

Summary of Non-consolidated Financial Results
for the first quarter of Fiscal Year Ending June 2020 (Japanese GAAP)

November 6, 2019

1. Financial results for this term (July 1, 2019 to September 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	
1 st Quarter, June 2020	Million yen 2,417	% 3.4	Million yen 141	% 100.1	Million yen 140	% 79.3	Million yen 91	% 89.6
1 st Quarter, June 2019	2,337	0.7	70	(45.1)	78	(38.7)	48	(42.3)

	EPS	Fully diluted EPS
1 st Quarter, June 2020	Yen 3.47	Yen —
1 st Quarter, June 2019	1.83	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
1 st Quarter, June 2020	Million yen 9,710	Million yen 6,313	% 65.0
FY ended June 2019	10,032	6,372	63.5

(Reference) Shareholders' equity: As of 1st quarter, June 2020 ¥6,313 million As of June 2019 ¥6,372 million

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
Year ended June 30, 2019	Yen —	Yen 0.00	Yen —	Yen 9.00	Yen 9.00
Year ending June 30, 2020	—				
Year ending June 30, 2020 (Forecast)		0.00	—	9.00	9.00

(Note) Revision of forecasts on the dividends: No

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

(Note) Revision of forecast on the financial results: No

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 September 30, 2019	26,340,000	As of June 30, 2019	26,340,000
(ii) Number of shares of treasury stock at year-end		34,907		31,907
(iii) Average number of shares during the full year		26,306,055	As of September 30, 2018	26,314,705

※ 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.

Contents

1. Overview of Operating Results.....	4
(1) Report of Operating Results.....	4
(2) Report of Financial Position	4
(3) Statement for the Future Forecast such as Business Forecast.....	5
2. Financial Statements.....	6
(1) Balance Sheet.....	6
(2) Income Statement.....	8
(3) Notes.....	9
(Notes on the Going Concern Assumption).....	9
(Significant Changes in the Amount of Shareholders' Equity)	9
(Adaption of unique accounting method for quarterly financial statements)	9
(Business Segment).....	9

1. Overview of Operating Results

(1) Report of Operating Results

The Japanese economy in this first quarter of the FY06/2020, from July to September 2019, seemed that consumer spending grew moderately and capital investment also kept on the increasing trend.

Under the unchanged momentum, in the credit card industry, which is our main business domain, business deals related to capital investment projects are forwarding stably.

With upcoming magnificent events such as consumption tax raise and holding huge international events, diversification of payment methodology and growth of cashless payment are progressing rapidly.

The company moves positively for taking additional business opportunities to expand our business domain and customer base with holding continuously stable business operation.

In this first quarter of the FY06/2020, the company recorded net sales of 2,417 million yen (3.4% increase YoY), operating income of 141 million yen (100.1% increase YoY), ordinary income of 140 million yen (79.3% increase YoY) and net income of 91 million yen (89.6% increase YoY).

In the Financial Systems Solutions Business segment, although the sales of the specific large-scale development project decreased year over year, sales of other projects ordered from existing customers increased and the company recorded net sales exceeded the previous fiscal year.

Despite SG&A grew by the increase in labor costs and the expansion of the office, operating income exceeded the result of the previous fiscal year, because all the system development jobs were executed without deficit and the sales increase of cloud service business improved its gross margin.

(Financial Systems Solutions Business)

In this business segment, the company recorded net sales by jobs that consisted of the software development, maintenance service and sales of in-house developed package software and hardware for our customers, mainly credit card companies.

This segment achieved the net sales of 2,243 million yen (4.8% increase YoY) and operating income of 207 million yen (98.2% increase YoY).

The large-scale development project, which recorded net sales of about 300 million yen for the specific customer in the first quarter of the previous fiscal year, ended in the third quarter of the previous fiscal year. The company was not engaging another large-scale project in this fiscal year, but the net sales prevailed the result of the previous fiscal year by increase of the sales of other projects for existing customers.

All the jobs for software developments were executed well and we had no unprofitable project in this fiscal year. The sales of cloud service business grew as the initially planned and the gross margin of the business improved. As a result, operating income of the segment exceeded the previous year's result.

(Product Solutions Business)

By the sale of CWAT, in-house developed product preventing from information leakage inside the enterprise, and the sale of cyber-security products from third-parties, the company recorded net sales of 173 million yen (197million yen in the previous fiscal year) and operating loss of 66 million yen (34 million yen in the previous fiscal year) in this business segment.

The net sales declined compared with the result of the previous fiscal year. The operating income fell below as well due to the reduction of the sales of the product higher-margin.

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the first quarter of the current fiscal year decreased by 321 million yen from the end of the previous fiscal year to 9,710 million yen. Current assets decreased by 457 million yen from the end of the previous fiscal year to 5,596 million yen. This was mainly due to the increase of 119 million yen in inventories, the decrease of 503 million yen in cash and deposits and the decrease of 95 million yen in notes and accounts receivable.

Non-current assets increased 135 million yen from the end of the previous fiscal year to 4,113 million yen. This was mainly due to the decrease of 93 million yen in software and the increase of 125 million yen in investment

securities.

(Liabilities)

The balance of liabilities at the end of the first quarter of the current fiscal year decreased by 263 million yen from the end of the previous fiscal year to 3,396 million yen. This was mainly due to the increase of 157 million yen in notes and accounts payable, the increase of 105 million yen in provision for bonuses and the decrease 314 million yen in income tax payable.

(Net Assets)

Net assets at the end of the first quarter of the fiscal year decreased 58 million yen from the end of the previous fiscal year to 6,313 million yen. This was mainly due to the increase of 86 million yen in valuation difference on available-for-sale securities and the decrease of 145 million yen in retained earnings.

(3) Statement for the Future Forecast such as Business Forecast

There is no revision to the business forecast announced on August 7, 2019, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2019".

2. Financial Statements

(1) Balance Sheet

	Thousands of yen	
	Previous term end (as of June 30, 2019)	Current term end (as of September 30, 2019)
Assets		
Current assets		
Cash and deposits	3,254,913	2,751,227
Notes and accounts receivable	1,455,554	1,360,456
Inventories	640,892	760,538
Other	702,914	724,293
Total current assets	<u>6,054,274</u>	<u>5,596,515</u>
Non-current assets		
Property, plant and equipment	540,988	567,867
Intangible assets		
Software	1,188,857	1,095,098
Other	152,363	298,817
Total intangible assets	<u>1,341,221</u>	<u>1,393,915</u>
Investments and other assets		
Investment securities	1,234,859	1,360,555
Other	860,899	791,390
Total investments and other assets	<u>2,095,759</u>	<u>2,151,945</u>
Total non-current assets	<u>3,977,969</u>	<u>4,113,729</u>
Total assets	<u>10,032,243</u>	<u>9,710,244</u>
Liabilities		
Current liabilities		
Notes and accounts payable	332,221	489,563
Income taxes payable	359,462	44,771
Advances received	1,428,303	1,455,595
Provision for bonuses	278,538	383,908
Provision for bonuses for directors	40,175	5,938
Other	619,730	411,795
Total current liabilities	<u>3,058,430</u>	<u>2,791,572</u>
Non-current liabilities		
Provision for retirement benefits	451,172	461,314
Provision for retirement benefits for directors	23,885	25,413
Asset retirement obligations	86,947	87,139
Other	39,292	30,942
Total non-current liabilities	<u>601,297</u>	<u>604,809</u>
Total liabilities	<u>3,659,728</u>	<u>3,396,382</u>

	Thousands of yen	
	Previous term end (as of June 30, 2019)	Current term end (as of September 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	561,186	561,186
Retained earnings	4,518,091	4,372,476
Treasury stock	(14,955)	(14,955)
Total shareholders' equity	<u>5,908,072</u>	<u>5,762,457</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	464,442	551,405
Total valuation and translation adjustments	<u>464,442</u>	<u>551,405</u>
Total net assets	<u>6,372,515</u>	<u>6,313,862</u>
Total liabilities and net assets	<u>10,032,243</u>	<u>9,710,244</u>

(2) Income Statement

Thousands of yen

	Previous term (from July 1, 2018 to September 30, 2018)	Current term (from July 1, 2019 to September 30, 2019)
Net sales	2,337,451	2,417,395
Cost of sales	1,811,925	1,795,894
Gross income	525,526	621,500
Selling, general and administrative expenses	454,956	480,273
Operating income	70,569	141,227
Non-operating income		
Interest income	195	103
Dividend income	506	450
Insurance claim income	4,000	—
Subsidy income	3,474	—
Commission for insurance office work	214	215
Other	731	218
Total non-operating income	9,122	987
Non-operating expenses		
Interest expenses	46	29
Commitment fee	1,005	1,180
Other	17	47
Total non-operating expenses	1,070	1,258
Ordinary income	78,622	140,956
Extraordinary income	—	—
Extraordinary losses	—	—
Income before income taxes	78,622	140,956
Income taxes - current	74,107	34,135
Income taxes - deferred	(43,556)	15,663
Total income taxes	30,551	49,798
Net income	48,070	91,157

(3) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the first quarter of the current fiscal year (July 1, 2019 to September 30, 2019),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first quarter of the current fiscal year (July 1, 2019 to September 30, 2019),

Not applicable.

(Business Segment)

I Previous term (from July 1, 2018 to September 30, 2018)

(1) Net Sales and income or loss by reporting segment

	Business Segments			Thousands of yen Total
	Financial System Solutions Business	Product Solutions Business	Sub total	
Net Sales				
To external customers	2,140,005	197,445	2,337,451	2,337,451
Intersegment internal sales and transfers	—	—	—	—
Total	2,140,005	197,445	2,337,451	2,337,451
Segment income	104,814	(34,245)	70,569	70,569

(2) There is no adjustment because the total of segment income and the operating income of income statement correspond.

II Current term (from July 1, 2019 to September 30, 2019)

(1) Net Sales and income or loss by reporting segment

	Business Segments			Thousands of yen Total
	Financial System Solutions Business	Product Solutions Business	Sub total	
Net Sales				
To external customers	2,243,429	173,966	2,417,395	2,417,395
Intersegment internal sales and transfers	—	—	—	—
Total	2,243,429	173,966	2,417,395	2,417,395
Segment income	207,711	(66,483)	141,227	141,227

(2) There is no adjustment because the total of segment income and the operating income of income statement correspond.