

Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2018 (Japanese GAAP)

August 1, 2018

1. Financial results for the fiscal year ended June 2018 (July 1, 2017 to June 30, 2018)

(Percentage represents year-on-year change)

(Rounded down to the nearest million yen)

(1) Results of operations

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2018	10,603	25.2	547	(22.0)	573	(25.1)	377	(31.0)
Year ended June 30, 2017	8,469	17.5	702	(4.0)	766	2.1	547	6.6

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
Year ended June 30, 2018	Yen 14.36	Yen —	% 6.6	% 6.6	% 5.2
Year ended June 30, 2017	20.78	—	10.3	9.9	8.3

(Reference) Equity in earnings of affiliates: As of June 2018 \$12 million As of June 2017 \$6 million

(2) Financial position

/ Financial position	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Year ended June 30, 2018	Million yen 8,837	Million yen 5,715	% 64.7	Yen 217.18
Year ended June 30, 2017	8,508	5,647	66.4	214.51

(3) Cash flow conditions

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Year ended June 30, 2018	Million yen 1,213	Million yen (603)	Million yen (348)	Million yen 2,839
Year ended June 30, 2017	1,172	(1,151)	(198)	2,578

2. Dividends

	Dividend per share					Total dividend payment	Dividend payout ratio (Non-Consolidated)	Dividend to net asset ratio (Non-Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Annual			
Year ended June 30, 2017	Yen —	Yen 0.00	Yen —	Yen 7.00	Yen 7.00	Million yen 184	% 33.7	% 3.5
Year ended June 30, 2018	—	0.00	—	7.00	7.00	184	48.8	3.2
Year ending June 30, 2019 (Forecast)	—	0.00	—	7.00	7.00		29.7	

3. Forecast of financial results for the fiscal year ending June 30, 2019 (July 1, 2018 to June 30, 2019)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	4,700	0.2	320	68.3	330	67.5	230	77.9	8.74
Full Year	10,700	0.9	880	60.7	900	56.9	620	64.3	23.56

Notes:

(1) Adaption of unique accounting method for quarterly financial statements: No

(2) Changes in Accounting Policies and Accounting Estimates / Restatements

- (i) Changes in accounting policies due to revisions of accounting standards, etc.: No
- (ii) Changes in accounting policies other than (i) above: No
- (iii) Changes in accounting estimates: No
- (iv) Restatements: No

(3) Number of shares issued (common stock)

(i) Number of shares issued at year-end (including treasury stock)	As of June 30, 2018	26,340,000	As of June 30, 2017	26,340,000
(ii) Number of shares of treasury stock at year-end		23,800		12,000
(iii) Average number of shares during the full year		26,288,295		26,335,792

4. Financial Statements

(1) Balance Sheet

	Previous term end (as of June 30, 2017)	Current term end (as of June 30, 2018)	(Thousands of yen)
Assets			
Current assets			
Cash and deposits	2,578,278	2,839,698	
Accounts receivable - trade	982,193	1,092,603	
Merchandise and finished goods	167,075	23,505	
Work in process	658,149	518,826	
Raw materials and supplies	3,049	4,669	
Advance payments - trade	271,923	384,039	
Prepaid expenses	112,372	166,872	
Deferred tax assets	203,329	222,112	
Other	8,468	3,820	
Total current assets	4,984,841	5,256,148	
Non-current assets			
Property, plant and equipment			
Buildings	173,596	212,397	
Structures	1,690	1,452	
Tools, furniture and fixtures	67,248	120,742	
Leased assets	92,922	100,849	
Land	84,394	84,394	
Total property, plant and equipment	419,853	519,838	
Intangible assets			
Software	1,011,355	1,098,004	
Software in progress	404,783	412,425	
Telephone subscription right	3,806	3,806	
Leased assets	1,109	610	
Total intangible assets	1,421,055	1,514,846	
Investments and other assets			
Investment securities	1,124,299	954,052	
Shares of subsidiaries and associates	24,680	24,680	
Long-term loans receivable from shareholders, directors or employees	1,168	568	
Claims provable in bankruptcy, claims provable in rehabilitation and other	64,129	64,129	
Long-term prepaid expenses	136,583	191,413	
Deferred tax assets	—	9,453	
Other	393,127	363,516	
Allowance for doubtful accounts	(61,629)	(61,629)	
Total investments and other assets	1,682,358	1,546,184	
Total non-current assets	3,523,267	3,580,868	
Total assets	8,508,108	8,837,017	
Liabilities			
Current liabilities			
Accounts payable - trade	553,378	543,354	
Lease obligations	27,685	35,510	
Accounts payable - other	81,480	98,472	
Accrued expenses	120,901	163,784	
Income taxes payable	288,014	83,433	
Advances received	822,466	1,053,670	
Deposits received	86,852	117,587	
Provision for product warranties	—	14,580	
Provision for bonuses	233,803	237,254	
Provision for directors' bonuses	17,600	18,960	
Asset retirement obligations	7,753	—	
Other	12,063	156,204	
Total current liabilities	2,252,000	2,522,812	
Non-current liabilities			
Lease obligations	74,006	74,313	
Deferred tax liabilities	55,628	—	
Provision for retirement benefits	405,083	421,554	
Provision for directors' retirement benefits	19,367	22,102	
Asset retirement obligations	54,431	80,948	
Total non-current liabilities	608,517	598,918	
Total liabilities	2,860,517	3,121,730	
Net assets			
Shareholders' equity			
Capital stock	843,750	843,750	
Capital surplus			
Legal capital surplus	559,622	559,622	
Other capital surplus	—	1,564	
Total capital surpluses	559,622	561,186	
Retained earnings			
Legal retained earnings	18,000	18,000	
Other retained earnings			
General reserve	2,600,000	2,600,000	
Retained earnings brought forward	1,207,245	1,400,414	
Total retained earnings	3,825,245	4,018,414	
Treasury shares	(6,348)	(14,872)	
Total shareholders' equity	5,222,269	5,408,478	
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	425,321	306,807	
Total valuation and translation adjustments	425,321	306,807	
Total net assets	5,647,591	5,715,286	
Total liabilities and net assets	8,508,108	8,837,017	

(2) Income Statement

	(Thousands of yen)	
	Previous term (July 1, 2016 to June 30, 2017)	Current term (July 1, 2017 to June 30, 2018)
Net sales		
Net sales of finished goods	6,633,919	8,469,910
Net sales of goods	1,835,650	2,134,054
Total net sales	<u>8,469,569</u>	<u>10,603,964</u>
Cost of sales		
Cost of products manufactured	5,054,576	6,822,055
Cost of finished goods sold	5,054,576	6,822,055
Beginning goods	12,107	167,075
Cost of purchased goods	1,437,581	1,415,667
Total	1,449,689	1,582,743
Ending goods	167,075	23,505
Cost of goods sold	1,282,613	1,559,238
Total cost of sales	<u>6,337,190</u>	<u>8,381,294</u>
Gross profit	2,132,379	2,222,670
Selling, general and administrative expenses	1,429,829	1,675,020
Operating income	<u>702,550</u>	<u>547,650</u>
Non-operating income		
Interest income	147	172
Interest on securities	887	887
Dividend income	11,941	25,191
Reversal of allowance for doubtful accounts	23,681	—
Insurance premiums refunded cancellation	26,165	—
Other	6,130	4,863
Total non-operating income	<u>68,952</u>	<u>31,115</u>
Non-operating expenses		
Interest expenses	821	573
Commitment fee	4,060	3,908
Other	312	603
Total non-operating expenses	<u>5,193</u>	<u>5,084</u>
Ordinary income	<u>766,309</u>	<u>573,680</u>
Extraordinary income	<u>—</u>	<u>—</u>
Extraordinary losses		
Loss on retirement of non-current assets	3	50
Loss on valuation of investment securities	—	326
Total extraordinary losses	<u>3</u>	<u>376</u>
Income before income taxes	<u>766,305</u>	<u>573,304</u>
Income taxes-current	<u>329,428</u>	<u>227,400</u>
Income taxes-deferred	<u>(110,305)</u>	<u>(31,560)</u>
Total income taxes	<u>219,122</u>	<u>195,839</u>
Net income	<u>547,183</u>	<u>377,464</u>

(3) Cash Flow Statement

	(Thousands of yen)	
	Previous term (July 1, 2016 to June 30, 2017)	Current term (July 1, 2017 to June 30, 2018)
Cash flows from operating activities		
Income before income taxes	766,305	573,304
Depreciation	337,482	485,189
Increase (decrease) in allowance for doubtful accounts	(26,445)	—
Increase (decrease) in provision for bonuses	10,163	3,451
Increase (decrease) in provision for product warranties	—	14,580
Increase (decrease) in provision for directors' bonuses	(9,800)	1,360
Increase (decrease) in provision for retirement benefits	16,177	16,470
Increase (decrease) in provision for directors' retirement benefits	3,670	2,735
Interest and dividend income	(12,976)	(26,251)
Interest expenses	821	573
Commitment fee	4,060	3,908
Surrender value of insurance	(26,165)	—
Loss (gain) on sales and valuation of investment securities	—	326
Loss on retirement of non-current assets	3	50
Decrease (increase) in notes and accounts receivable - trade	848,473	120,793
Decrease (increase) in inventories	(563,994)	281,274
Increase (decrease) in notes and accounts payable - trade	43,626	(104,758)
Other	(47,563)	240,183
Subtotal	1,343,836	1,613,188
Interest and dividend income received	12,991	26,251
Interest expenses paid	(821)	(556)
Commitment fee paid	(3,927)	(3,881)
Proceeds from surrender value of insurance	26,165	—
Income taxes paid	(205,277)	(421,735)
Net cash provided by (used in) operating activities	1,172,965	1,213,267
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	100,000	—
Purchase of property, plant and equipment	(83,733)	(121,282)
Purchase of intangible assets	(1,169,603)	(502,984)
Purchase of investment securities	(1,035)	(1,316)
Collection of loans receivable	27,843	600
Other	(24,857)	21,275
Net cash provided by (used in) investing activities	(1,151,386)	(603,708)
Cash flows from financing activities		
Increase in short-term loans payable	800,000	410,000
Decrease in short-term loans payable	(800,000)	(410,000)
Purchase of treasury shares	(6,348)	(129,957)
Cash dividends paid	(158,132)	(184,143)
Repayments of lease obligations	(34,313)	(34,766)
Net cash provided by (used in) financing activities	(198,794)	(348,867)
Effect of exchange rate change on cash and cash equivalents	3,168	728
Net increase (decrease) in cash and cash equivalents	(174,046)	261,419
Cash and cash equivalents at beginning of period	2,752,325	2,578,278
Cash and cash equivalents at end of period	2,578,278	2,839,698