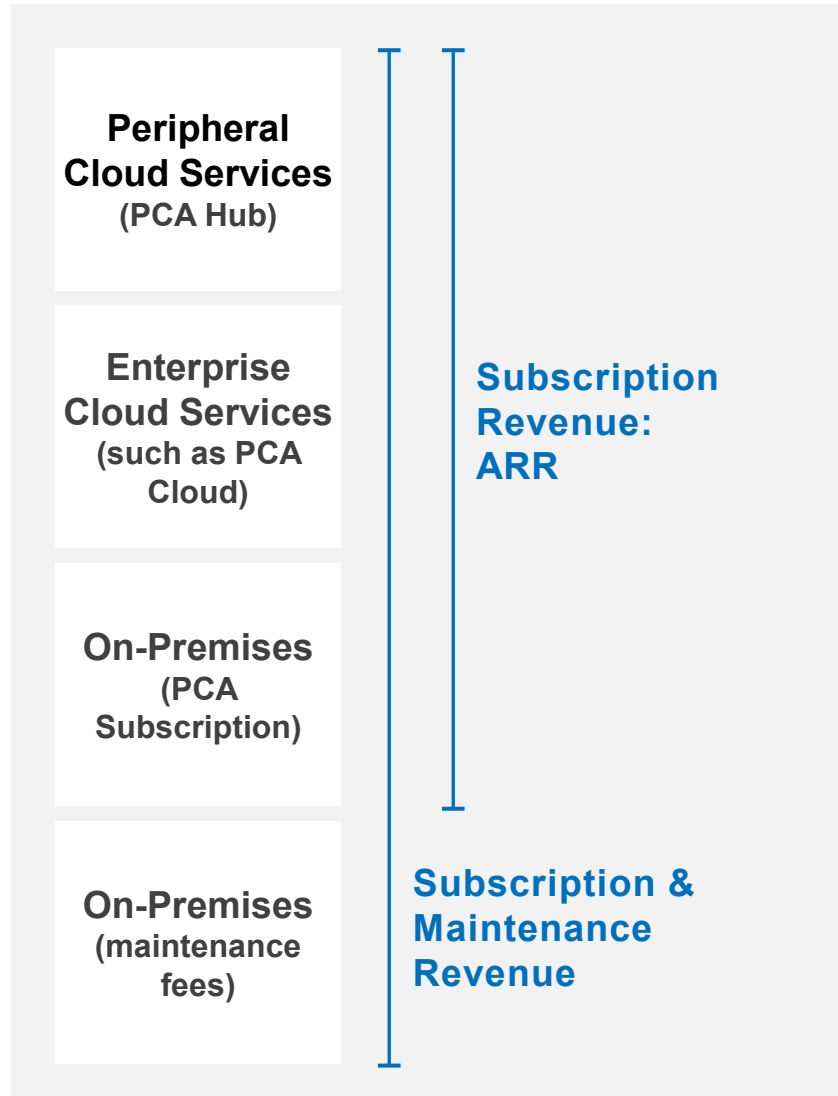
### Key Performance Indicators (KPIs)

ARR      Churn Rate      ARPU

## Growth Strategy: Priority Measures

<b>Priority Measure 1</b>	<b>Strengthening the Growth Potential of Our Core Businesses</b>	<ul style="list-style-type: none"> <li>• Drive the cloud transition</li> <li>• Expand and enhance the Hub services</li> <li>• Strengthen sales and marketing</li> </ul>
<b>Priority Measure 2</b>	<b>Building the Foundation for New Businesses and Making Upfront Investments</b>	<ul style="list-style-type: none"> <li>• Build a unified ID platform and leverage ID assets</li> <li>• Generative AI deployment and research on business automation</li> <li>• Upfront investment for diversified growth (CVC)</li> </ul>
<b>Priority Measure 3</b>	<b>Service-Oriented Creation</b>	<ul style="list-style-type: none"> <li>• Drive the four initiatives and the development investment plan</li> <li>• Drive the group product development plan in the HR domain</li> </ul>





## Subscription & Maintenance Revenue

Total stable and predictable revenue, comprised of subscription revenue (ARR) and maintenance revenue derived from on-premises users

## ARR

Subscription revenue (total subscription & maintenance revenue minus the maintenance revenue derived from on-premises users)

Calculated as 12 times the monthly recurring revenue (MRR)

\*Subscription model: A business model aiming for sustainable growth through services and pricing structures classified as ARR

## Churn Rate

Number of Churned Subscriptions  
÷ Number of Active Subscriptions at the End of the Previous Month

\*Calculated for subscription revenue (ARR)

\*Number of Active Subscriptions: Number of paid subscriptions

\*Number of Churned Subscriptions: Number of subscriptions cancelled

\*Average for the past 12 months

## ARPU (Revenue Per Subscription)

Monthly Recurring Revenue (MRR) x 12 (ARR) ÷ Number of Active Subscriptions

\*Calculated for subscription revenue (ARR)

\*Number of Active Subscriptions: Number of paid subscriptions

\*Average revenue per subscription calculated based on the above formula

# 03

## Target Market and Competitive Advantage

We offer our enterprise systems in both cloud-based and on-premises versions. We are also sequentially releasing peripheral solutions, creating a diversified product lineup including the products of our group companies.

## PCA

### Enterprise Systems

#### PCA Subscription

##### On-Premises Business Software

PCA hyper  
PCA DX  
Series

PCA jiman  
Series

- Financial Accounting
- HR & Payroll
- Sales Management
- Fixed Assets
- Tax Calculation

#### PCA Cloud

##### Cloud-Based Business Software

PCA hyper  
Series

PCA DX  
Series

- Financial Accounting
- HR & Payroll
- Sales Management
- Fixed Assets
- Tax Calculation

### Peripheral Solutions

#### PCA Hub

##### Additional Services for Paperless and Digitalized Operations

- Electronic Business Document Storage
- Digital Personnel and Labor Management
- Pay Slip Distribution
- Digital Year-End Adjustment
- Digital Personal Information Registration
- Invoice Delivery
- Expense Management  
(To be released in spring 2025)

## Dreamhop

### Mental Health Program

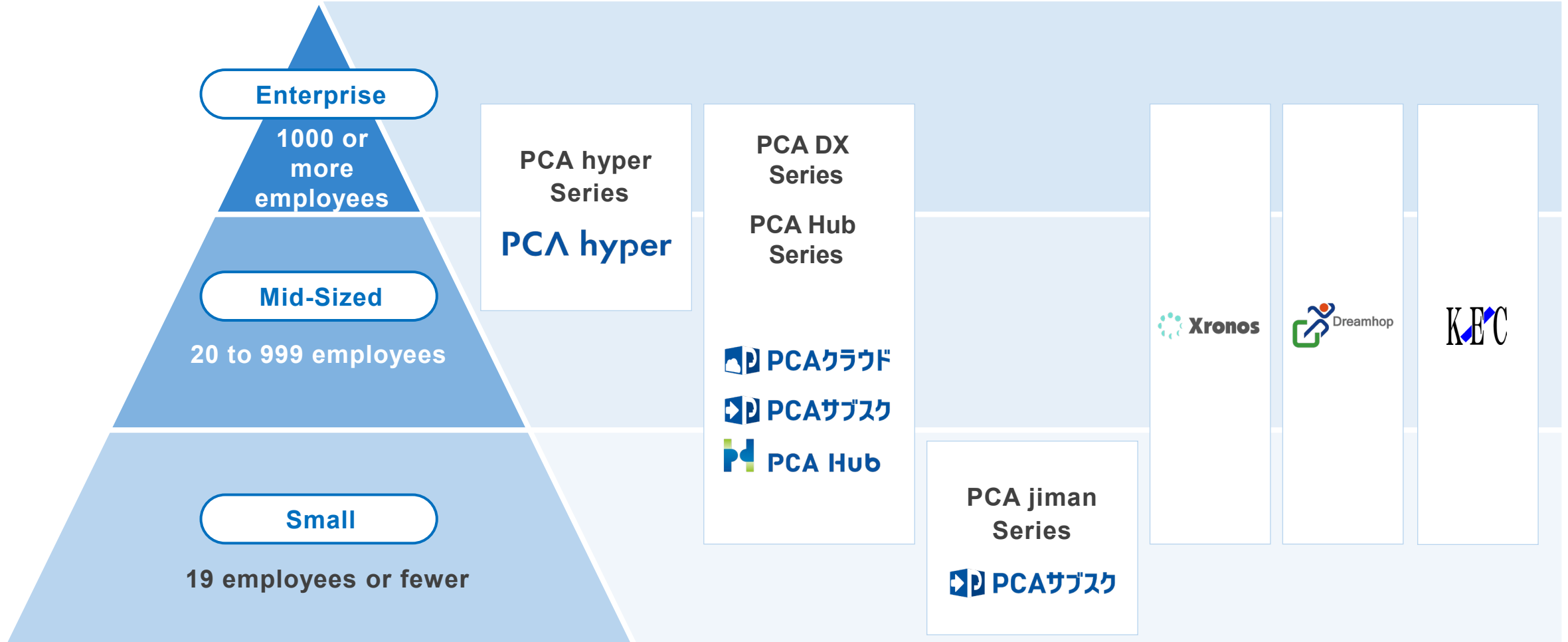
Online mental health support services

## Xronos

### Xronos Attendance Management

Attendance management system

A broad product lineup and multiple delivery options to cater to diverse markets and needs



Drawing on our customer base and financial foundation, we have achieved steady growth and led the industry since our founding, with strengths in our broad product lineup, wide sales network, advanced technological expertise, strong product development capabilities, and customer support capabilities.

## Source of Competitive Advantage

**The strong customer base that we have built since our founding**

**Solid financial foundation backed by equity and other resources**



1

### **Extensive product lineup and sales network**

Leveraging our expertise, we provide a comprehensive product lineup that covers a wide range of business operations, from enterprise systems to peripheral solutions. We have also built a nationwide sales network by partnering with a diverse range of companies.

2

### **Technological expertise and product development capabilities to adapt to changes in the environment**

Since our founding, we have quickly adapted to changes in the times, developing products tailored to the latest technology environment. Leveraging our advanced technological expertise, we became the first to offer cloud services and on-premises subscription services in the industry.

3

### **Customer-focused support**

We are committed to providing user-first support, including technical support and seminars for our customers. In a customer satisfaction survey conducted by an external evaluation organization, we have received high ratings for five consecutive years, ranking in the top three.

# 04 Growth Strategy

We will drive the three priority measures and firmly establish the subscription model.

Priority  
Measure

1

## Strengthening the Growth Potential of Our Core Businesses

- Drive the cloud transition
- Expand and enhance the Hub services
- Strengthen sales and marketing

Priority  
Measure

2

## Building the Foundation for New Businesses and Making Upfront Investments

- Build a unified ID platform and leverage ID assets
- Generative AI deployment and research on business automation
- Upfront investment for diversified growth through CVC

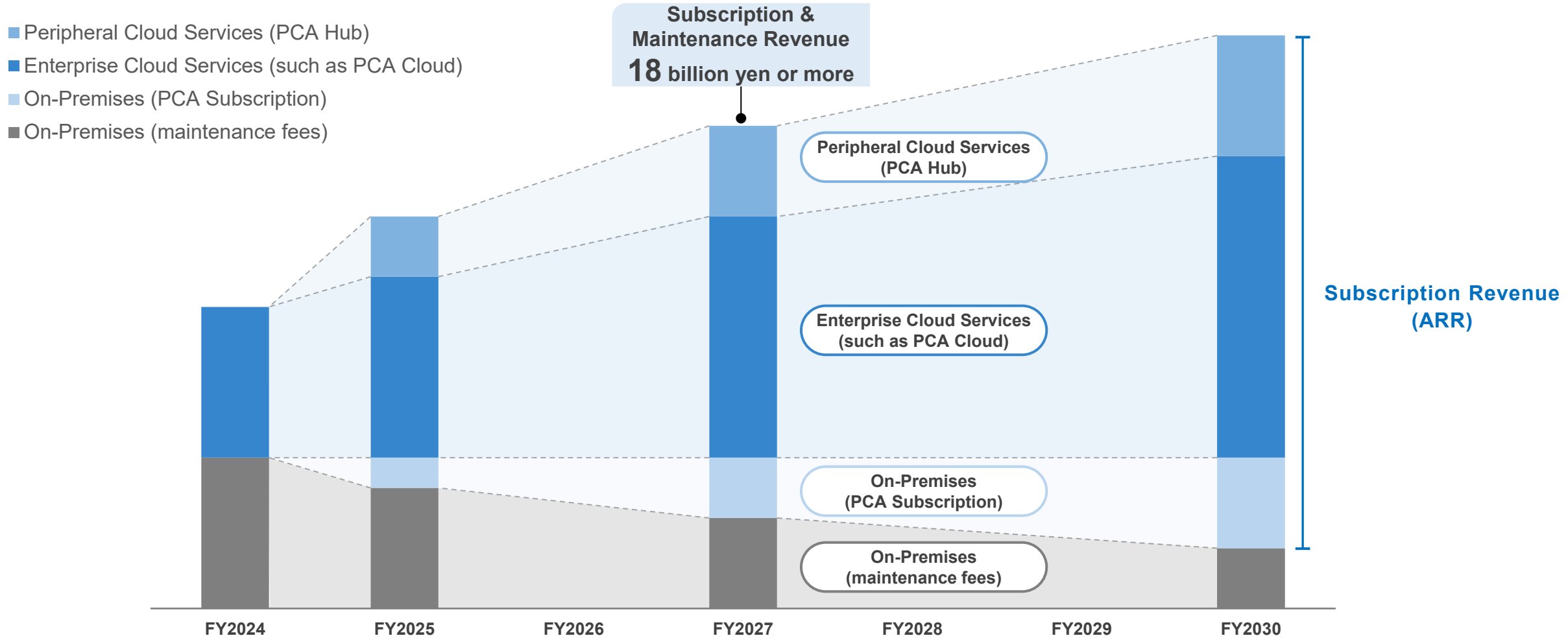
Priority  
Measure

3

## Service-Oriented Creation

- Drive the four initiatives and the development investment plan
- Drive the group product development plan in the HR domain

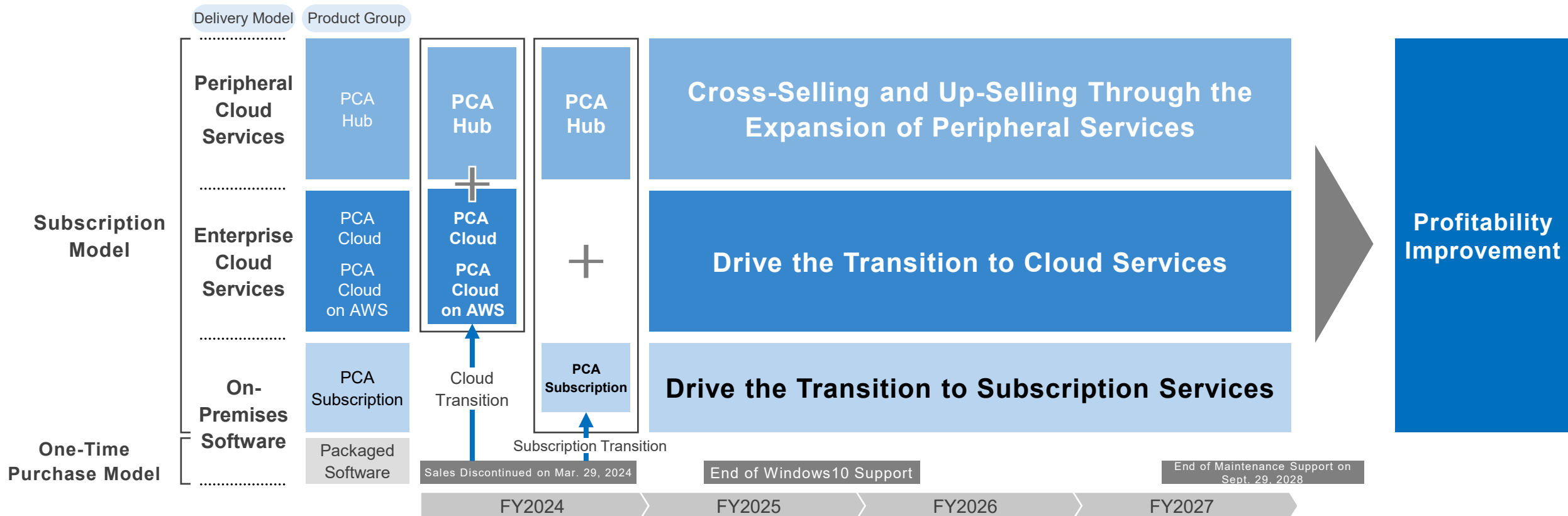
We will firmly establish the subscription model by FY2028 and increase the ARR growth rate.





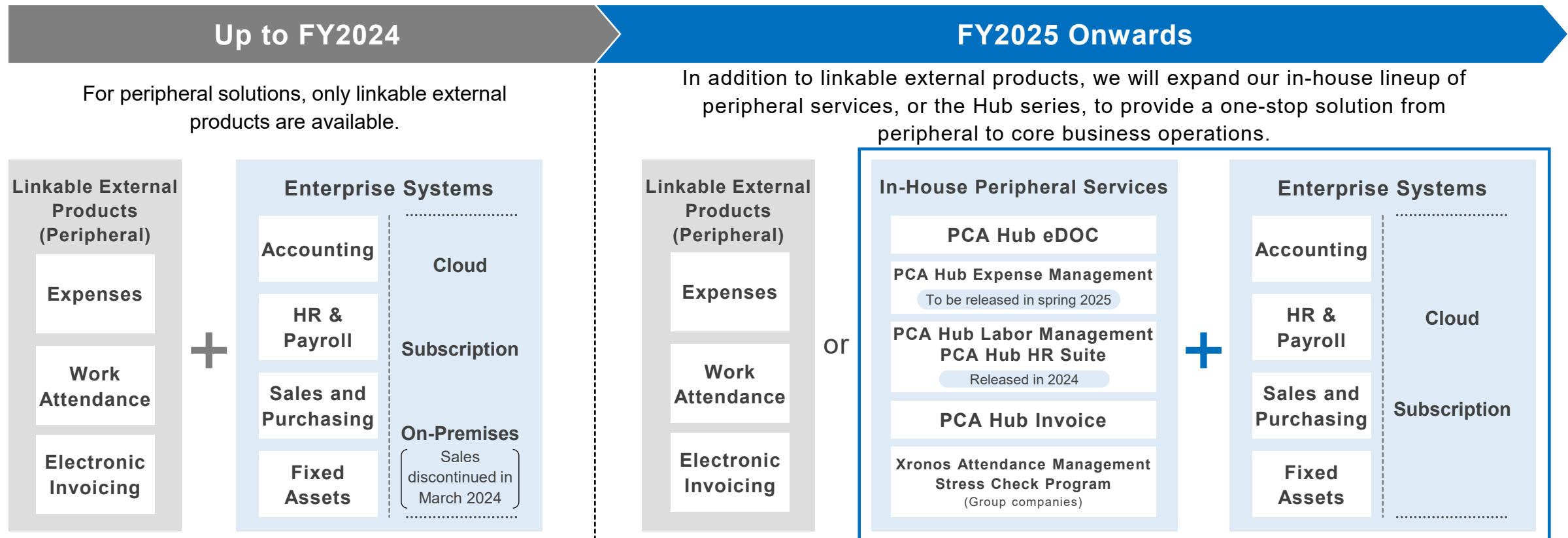
## – Drive the Cloud Transition

Sales of the one-time purchase versions of the on-premises software were discontinued in March 2024. We will drive the transition to the cloud and work on cross-selling and up-selling to improve profitability.



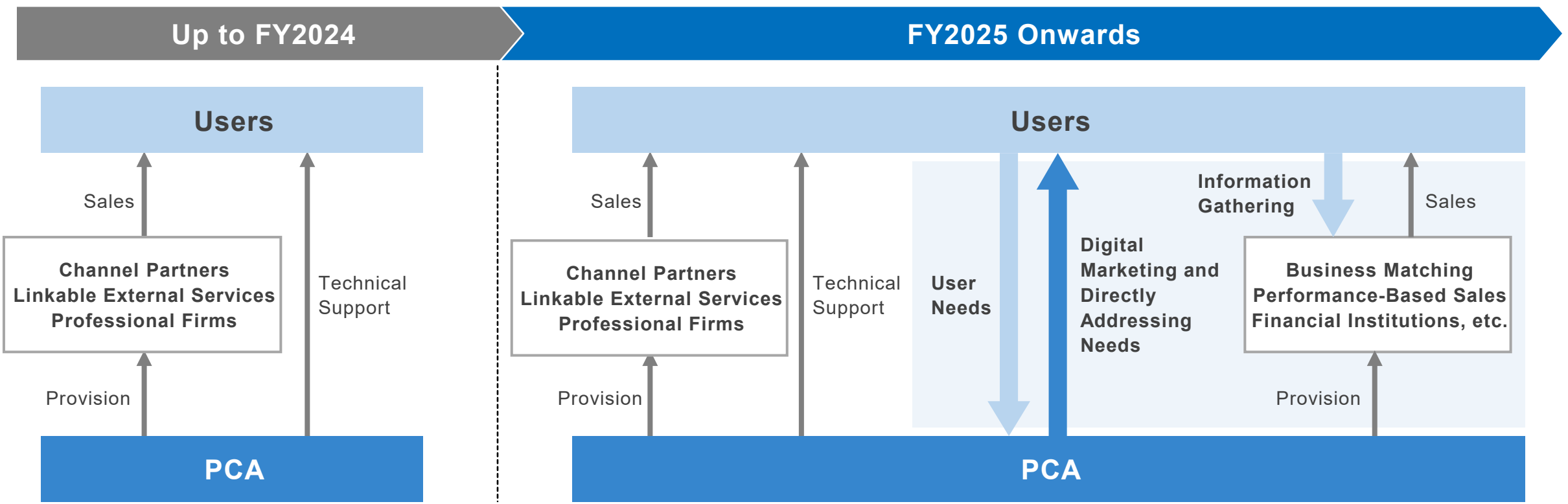
## – Expand and Enhance the Hub Services

Create a lineup of peripheral, in-house solutions to diversify our overall product lineup. In addition to improving UX, we will also aim to increase the ARPU and reduce the churn rate.



## – Strengthen Sales and Marketing

With the advancement of digitization, more users are increasingly gathering information on their own. We will strengthen our engagement with new marketing channels, in addition to our current channels. We will also directly address needs through user support.



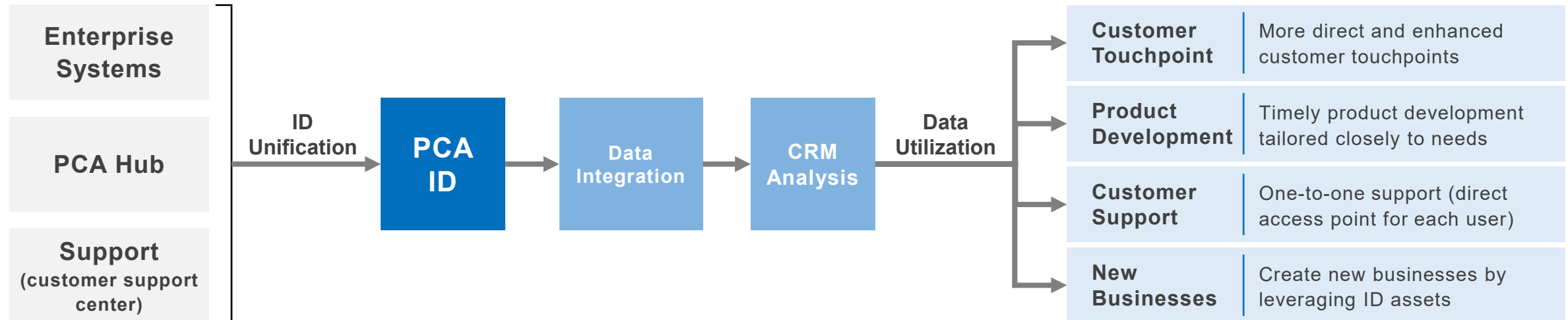
## – Build a Unified ID Platform and Leverage ID Assets

In November 2024, we started providing the PCA ID to our customers. Previously separate customers IDs (including user IDs) are now consolidated into a single PCA ID, which can be leveraged for various business strategies.

### Advantages of a Unified ID

- Security and service improvements
- UX improvement (one-stop direct interaction)
- ID utilization (direct marketing and linkage with external IDs)

### PCA ID Utilization Scenario



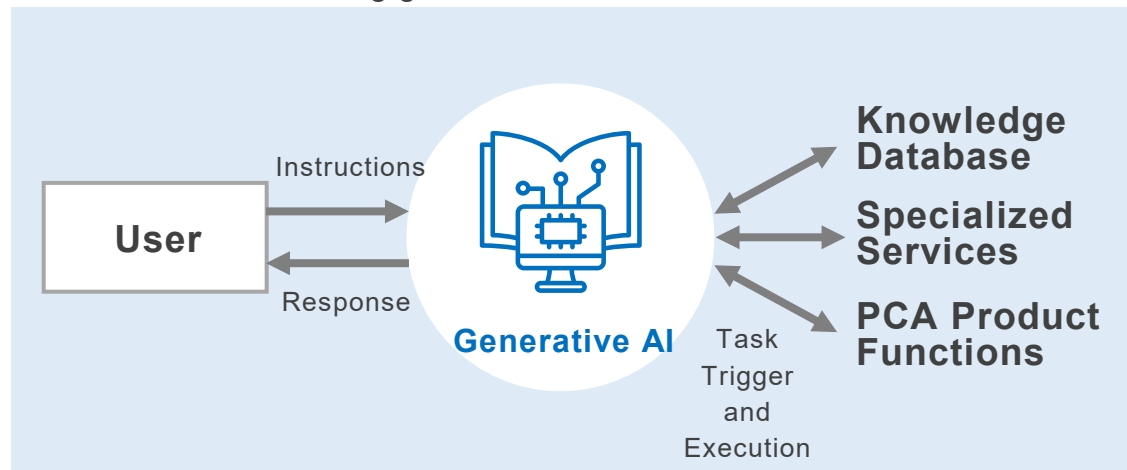
## – Generative AI Deployment and Research on Business Automation

In collaboration with various expert partner companies, we will conduct research on the implementation and application of AI to further enhance and automate business systems through AI deployment.

### Implementation Research

#### Development and PoC of applications integrating generative AI into our existing services

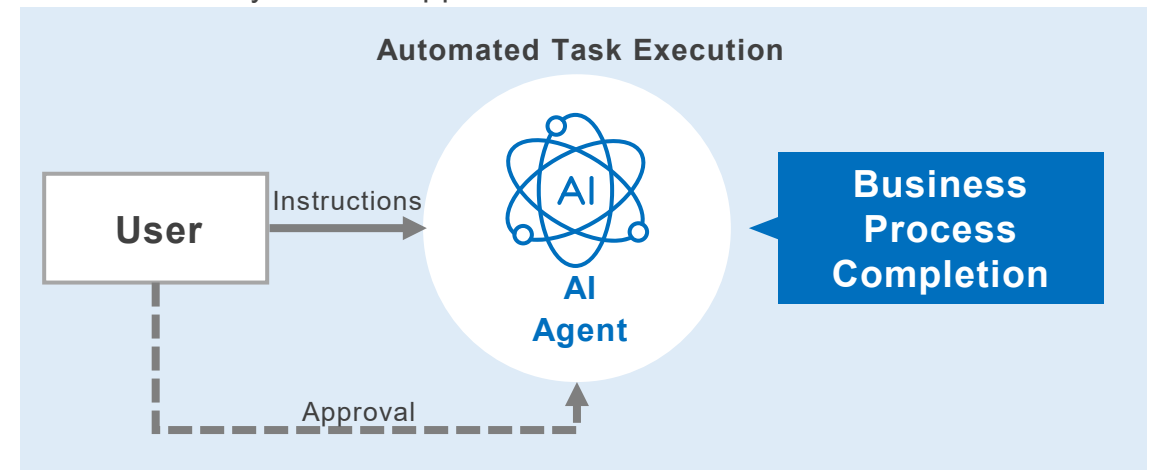
Users can give instructions to various services through a generative AI, which processes the responses to streamline and partially automate users' tasks, enabling greater added value in the execution of tasks.



### Applied Research

#### Automation of business processes and development of programs using AI agents

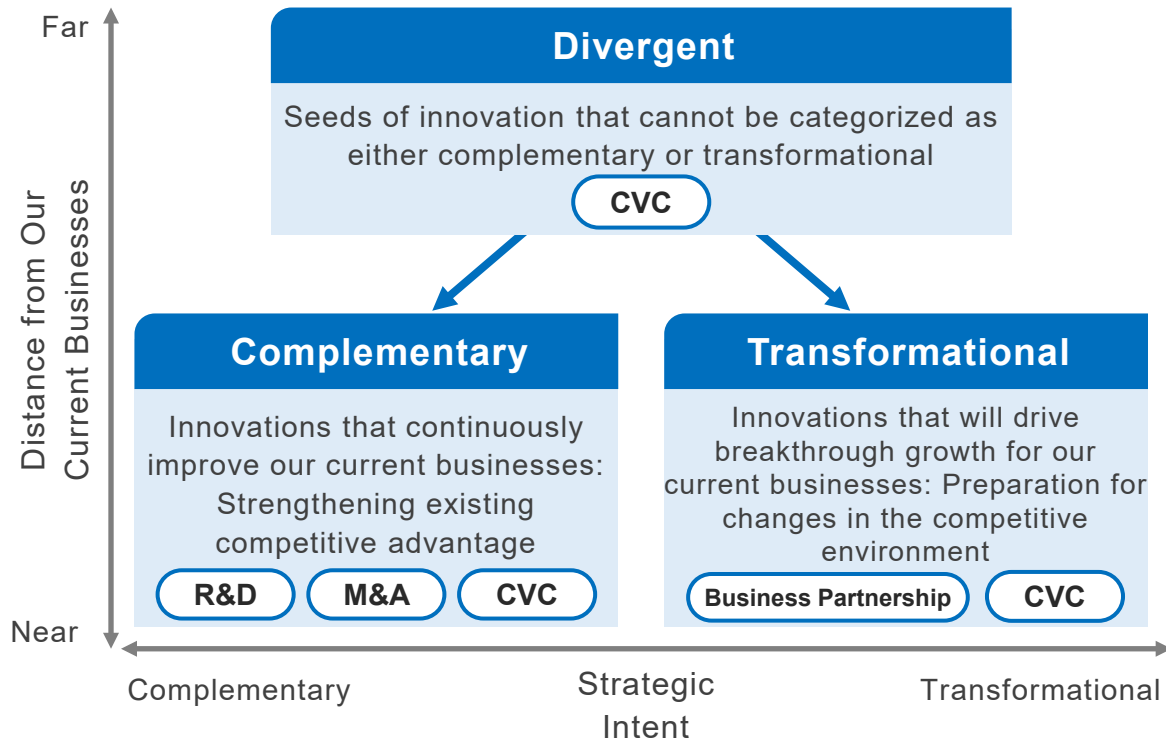
Users can give instructions to an AI agent on a per-task basis, upon which the AI agent will automatically execute the corresponding process. Users only need to approve the execution to receive the results.



## – Upfront Investment for Diversified Growth Through CVC

We have established a corporate venture capital (CVC) to invest in three categories: Complementary, Transformational, and Divergent.

### Categories of Innovation and Approaches



Reference: Hibara, N. (2017). *Open innovation and corporate venture capital investment*.

### Benefits of a CVC

- Creating new value outside the constraints of the existing services and organizational limits
- Further development of the existing businesses and synergy generation
- Revitalizing internal organizational dynamics and fostering talent

### Overview of the CVC

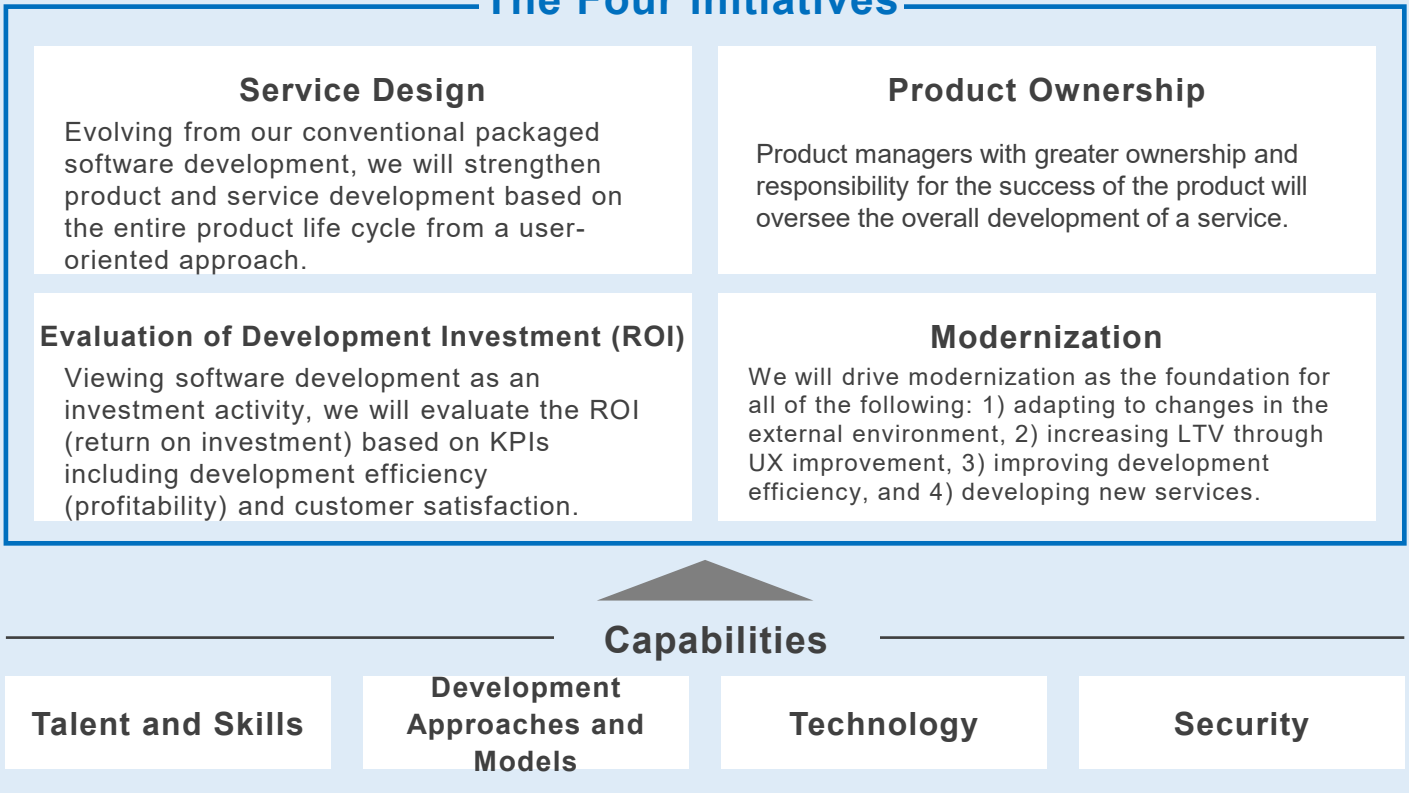
- Iidabashi Cross Partners (a subsidiary for fund management): Launched the ICP-1 Fund with 2 billion yen



## – Drive the Four Initiatives and the Development Investment Plan

To strengthen service-oriented product development, we will drive our development investment plan through four initiatives.

### The Four Initiatives



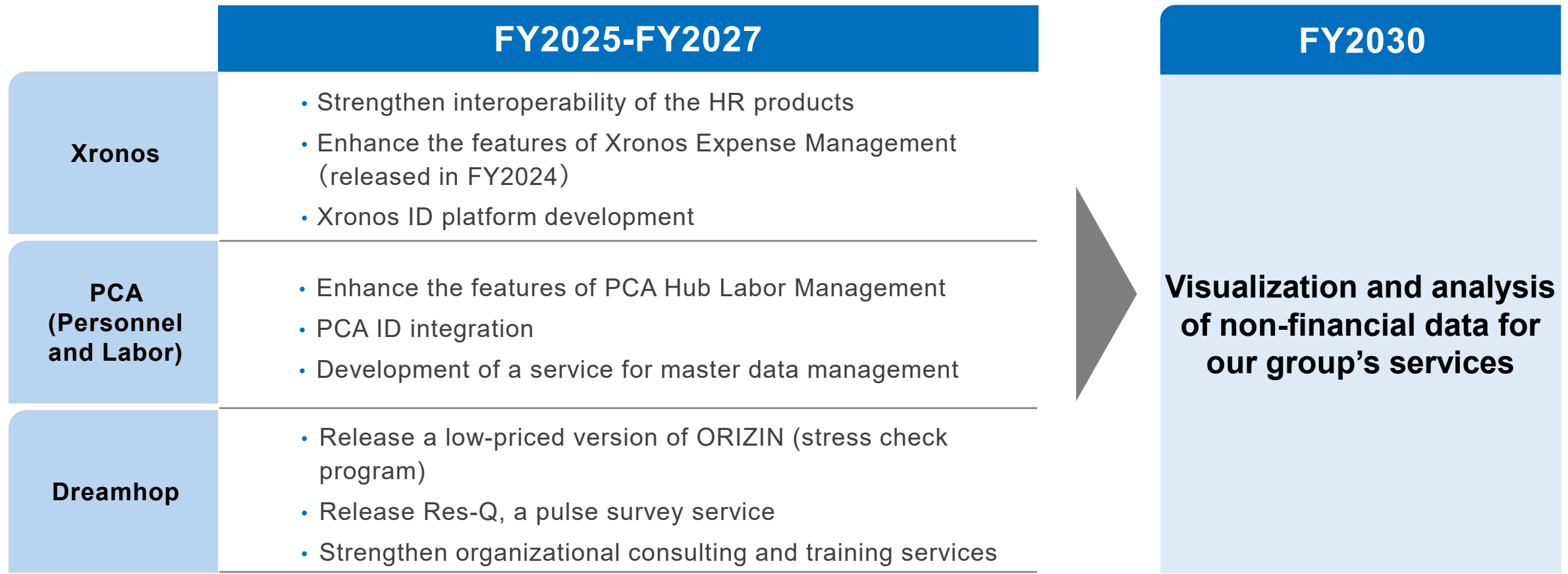
### Development Investment Plan

	Contents	Investment Amount and Percentage (Cumulative total for the 2027 Medium-Term Plan's period)	
<b>Feature Enhancements and Maintenance</b>	<ul style="list-style-type: none"> <li>Enhancement of the enterprise system series' products (such as the DX series)</li> </ul>	40%	12 billion yen or more
<b>Development of New Services (Modernization)</b>	<ul style="list-style-type: none"> <li>Development of the Hub series as well as new products and services</li> </ul>	50%	
<b>R&amp;D and Others</b>	<ul style="list-style-type: none"> <li>Generative AI deployment</li> <li>Business automation</li> </ul>	10%	

\*Investment amounts include personnel expenses, subcontracting expenses, and R&D expenses related to product development.

## – Drive the Group Product Development Plan in the HR Domain

Aiming for visualization of non-financial data in the future, we will strengthen group product development in the HR domain.



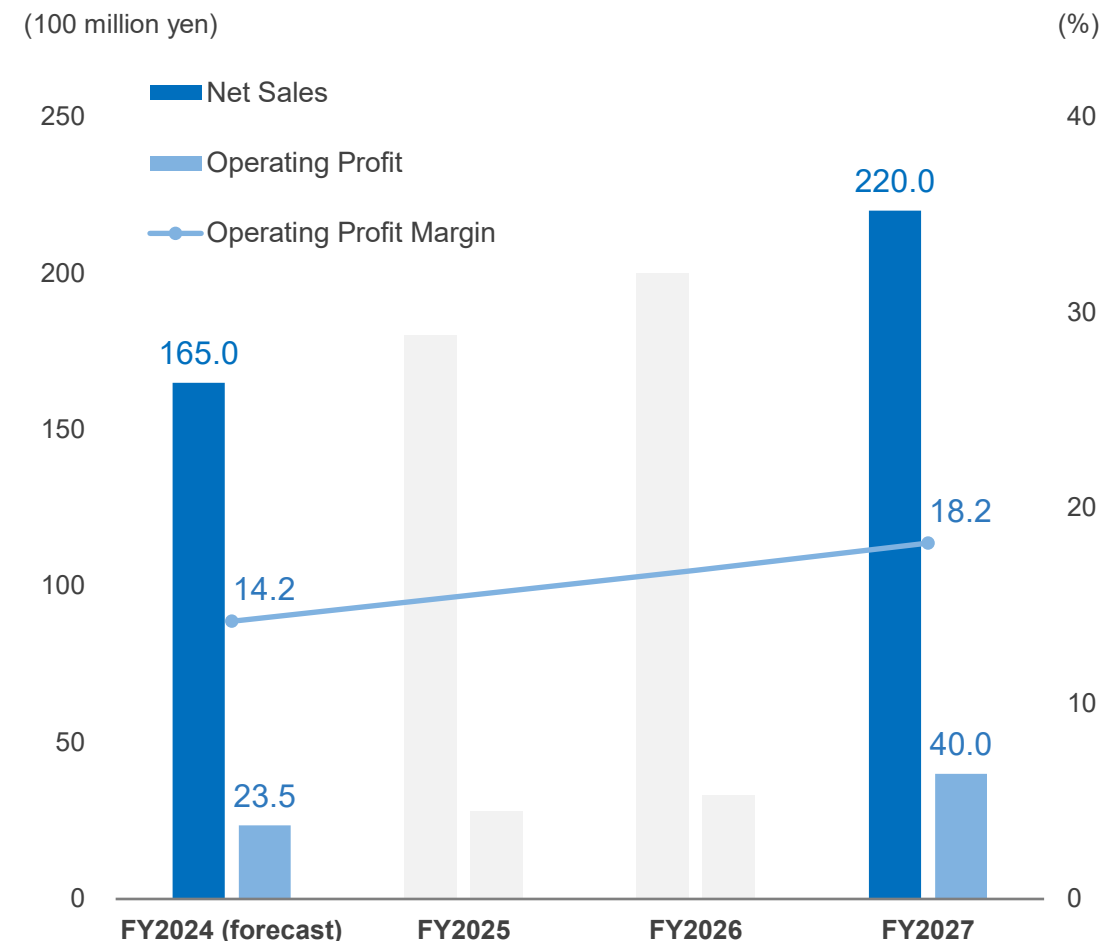


# 05

## Numerical Targets and Key Performance Indicators

To firmly establish the subscription model, we will aim for solid growth with increasing sales and profits while strengthening investment in development.

Consolidated Net Sales	<b>22 billion yen or more</b> (18 billion yen or more from subscription & maintenance)
Consolidated Operating Profit	<b>4 billion yen or more</b>
Consolidated Operating Profit Margin	<b>18% or more</b>
ROE	<b>10% or more</b>
EVA Spread	<b>Positive spread</b>
Dividend Payout Ratio	<b>100%</b> (until ROE reaches 10%) As a general principle, we will continue with a progressive dividend policy even after the ROE target is achieved.



Most recent actual figures as of the end of the first half of FY2024:

Number of  
Active  
Subscriptions

**31,000**  
Active  
Subscriptions

ARR

**9.13**  
billion yen

Churn Rate

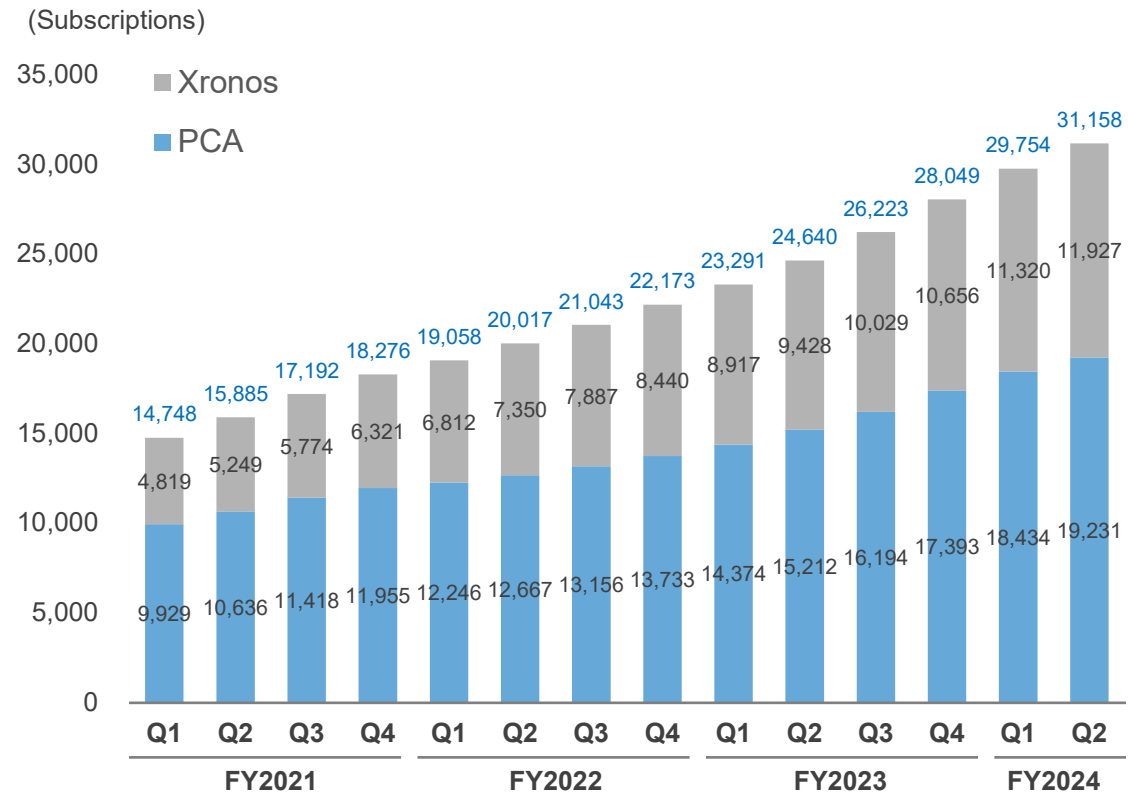
**0.26%**

ARPU  
(Revenue Per  
Subscription)

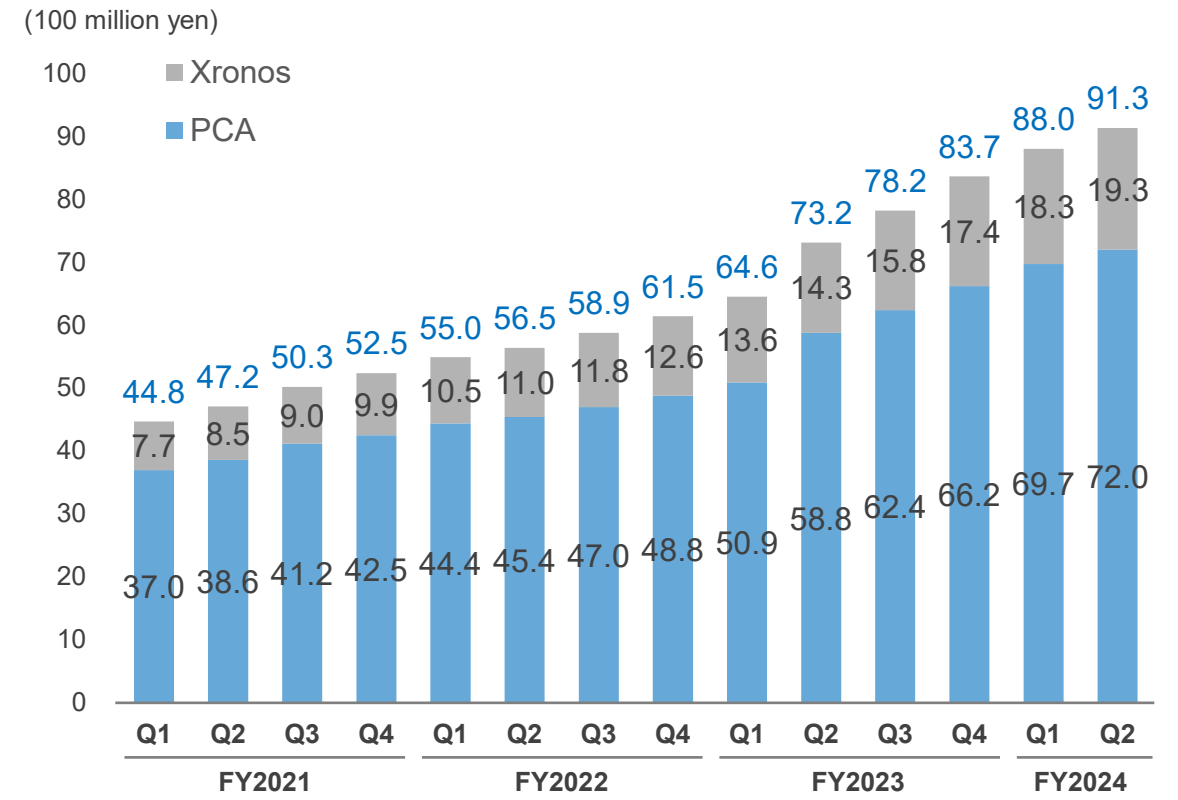
**293,000**  
yen

Steady growth in both the number of active subscriptions and the ARR

## Number of Active Subscriptions



## ARR

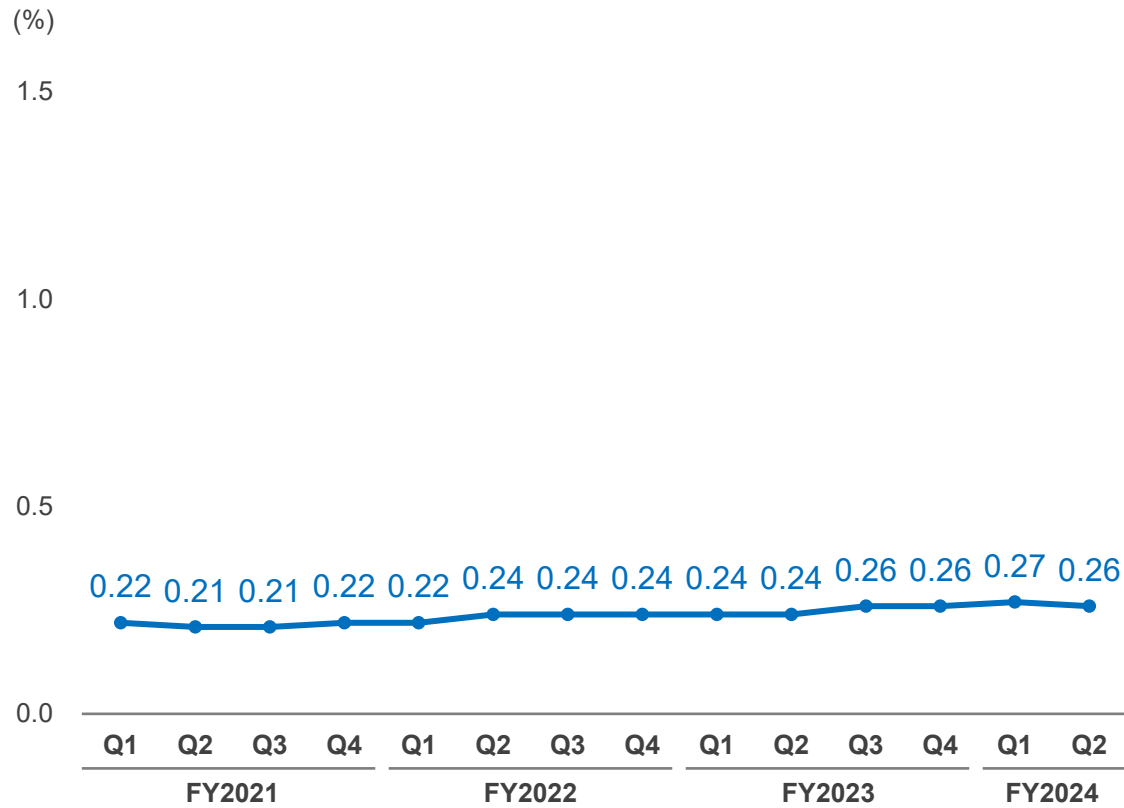


\*PCA: Sum of the number of active subscriptions of PCA Cloud (including on AWS), PCA Hub, and PCA Subscription  
 \*Xronos: Sum of the number of active subscriptions of Xronos Performance Cloud and X'sion

\*Calculated as 12 times the monthly recurring revenue (MRR for the final month of each quarter)

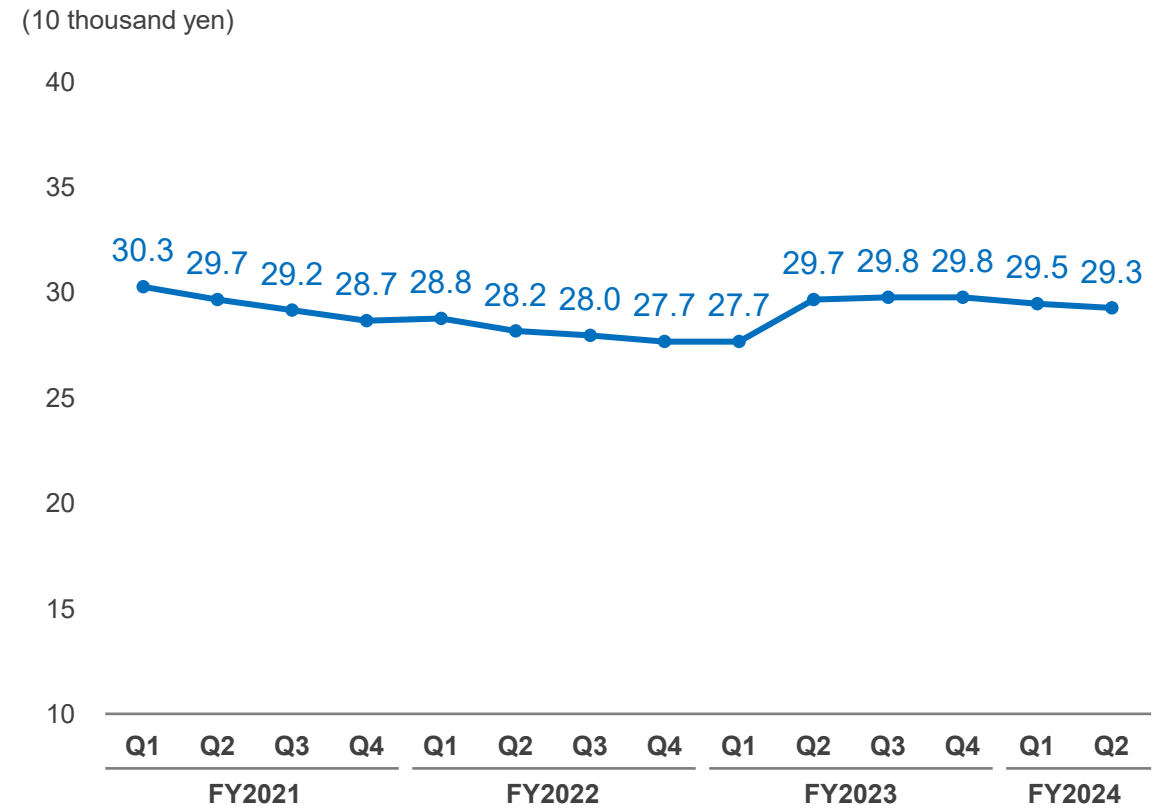
The changes in Q2 FY2023 are due to the price revisions.

## Churn Rate



\*Number of churned subscriptions ÷ Number of active subscriptions at the end of the previous month

## ARPU (Revenue Per Subscription)



\*Average revenue per subscription:  
Monthly recurring revenue (MRR) x 12 (ARR) ÷ Number of active subscriptions (in the last month of each quarter)

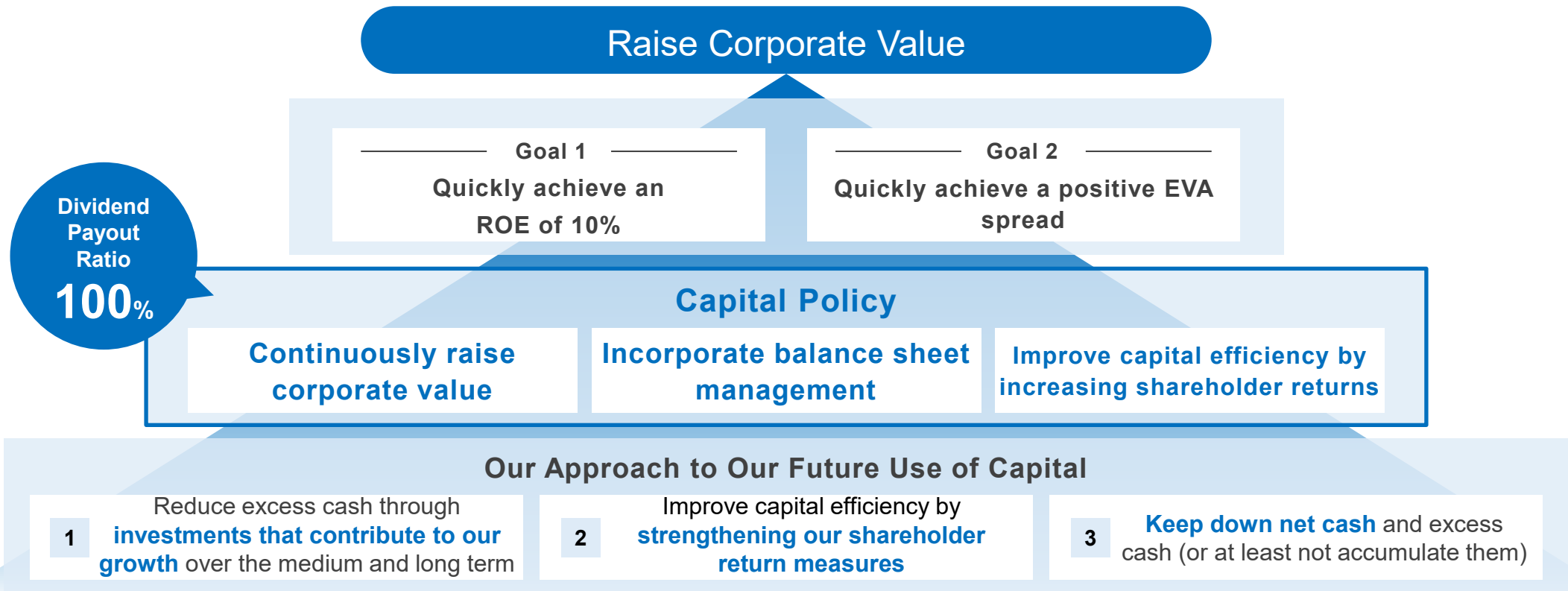
# 06

## Capital Policy



By strengthening our measures for shareholder returns and incorporating balance sheet management with a focus on increasing corporate value, we will quickly achieve an ROE of 10% and a positive EVA spread.

## Capital Policy

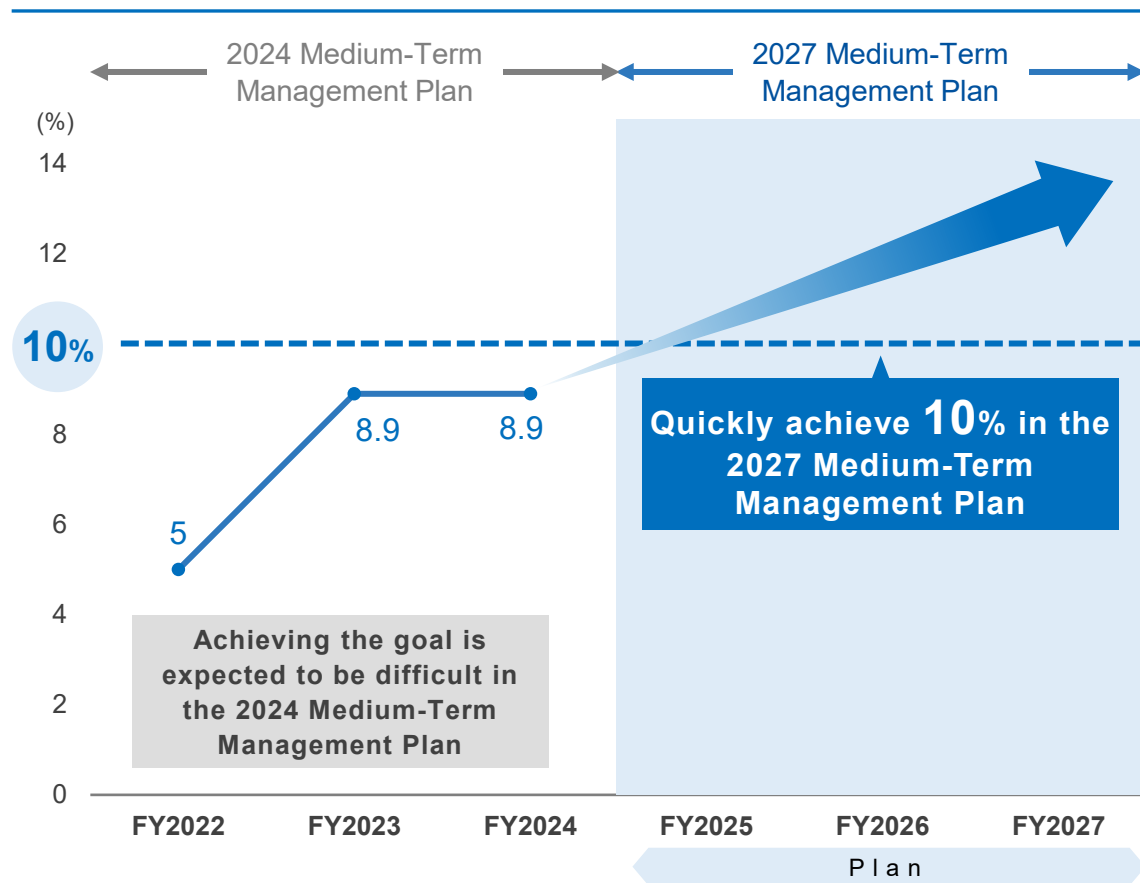


\*Shareholder returns (dividend policy): As a general principle, we will continue with a progressive dividend policy even after the achievement of an ROE of 10%.

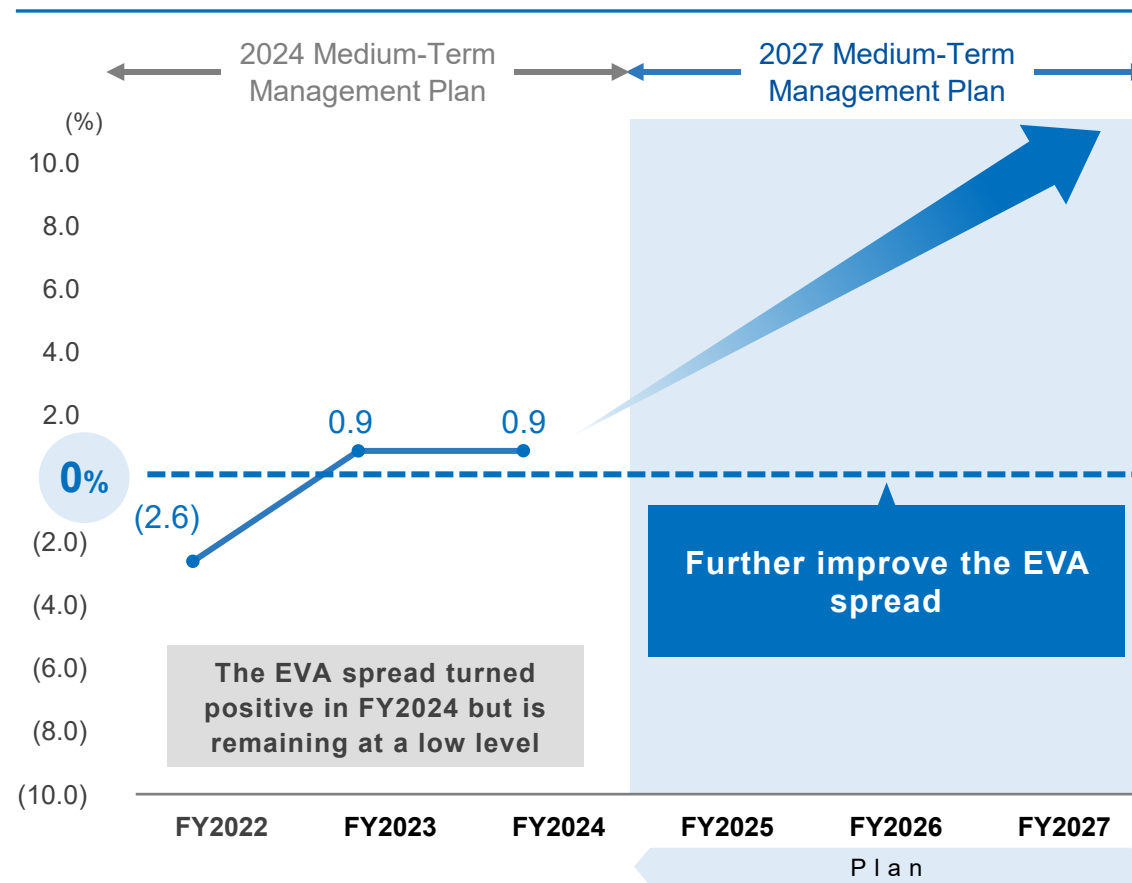
To improve capital efficiency, we will pay dividends at a dividend payout ratio of 100% as our new shareholder return policy until the ROE exceeds 10%.

\*As a general principle, we will continue with a progressive dividend policy even after achieving an ROE of 10%.

## ROE



## EVA Spread





# 07

## Commitment to Sustainability Management

Through our business itself, we will contribute to solving societal issues towards the creation of a more prosperous and sustainable society.

## Basic Policy on Sustainability

1

**Creating value by contributing to a sustainable society**

2

**Responsible business activities**

3

**Employee empowerment**

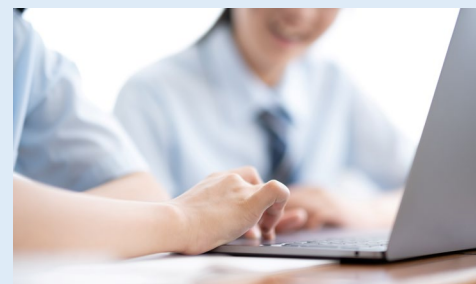
## Key Initiatives

### Environment



- Save energy by reducing in-house computer servers through the expansion of cloud services
- Reduction of the usage of paper, copies, and envelopes through the PCA Hub eDOC service and enterprise system software that digitalizes various forms

### Social



- Supporting the development of IT talent (U-22 Programming Contest)
- Foster health management (certification as a Health and Productivity Management Outstanding Organization and childcare support)

### Governance



- Development of a work environment that aligns with our basic approach to corporate governance
- Communicating ESG-related initiatives on the sustainability page of our website

For details of each initiative, please visit our sustainability page ▶

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