

Miroku & Co.: Small Business Accounting Whiz

By Toshiaki Momose

In May 1985, IBM Japan concluded a business tie-up with Miroku & Co. for application packages for its medium-sized business computer, the "IBM System 36SX." The packages were developed by Miroku exclusively for the 36SX, and come in two kinds—FIS (Financial Information System) and MIS (Management Information System). FIS was the subject of a flood of inquiries even before its scheduled marketing in September this year.

FIS is tailored to meet every need of any company. It was designed not only to save manpower in corporate accounting but also to deal with various financial operations, from fund management to business analysis, budget drafting, and consolidated accounts settlement for subsidiaries and affiliates.

The business tie-up with global giant IBM is of unparalleled significance to Miroku. But IBM too benefits from the arrangement, as it opens the way to developing a market in Japan for its small business and personal computers (PC), which have failed to duplicate the successes of its main-frame computers.

Computers (hardware) can function only when supported with software. In the case of main-frame computers, software is programmed to suit the purposes of individual users. But this is not possible for small business and personal computers, which are only profitable when sold in volume.

With a limited range of software it is impossible to meet the highly varied needs of many and unspecified users. Yet if IBM itself were to develop all the software needed, the investment would stagger even the world's No.1 computer giant, as well as taking too much invaluable time. In short, large stocks of software developed by software houses and



Keisuke Suzuki, president of Miroku & Co.

other outside sources are essential to popularize small computers of any model. IBM's small machines lacked software support from outside firms, and as a result were fighting an uphill battle in the lucrative Japanese market.

Miroku packed FIS with accounting know-how accumulated over decades of experience to produce a highly practical and versatile software package that can meet the needs of a host of diverse users. Moreover, FIS can be used not only with the 36SX but also with IBM's Multi-Station 5550. IBM Japan will be using FIS as a powerful sales promotion weapon to expand its share of the small computer market.

Selling management efficiency

What kind of company is this that can conclude a tie-up with the world's largest computer company on an equal footing?

In one sense, it may not be appropriate

to classify Miroku as a venture business, so long as a venture business is defined as a new company whose success hinges on a fresh laboratory discovery or on a new technology, product or service. By that definition, Miroku long ago graduated from the venture business class and is now a full-fledged enterprise of medium standing. But if venture businesses are unique companies which achieve their rapid growth by opening up new frontiers, then Miroku certainly fills the bill.

Miroku boasts the lion's share of the small business computer market in Japan. Small business computers account for 70% of the company's total annual turnover, with software sales bringing in another 20% and bookkeeping tools the remaining 10%.

Users of Miroku office computers number about 50,000. In 1984, the company started marketing its newest machine, the "Super Power X Series," and in the initial year sold more than 7,000 units.

All this might give the impression that Miroku is a computer maker. And, because computer sales account for 70% of the company's annual turnover, people might presume that the company's main business is marketing machines. But Keisuke Suzuki, 50, Miroku's president, emphatically denies that his company is either a computer maker or a computer sales firm. "It is more accurate," he emphasizes, "to say that we are a company that has accumulated know-how in rationalizing corporate clerical work and organizing systems to raise management efficiency ever since our founding, and that is now selling this know-how by linking it to the small business computer."

In a word, Miroku is a management consulting company. But it is not an ordinary consulting firm. Rather, it is a unique

enterprise which has devoted itself to improving the corporate management and business efficiency of small and medium enterprises and has systematized computer-packaged consulting services for this purpose. The company's distinctive character is attributable to its origin as well as to the business philosophy of its dynamic president.

Miroku & Co., whose Japanese name, "Miroku Keiri," translates as Miroku Accounting, was incorporated in 1963, but its business actually got underway years earlier. That was when President Suzuki's uncle, Yasuhei Suzuki, devised a revolutionary accounting slip.

In conventional accounting work, a bookkeeper has to fill out slips, sort them, and then re-enter the data in a separate ledger. The bookkeeping is tedious and mistakes a frequent occurrence in transferring entries from slip to ledger. Yasuhei's elegant invention did away with the re-entry work. Because his slips are designed to be filed in a binder to create an instant ledger, entries need to be made only once.

Yasuhei named his innovation the "Miroku system accounting slip," and established the "Miroku Accounting Association" in 1957 to popularize the system. Keisuke, then 22 years old, joined his uncle to help organize the association.

The name Miroku came from *Miroku-bosatsu* or *Maitreya-bodhisattva*. In Buddhism, Maitreya-bodhisattva is prophesied to appear 5,670 million years after the death of Shakyamuni to bring justice to the world and to lead those not yet saved by Buddha to enlightenment. Yasuhei was a devoted worshipper of Maitreya-bodhisattva, and though there is nothing in the company's office related to Maitreya worship, Yasuhei's belief that the firm would be "of great help to people throughout the country and bring enlightenment to this world" lives on in President Suzuki's business philosophy.

The Miroku bookkeeping system was perfectly suited to the business conditions of small companies. But, in order to sell the new slips effectively, it was necessary to thoroughly study the accounting operations of prospective customers and provide finely-tuned consulting. In the Japan of those days, there was no custom of paying for intangible services. However, says Suzuki, "We provided accounting guidance and consultation so earnestly and with such proprietary care that we were able to charge for our services from the very beginning." Revenue from consulting fees eventually outstripped that from sales of the Miroku system slip itself.

The Miroku Accounting Association

was virtually a public service, popularizing the Miroku system accounting slip and improving the accounting operations of small businesses. Miroku & Co. was established in 1963 to give the operation a business base. Keisuke did not become president of the firm until 1977, but from the very outset he handled the practical business side for his uncle, who was more an inventor than an entrepreneur.

Old know-how and new tech

For many years, Miroku continued to use the "Miroku bookkeeping system" to help small and medium enterprises rationalize their clerical operations and raise their management efficiency. But as time progressed, a wave of computerization began to sweep the industry and Miroku too began to turn its attention to the new technology. Miroku was already using a main-frame computer to undertake computation and data processing for clients on a contract basis. Now it decided to develop and market computers which could be used by small and medium enterprises. The company marketed its first office computer in 1975.

On the strength of its accumulated know-how in rationalizing clerical work, the company quickly developed a string

of computer software packages and designed a series of office computer systems to keep pace with the growing sophistication of the hardware.

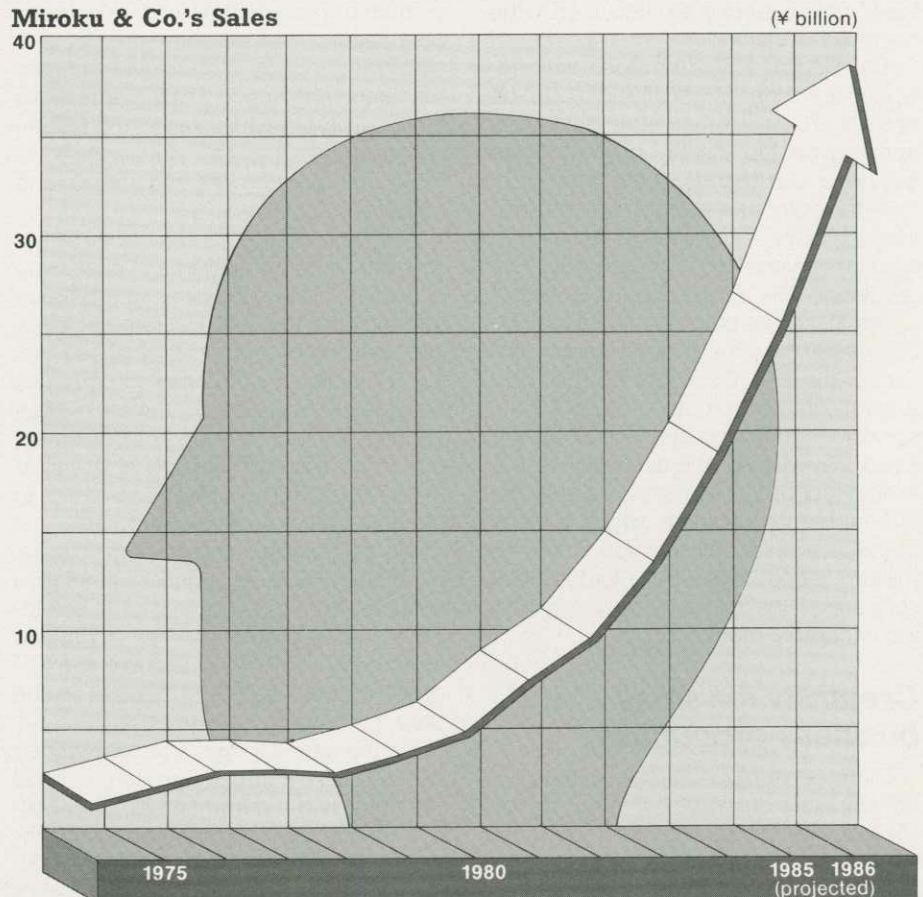
The progress in computer hardware over the past 10 years has been nothing short of astounding. How did Miroku cope? According to President Suzuki, the company's policy was consistent throughout. "We always had the software for raising clerical efficiency," he says, "and we always made it a point to purchase the most advanced hardware available at the time."

Miroku's mainstay model, the "Super Power X Series," is supplied by Alps Electric Co. under an OEM (original equipment manufacture) arrangement. Miroku has never slackened its research on hardware, all the more so because it procures OEM computers. The company has a section exclusively engaged in research on computers.

But needless to say, the company gives its most undivided attention to developing software, its main business. Fifty system engineers are constantly engaged in upgrading software packages for different industries and businesses to meet their ever-changing needs.

The top of Miroku's computer line is the Super Power XX, or Double X, composed of a 16-bit central processing unit

Miroku & Co.'s Sales





The Super Power XX, at present Miroku's star product

(CPU), three high-density 5-inch floppy disk drives each with 1.25 megabyte capacity, one hard disk drive with 10 megabyte capacity, a 24-dot printer, and two 960x700 dots cathode-ray tube displays. Because all data processing work is done in Japanese, a Japanese-language word processor with a powerful tablet input system is also attached to the computer system.

The Double X system is so well designed that it leaves virtually nothing to be desired. The full menu-style guide that appears on the display prevents even inexperienced operators from getting lost. Even the computer-allergic older generation, including executives of small and medium enterprises, can use it without resistance. It is an astonishing system.

Miroku has no plans to market the IBM 36SX itself, but through its tie-up with IBM Japan, the IBM 36SX will be the most sophisticated computer using Miroku software, surpassing even the Double X. Miroku invested approximately ¥300 million (about \$1.2 million) to develop the FIS application package, which is being made available to users for some ¥5 million (about \$20,000). Order-made software of the same class would cost incomparably more.

Creativity for small business productivity

Miroku's strength lies in its exhaustive 30-year store of know-how in raising the efficiency of accounting and its huge stock of existing software. The software assets are not translated into yen value

and therefore not entered in the company's balance sheet, but their actual value is estimated to be no less than ¥10 billion (about \$41 million). "Because of the exhaustive know-how and software we have accumulated thus far, our systems can handle any operation for small businesses, including matters which are unique to a given company," says President Suzuki. The company's catalog lists software packages not only for ordinary manufacturing and marketing operations but for every type of business and organization, from medical practitioners to municipal government accounting and academic societies.

Another source of the company's strength is its management consulting subsidiary. This subsidiary was built up over the past 30 years by organizing certified public accountants, licensed tax accountants and corporate management consultants throughout Japan. These people are not only important customers of Miroku systems but are also instrumental in getting their client companies to purchase Miroku office computers.

Altogether, Miroku has six subsidiaries, most of which are engaged in information services and development of made-to-order software systems. The combined turnover of the Miroku Group's subsidiaries is now nearly double that of the parent company.

For the parent firm itself, sales reached ¥20.5 billion (about \$85 million) in fiscal 1984, yielding a current profit of ¥1.6 billion (nearly \$6.6 million). Sales are projected to reach ¥27 billion in fiscal 1985 and ¥34 billion in 1986. The company's

sales are increasing very rapidly (see diagram), as it begins to benefit all at once from the rich store of know-how it has accumulated over the years.

Such spectacular growth can only be achieved with personnel trained and educated in the requisite technical knowledge and expertise. The well-organized explanations of Miroku's systems provided by its employees bespeak the thoroughgoing training and education the company has given them. Seminars for users are no less important, and Miroku has a building in Tokyo specifically to train its personnel and provide seminars for users. The building is always so overcrowded that it can no longer accommodate all those who seek training, and the company is now building a new training center in Gotemba at the foot of Mt. Fuji. When completed in the autumn of 1986, this center will be a powerful weapon for the company's future growth.

There are six million to seven million small and medium enterprises in Japan today, with nearly 100,000 newcomers joining the ranks every year. Miroku eyes all of them as its prospective customers. Stresses President Suzuki: "The growth of small and medium enterprises will lead to stability and development for the Japanese economy. I want to improve the management of these small businesses." Although an estimated two million enterprises could benefit by installing small business computers, so far the diffusion rate of computers among these candidates is only some 10%.

Suzuki's marketing vision is not confined to the Japanese. "Supportive software for organizing management systems is already available in America," he declares, "but finely-tuned software packages programmed to meet each industry's specific needs are not." His idea is to develop such packages for American companies, and his company is already researching American accounting and financing practices and the tax system. Suzuki is enthusiastic about advancing into the American market, and says he would like to establish a business tie-up if he can find a good American partner.

Suzuki's targets are high, but so is his confidence. "Our aim is a turnover of ¥80 billion (\$330 million) and a profit of ¥10 billion in 1990," says Miroku's president. "Our creativity and ability to translate ideas into action will be the source of our energy and vitality. I would like to have the stock of our company listed on the stock exchange before much longer." With an unlimited frontier lying before him, Suzuki's ambition and confidence know no bounds. ●