

Summary of Non-consolidated Financial Results

for the Fiscal Year Ended June 2019 (Japanese GAAP)

August 7, 2019

1. Financial results for this term (July 1, 2018 to June 30, 2019)

(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 2019	10,443	(1.5)	921	68.3	953	66.2	683	81.2
Year ended, June 2018	10,603	25.2	547	(22.0)	573	(25.1)	377	(31.0)

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
	Yen	Yen	%	%	%
Year ended, June 2019	25.99	—	11.3	10.1	8.8
Year ended, June 2018	14.36	—	6.6	6.6	5.2

(Reference) Equity in earnings of affiliates: As of June 2019 ¥4 million As of June 2018 ¥12 million

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended, June 2019	10,032	6,372	63.5	242.23
Year ended, June 2018	8,837	5,715	64.7	217.18

(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
	Million yen	Million yen	Million yen	Million yen
Year ended, June 2019	1,237	(601)	(219)	3,254
Year ended, June 2018	1,213	(603)	(348)	2,839

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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended June 30, 2018	—	0.00	—	7.00	7.00	184	48.8	3.2
Year ended June 30, 2019	—	0.00	—	9.00	9.00	236	34.6	3.9
Year ending June 30, 2020 (Forecast)	—	0.00	—	9.00	9.00		32.9	

3. Forecast of financial results for the fiscal year ending June 30, 2020 (July 1, 2019 to June 30, 2020)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	5,000	(0.8)	340	26.4	360	27.8	250	22.1	9.50
Full Year	10,600	1.5	1,000	8.5	1,040	9.1	720	5.3	27.37

Notes:

(1) 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

(2) Number of shares issued (common stock)

(i) Number of shares issued at year-end (including treasury stock)	As of June 30, 2019	26,340,000	As of June 30, 2018	26,340,000
(ii) Number of shares of treasury stock at year-end		31,907		23,800
(iii) Average number of shares during the full year		26,312,352		26,288,295

※ Summary of financial results are not subject to audit by a certified public accountant or audit corporations.

※ Explanation on the proper use of financial forecasts

The forward-looking statements and other forward-looking statements contained in this material are based on currently available information and uncertainty. Actual results may differ from forecast figures due to changes in business conditions.

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1. Overview of Operating Results

(1) Report of Operating Results

In the fiscal year ended June 30, 2019, the Japanese economy continued to expand moderately, despite signs of a slowdown in overseas economies. Corporate earnings and business sentiment remained favorable and capital investment continued to be on an increasing trend.

In the credit card industry, which is our main business domain, we have seen an increase in system upgrades and new investment projects, and our business opportunities have expanded.

Net sales for the FY06/2019 slightly declined to 10,443 million yen (1.5% decrease YoY). Although we recorded approximately 1,935 million yen sales for a large-scale project for developing FEP (Front End Processing) system for the certain customer in the previous fiscal year, FY06/2018, the sales for this project for the FY06/2019 declined significantly to only 674 million yen. The decline in this large-scale project was offset by the sales to other customers and the cloud service business increase. As a result, net sales in the Financial Systems Solutions Business were 9,336 million yen, approximately the same amount as the 9,332 million yen recorded in the previous fiscal year.

Net sales in the Product Solution Business, on the other hand, fell below the 1,271 million yen recorded in the previous fiscal year to 1,106 million yen, mainly due to sluggish sales of third party products.

The initial net sales forecast for the Financial Systems Solutions Business was 9,300 million yen, and the actual results for the FY06/2019 were roughly the same amount of 9,336 million yen. Initial sales forecasts for the Product Solutions Business had been 1,400 million yen, but were not achieved. As a result, net sales for the FY06/2019 were 10,443 million yen, slightly below the initial forecast of 10,700 million yen.

In the previous fiscal year, operating income was 547 million yen due to the unprofitability of the large-scale development project. The operating income for the FY06/2019 was a significant increase by 921 million yen (68.3% YoY growth).

We had no unprofitable development project in this fiscal year and overall development projects for FEP systems were steady, and the sales of in-house developed package software NET+1 increased. As a result, operating income was 921 million yen, which exceeded our initial plan of 880 million yen.

The stocks of company were listed on the First Section of the Tokyo Stock Exchange as of March 27, 2019.

Results by business segment for the current fiscal year are as follows.

(Financial Systems Solutions Business)

In this business segment, we are mainly engaged in the development of FEP systems that provide the functions for network-gateway and authorization required to complete credit card payment processing.

When we develop a new FEP system for each customer, sales are recorded from the breakdown by category as followed.

The sales of NET+1 package software which constitute the core of the FEP system (in-house packages sales), the sales from the development work (software development sales) that allows engineers to customize the package software to meet the customer's functional requirements, the sales from the sale of servers to deploy the developed software (hardware sales) and the sales from the maintenance work for a system we built that consists of software and hardware (maintenance work).

In the FY06/2019, the segment posted net sales of 9,336 million yen (compared with 9,332 million yen in the previous fiscal year) and operating income of 890 million yen (compared with 598 million yen in the previous fiscal year).

The sales of in-house package, NET+1, for development projects of FEP systems for other customers, the hardware sales and the increase sales of the cloud service offset a significant decline in sales of the large-scale development projects for the specific customer.

During the FY06/2019, we recorded sales to existing customers from multiple development projects for the renewal and the addition of FEP systems. In particular, in the third quarter of the FY06/2019, from January 2019 to March 2019, we recorded sales of in-house package software NET+1 used for these projects, which resulted in an increase in operating income. And there were no unprofitable development projects in this fiscal year.

The cloud service business, which provides system service for acquiring operations (merchant acquiring business) and credit card fraud detection system for regional banks and credit card companies, posted higher

sales in line with initial plans, resulting in an improvement in profit and loss for the FY06/2019.

(Product Solutions Business)

In this business segment, we sell our products to prevent leaks of internal information within corporate organizations, as well as cyber security products from third-parties.

In the FY06/2019, the Result posted net sales of 1,106 million yen (compared with net sales of 1,271 million yen in the previous fiscal year) and operating income of 31 million yen (compared with an operating loss of 51 million yen in the previous fiscal year).

In the previous fiscal year, hardware sales temporarily increased due to specific projects, but it decreased in the FY06/2019. In addition, sales operations for third-party products were difficult to acquire new customers, and as a result, we failed to increase sales in line with our initial forecasts.

On the other hand, sales of in-house product were in line with our initial forecasts, and as a result, in-house packages sales topped the sales from the previous fiscal year.

The sales of relatively low-margin hardware declined and the sales of in-house high-margin product grew, we were able to secure almost the same level of operating income as the initial forecast.

Sales by segment in this term

Thousands of yen	
Business segments	Net sales
Financial System Solutions Business	9,336,840 (89.4%)
Product Solutions Business	1,106,459 (10.6%)
Total	10,443,300 (100.0%)

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the FY06/2019 was 10,032 million yen, an increase of 1,195 million yen from the end of the previous fiscal year. Current assets amounted to 6,054 million yen, an increase of 1,020 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of 415 million yen and an increase in accounts receivable-trade of 362 million yen. Non-current assets totaled 3,977 million yen, an increase of 174 million yen from the end of the previous fiscal year. This was mainly due to an increase of 280 million yen in investment securities and an increase of 103 million yen in deferred tax assets, despite a decrease of 264 million yen in software in progress.

(Liabilities)

The balance of liabilities at the end of the FY06/2019 was 3,659 million yen, an increase of 537 million yen from the end of the previous fiscal year. This was mainly due to an increase of 276 million yen in income taxes payable and an increase of 374 million yen in advances received, despite a decrease of 211 million yen in accounts payable-trade.

(Net Assets)

The balance of net assets at the end of the FY06/2019 was 6,372 million yen, an increase of 657 million yen from the end of the previous fiscal year. This was mainly due to an increase of 157 million yen in valuation difference on available-for-sale securities and an increase of 499 million yen in retained earnings.

(3) Report of Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities in the FY06/2019 amounted to 1,237 million yen, an increase of 2.0% from the previous fiscal year. This was mainly attributable to the fact that income before income taxes amounted to 953 million yen and depreciation expenses amounted to 707 million yen as a result of our strong business operation overall.

(Cash flows from investing activities)

Net cash used in investing activities in the FY06/2019 was 601 million yen (compared with 603 million yen used in the previous fiscal year). This was mainly due to the purchase of intangible fixed assets of 411 million yen, and the software development for sales purposes and the internal use.

(Cash flows from financing activities)

Net cash used in financing activities was 219 million yen (348 million yen used in the previous fiscal year). This was mainly due to cash dividends paid of 183 million yen and repayments of lease obligations of 35 million yen.

Trends in cash flow indicators are as follows.

	Year Ended June 30, 2019
Shareholders' equity ratio (%)	63.5
Equity ratio based on market value (%)	232.9
Debt amortization schedule (number of years)	0.1
Interest coverage ratio (times)	7,598.6

(NOTE) 1. Shareholders' equity ratio: Shareholders' equity/Total assets

2. Equity ratio based on market value: Market capitalization/Total assets

Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.

3. Number of years for debt redemption = interest-bearing debt / operating cash flow

Interest-bearing debt refers to all liabilities on the balance sheet on which interest is paid.

4. Interest coverage ratio = operating cash flow / interest expenses

(4) Future Outlook

As described above, we achieved an operating income of 921 million yen, which exceeded the forecasted operating income of 880 million yen at the beginning of the fiscal year. Operating income was ended nearly to the 930 million yen, which was the target for the fiscal year ending June 30, 2020 set forth in the mid-term business plan (Previous plan) announced on August 1, 2018.

In the FY06/2019, we experienced an unexpected abort in a large-scale development project, but there was no significant change in our business environment. We had estimated that the underlying trend so far would remain largely unchanged and we announced our new mid-term business plan at August 7, 2019.

Under the new plan, we aim to achieve net sales of 12,000 million yen, operating income of 1,200 million yen and operating margin of 10.0% in the fiscal year ending June 30, 2022.

Since the large-scale development project has been aborted, other potential projects in terms of the same amount of size have not yet become concrete. In the revised plan, we did not factor a candidate for the next large development project and planned net sales. Looking at the current business environment, even if there were no large-scale development projects, we believe that the company will maintain its upward trend in revenues over the medium term.

Our cloud service business has provided system services for acquiring operations (merchant acquiring

business) and fraud detection operations to customers in the financial industry. We will aim for the net sales of 1,400 million yen for the cloud service business, which resulted 637 million yen for the FY06/2019, as a driver for our growth over the medium term.

In the FY06/2019, we received an order from new customer of regional bank for the use of system service for acquiring operations. We are preparing to launch this service by the end of the year. We believe that the full-scale launch of this service will have a positive effect on our sales operations to other financial institutions.

The development of new products both fraud detection for credit card transaction and the "next generation NET+1" are progressing well. In addition, new product for the broadcasting industry is scheduled to launch marketing activities from this year.

These new products line-up are expected to increase net sales in the mid-term. The scale of each sales remain uncertain at present and we have not included clear figures in the plan.

The policy of the Revised plan is to work for strengthening profitability by setting the goal of reaching the operating margin of 10.0% in the FY06/2022.

We are continuously strengthening our efforts to improve quality of our deliverables. As part of these efforts, we had no unprofitable development projects in the FY06/2019. And the accumulating revenue of the cloud service business are also expected to gradually improve its profitability.

For the fiscal year ending June 30, 2020, we expect operating income by 1,000 million yen, one year ahead of the Previous plan.

(Revised Plan)

	Million yen			
	FY06/2019 (result)	FY06/2020 (forecast)	FY06/2021 (plan)	FY06/2022 (plan)
Net sales	10,443	10,600	11,200	12,000
Financial Systems Solutions Business	9,336	9,400	9,900	10,600
Product Solutions Business	1,106	1,200	1,300	1,400
Operating income [OM]	921 [8.8%]	1,000 [9.4%]	1,080 [9.6%]	1,200 [10.0%]

(Previous Plan)

	Million yen		
	FY06/2019 (forecast)	FY06/2020 (plan)	FY06/2021 (plan)
Net sales	10,700	11,000	11,200
Financial Systems Solutions Business	9,300	9,500	9,600
Product Solutions Business	1,400	1,500	1,600
Operating income [OM]	880 [8.2%]	930 [8.5%]	1,000 [8.9%]

(Financial Systems Solutions Business)

In this business segment, we are developing systems for credit card companies, banks and securities companies as our main customers, based on our expertise and strengths in such areas as network gateway function for the completion of online payments and transactions and card verification function, and fraud detection function.

We will continue to strengthen the management of system development operations and improve quality in an effort to strengthen profitability. In addition, we will strive to create a system that can continuously secure appropriate profits and grow by developing human resources who are responsible for the steady execution of development operations.

We are focusing on the cloud service business, which provides our customers with our systems through the cloud. In addition to the system service for the acquiring operations, we are also moving forward with the development of cloud services for fraud detection and other related operations, and are continuing to acquire new customers.

The cloud service business is expected to grow over the medium to long term as it expands its business scale and serves as a new source of profits.

Demand for system development is expected to continue to grow in response to social demands for the promotion of a cashless society and the provision of safe and reliable payment methods. We will use this as a business opportunity to expand our business scale.

(Product Solutions Business)

In the Product Solution Business, which sells and maintains products for information security products and provides technical services, we anticipate an increase in demand for countermeasure investments against the backdrop of an increase in damage caused by cyber-attacks, and we are proactively taking advantage of expanding business opportunities.

In particular, we plan to strengthen our efforts to introduce and sell products from overseas companies that have outstanding functions and achievements in Japan. Corporate demand for cyber security measures is diversifying, and we will work to expand sales by selecting products that can specifically meet this demand.

2. Basic Policy on Selecting Accounting Standards

The Company uses Japanese accounting standards for financial reporting. The Company's policy is to respond appropriately to the application of the International Financial Reporting Standards (IFRS) in light of various circumstances in Japan and overseas.

3. Financial Statements

(1) Balance Sheet

	Thousands of yen	
	Previous term end (as of June 30, 2018)	Current term end (as of June 30, 2019)
Assets		
Current assets		
Cash and deposits	2,839,698	3,254,913
Accounts receivable	1,092,603	1,455,554
Merchandise and finished goods	23,505	13,119
Work in process	518,826	626,309
Raw materials and supplies	4,669	1,463
Advance payments	384,039	504,442
Prepaid expenses	166,872	178,155
Other	3,820	20,316
Total current assets	5,034,035	6,054,274
Non-current assets		
Property, plant and equipment		
Buildings	212,397	209,528
Structures	1,452	1,230
Tools, furniture and fixtures	120,742	177,494
Leased assets	100,849	68,340
Land	84,394	84,394
Total property, plant and equipment	519,838	540,988
Intangible assets		
Software	1,098,004	1,188,857
Software in progress	412,425	148,295
Telephone subscription right	3,806	3,806
Leased assets	610	261
Total intangible assets	1,514,846	1,341,221
Investments and other assets		
Investment securities	954,052	1,234,859
Shares of subsidiaries and associates	24,680	24,680
Long-term loans receivable from shareholders, directors (and other officers) or employees	568	—
Claims provable in bankruptcy, claims provable in rehabilitation and other	64,129	—
Long-term prepaid expenses	191,413	111,355
Deferred tax assets	231,566	334,734
Other	363,516	390,129
Allowance for doubtful accounts	(61,629)	—
Total investments and other assets	1,768,297	2,095,759
Total non-current assets	3,802,981	3,977,969
Total assets	8,837,017	10,032,243

	Thousands of yen	
	Previous term end (as of June 30, 2018)	Current term end (as of June 30, 2019)
Liabilities		
Current liabilities		
Accounts payable	543,354	332,221
Lease obligations	35,510	35,022
Accounts payable - other	98,472	148,407
Accrued expenses	163,784	178,874
Income taxes payable	83,433	359,462
Advances received	1,053,670	1,428,303
Deposits received	117,587	128,769
Provision for product warranties	14,580	—
Provision for bonuses	237,254	278,538
Provision for bonuses for directors	18,960	40,175
Asset retirement obligations	—	9,664
Other	156,204	118,992
Total current liabilities	2,522,812	3,058,430
Non-current liabilities		
Lease obligations	74,313	39,292
Provision for retirement benefits	421,554	451,172
Provision for retirement benefits for directors	22,102	23,885
Asset retirement obligations	80,948	86,947
Total non-current liabilities	598,918	601,297
Total liabilities	3,121,730	3,659,728
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus		
Legal capital surplus	559,622	559,622
Other capital surplus	1,564	1,564
Total capital surpluses	561,186	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	1,400,414	1,900,091
Total retained earnings	4,018,414	4,518,091
Treasury stock	(14,872)	(14,955)
Total shareholders' equity	5,408,478	5,908,072
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	306,807	464,442
Total valuation and translation adjustments	306,807	464,442
Total net assets	5,715,286	6,026,694
Total liabilities and net assets	8,837,017	9,562,352

(2) Income Statement

	Thousands of yen	
	Previous term (from July 1, 2017 to June 30, 2018)	Current term (from July 1, 2018 to June 30, 2019)
Net sales		
Net sales of finished goods	8,469,910	8,431,256
Net sales of goods	2,134,054	2,012,044
Total net sales	10,603,964	10,443,300
Cost of sales		
Cost of products manufactured	6,822,055	6,193,047
Cost of finished goods sold	6,822,055	6,193,047
Beginning goods	167,075	23,505
Cost of purchased goods	1,415,667	1,433,194
Total	1,582,743	1,456,700
Ending goods	23,505	13,119
Cost of goods sold	1,559,238	1,443,580
Total cost of sales	8,381,294	7,636,627
Gross income	2,222,670	2,806,672
Selling, general and administrative expenses	1,675,020	1,885,084
Operating income	547,650	921,588
Non-operating income		
Interest income	172	70
Interest on securities	887	629
Dividend income	25,191	25,097
Insurance income	—	4,000
Subsidy income	—	4,474
Other	4,863	2,831
Total non-operating income	31,115	37,102
Non-operating expenses		
Interest expenses	573	162
Commitment fee	3,908	3,597
Foreign exchange losses	—	1,032
Other	603	316
Total non-operating expenses	5,084	5,109
Ordinary income	573,680	688,350
Extraordinary income	—	—
Extraordinary losses		
Loss on retirement of non-current assets	50	—
Loss on valuation of investment securities	326	—
Total extraordinary losses	376	—
Income before income taxes	573,304	953,581
Income taxes - current	227,400	442,428
Income taxes - deferred	(31,560)	(172,738)
Total income taxes	195,839	269,690
Net income	377,464	683,891

(3) Statement of Changes in Net Assets

Previous term (from July 1, 2017 to June 30, 2018)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
General reserve	Retained earnings brought forward							
Balance at beginning of current period	843,750	559,622	-	559,622	18,000	2,600,000	1,207,245	3,825,245
Changes of items during period								
Dividends of surplus							(184,296)	(184,296)
Profit							377,464	377,464
Purchase of treasury shares								
Disposal of treasury shares			1,564	1,564				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	1,564	1,564	-	-	193,168	193,168
Balance at end of current period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,400,414	4,018,414

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Treasury shares				
Balance at beginning of current period	(6,348)	5,222,269	425,321	425,321	5,647,591
Changes of items during period					
Dividends of surplus		(184,296)			(184,296)
Profit		377,464			377,464
Purchase of treasury shares	(129,957)	(129,957)			(129,957)
Disposal of treasury shares	121,433	122,998			122,998
Net changes of items other than shareholders' equity			(118,514)	(118,514)	(118,514)
Total changes of items during period	(8,524)	186,209	(118,514)	(118,514)	67,695
Balance at end of current period	(14,872)	5,408,478	306,807	306,807	5,715,286

Current term (from July 1, 2018 to June 30, 2019)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,400,414	4,018,414
Changes of items during period								
Dividends of surplus							(184,213)	(184,213)
Profit							683,891	683,891
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	-	499,677	499,677
Balance at end of current period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,900,091	4,518,091

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Treasury shares				
Balance at beginning of current period	(14,872)	5,408,478	306,807	306,807	5,715,286
Changes of items during period					
Dividends of surplus		(184,213)			(184,213)
Profit		683,891			683,891
Purchase of treasury shares	(83)	(83)			(83)
Disposal of treasury shares					-
Net changes of items other than shareholders' equity			157,635	157,635	157,635
Total changes of items during period	(83)	499,593	157,635	157,635	657,229
Balance at end of current period	(14,955)	5,908,072	464,442	464,442	6,372,515

(4) Cash Flow Statement

	Thousands of yen	
	Previous term (from July 1, 2017 to June 30, 2018)	Current term (from July 1, 2018 to June 30, 2019)
Cash flows from operating activities		
Income before income taxes	573,304	953,581
Depreciation	485,189	707,556
Share-based compensation expenses	25,509	43,788
Increase (decrease) in provision for bonuses	3,451	41,283
Increase (decrease) in provision for product warranties	14,580	(14,580)
Increase (decrease) in provision for bonuses for directors (and other officers)	1,360	21,215
Increase (decrease) in provision for retirement benefits	16,470	29,618
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2,735	1,782
Insurance income	—	(4,000)
Interest and dividend income	(26,251)	(25,797)
Subsidy income	—	(4,474)
Interest expenses	573	162
Commitment fee	3,908	3,597
Loss (gain) on sales and valuation of investment securities	326	—
Loss on retirement of non-current assets	50	—
Decrease (increase) in notes and accounts receivable	120,793	11,682
Decrease (increase) in inventories	281,274	(93,892)
Increase (decrease) in notes and accounts payable	(104,758)	(315,523)
Other	214,673	26,607
Subtotal	1,613,188	1,382,608
Interest and dividend income received	26,251	25,846
Interest expenses paid	(556)	(151)
Commitment fee paid	(3,881)	(3,906)
Proceeds from subsidy income	—	4,474
Proceeds from insurance income	—	4,000
Income taxes paid	(421,735)	(175,532)
Net cash provided by (used in) operating activities	1,213,267	1,237,338
Cash flows from investing activities		
Purchase of property, plant and equipment	(121,282)	(92,265)
Purchase of intangible assets	(502,984)	(411,728)
Purchase of investment securities	(1,316)	(304,077)
Proceeds from redemption of investment securities	—	250,000
Collection of loans receivable	600	600
Other	21,275	(44,434)
Net cash provided by (used in) investing activities	(603,708)	(601,905)

	Thousands of yen	
	Previous term (from July 1, 2017 to June 30 2018)	Current term (from July 1, 2018 to June 30, 2019)
Cash flows from financing activities		
Increase in short-term loans payable	410,000	—
Decrease in short-term loans payable	(410,000)	—
Purchase of treasury shares	(129,957)	(83)
Cash dividends paid	(184,143)	(183,991)
Repayments of lease obligations	(34,766)	(35,510)
Net cash provided by (used in) financing activities	(348,867)	(219,585)
Effect of exchange rate change on cash and cash equivalents	728	(632)
Net increase (decrease) in cash and cash equivalents	261,419	415,215
Cash and cash equivalents at beginning of period	2,578,278	2,839,698
Cash and cash equivalents at end of period	2,839,698	3,254,913

4. Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant accounting policy)

1. Accounting for evaluation of assets

(1) Valuation basis and valuation method of securities

Securities in affiliates

Cost basis by moving average method

Held-to-maturity debt securities

Amortized cost (straight-line method)

Other securities

Available-for-sale with market value: Securities are stated at fair value based on market prices as of the balance sheet date. (Unrealized gains and losses reported in a separate component of equity. Cost of selling is determined by the moving average method.)

Available-for-sale without market value: Cost basis by moving average method

(2) Evaluation criteria and method of inventories

Merchandise, work in process and supplies

Inventories are stated at cost determined by the specific identification. (The balance sheet amounts are written down to reflect declines in profitability.)

2. Depreciation and amortization

(1) Property, plant and equipment (excluding lease assets)

Declining balance method

However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016. The useful lives of property, plant and equipment are follows:

Buildings 8 to 50 years

Structures 10 to 20 years

Tools, furniture and fixtures 4 to 15 years

(2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized using the straight-line method over its estimated useful life (5 years). Software for sale is stated at the higher of amortization based on estimated sales revenue or straight-line depreciation based on the remaining useful life of the software (3 years).

(3) Leased asset

The straight-line method is used with the lease term as the useful life and the residual value as zero.

3. Accounting for reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on uncollectible receivables. The allowance for doubtful accounts is provided at an amount calculated based on the historical write-off ratio for general receivables and an estimate of the uncollectible amount for specific doubtful receivables.

(2) Provision for product warranties

Estimated losses are recorded to prepare for expenses associated with product warranties.

(3) Provision for bonuses

Allowance for employees' bonuses is provided at an estimated amount to be paid in the current fiscal year.

(4) Provision for directors' bonuses

Accrued bonuses to directors and corporate auditors are provided at an amount calculated based on the estimated amount to be paid in the current fiscal year.

(5) Liability for retirement benefits

Accrued retirement benefits for employees are provided based on the retirement benefit obligation at the

end of the current fiscal year.

A. Method of attributing estimated retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the period up to the end of the current fiscal year.

B. Method of amortizing actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence.

Actuarial gains and losses are amortized on a straight-line basis over 10 years, which is shorter than the average remaining years of service of the eligible employees, starting from the year following the year in which they are incurred.

(6) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and corporate auditors, the amount that would be required to be paid at the end of the fiscal year is recorded in accordance with the Company's internal rules.

4. Revenue Recognition

Standards for recording revenue and expenses related to custom-made software development

(1) Development of custom-made software for which the results of progress up to the end of the current fiscal year are recognized to be certain

Percentage-of-completion method (cost-to-cost method for estimating percentage-of-completion)

(2) Other custom-made software development

Completed-contract method

5. Scope of Cash and Cash Equivalents in the Statement of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, cash withdrawable on demand and short-term investments with original maturities of three months or less and which are readily convertible to known amounts of cash and present insignificant risk of changes in value.

6. Other Significant Items Forming the Basis for Preparation of Financial Statements

(1) Accounting for consumption tax

Consumption taxes are accounted for using the tax-excluded method.

(Equity in earnings of affiliates, etc.)	Thousands of yen	
	Previous term end (as of June 30, 2018)	Current term end (as of June 30, 2019)
Investments in affiliates	24,680	24,680
Investments accounted for using the equity method	127,522	130,400
Equity in earnings of affiliates	12,833	4,647

(Business Segment)

1. The outline of any Reporting Segment

Our reportable segments are components of our business for which separate financial information is available and which are subject to regular review by the Board of Directors in order to determine the allocation of management resources and evaluate business performance.

We have two reportable segments: The Financial Systems Solutions Business, which provides maintenance services to customers in the financial industry by integrating hardware and software, centered on software development, and delivering value-added systems. The Product Solutions Business, which provides maintenance services by delivering high-value-added systems using in-house packaged software for the information security field and other applications; and the package software produced by other companies used for cyber security countermeasures.

2. Calculation method for net sales, profit or loss, assets, and other items by reportable segment

The accounting methods for reportable segments are generally the same as those described in "Significant accounting policy."

Income of reportable segments is based on operating income.

3. Information on sales, profit or loss, assets, and other items by reportable segment

Previous term (from July 1, 2017 to June 30, 2018)

Thousands of yen

	Business Segments			Adjustments*1	Total*2
	Financial System Solutions Business	Product Solutions Business	Sub total		
Net Sales					
To external customers	9,332,290	1,271,673	10,603,964	—	10,603,964
Intersegment internal sales and transfers	—	—	—	—	—
Total	9,332,290	1,271,673	10,603,964	—	10,603,964
Segment income	598,935	(51,285)	547,650	—	547,650
Segment assets	7,290,863	779,474	8,070,338	766,678	8,837,017
Other items					
Amortization	462,243	22,946	485,189	—	485,189
Increase in tangible and intangible fixed assets	635,056	19,859	654,915	—	654,915

*1. The segment asset adjustment of ¥766,678 thousands is comprised of corporate assets. The main assets are related to the Business Administration Division.

*2. The total amount of segment income is the same as the operating income in the income statement, so no adjustments have been made.

Current term (from July 1, 2018 to June 30, 2019)

Thousands of yen

	Business Segments			Adjustments*1	Total*2
	Financial System Solutions Business	Product Solutions Business	Sub total		
Net Sales					
To external customers	9,336,840	1,106,459	10,443,300	—	10,443,300
Intersegment internal sales and transfers	—	—	—	—	—
Total	9,336,840	1,106,459	10,443,300	—	10,443,300
Segment income	890,458	31,129	921,588	—	921,588
Segment assets	8,226,136	755,980	8,982,117	1,050,126	10,032,243
Other items					
Amortization	677,166	30,390	707,556	—	707,556
Increase in tangible and intangible fixed assets	805,556	19,776	825,332	—	825,332

*1. The segment asset adjustment of ¥1,050,126 thousands is comprised of corporate assets. The main assets are related to the Business Administration Division.

*2. The total amount of segment income is the same as the operating income in the income statement, so no adjustments have been made.

(Earnings per share)

The amounts of net income per share with the respective bases of calculation are as follows.

Items	Previous term (from July 1, 2017 to June 30, 2018)	Current term (from July 1, 2018 to June 30, 2019)
Net assets per share (Yen)	217.18	242.23
Net income per share (Yen)	14.36	25.99

*1. The dilutive shares are not existed, so fully diluted EPS are not represented.

*2. Net income per share is based on follows:

Items	Previous term (from July 1, 2017 to June 30, 2018)	Current term (from July 1, 2018 to June 30, 2019)
Net income per share (Yen)		
Net income (Thousands of yen)	377,464	683,891
Non attributable to common shareholders	—	—
Net income attributes to common stocks (Thousands of yen)	377,464	683,891
Weighted-average number of common stocks outstanding for the period	26,288,295	26,312,352

(Significant subsequent events)

There is no applicable item.