

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

May 7, 2020

1. Financial results for this term (July 1, 2019 to March 31, 2020)

(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	%
3 rd quarter, June 2020	7,805	1.5	585	(13.3)	601	(12.7)	398	(14.7)
3 rd quarter, June 2019	7,689	(1.8)	675	84.2	688	84.5	466	95.8

	EPS	Fully diluted EPS
	Yen	Yen
3 rd quarter, June 2020	15.17	—
3 rd quarter, June 2019	17.74	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
3 rd quarter, June 2020	9,703	6,475	66.7
FY ended June 2019	10,032	6,372	63.5

(Reference) Shareholders' equity: As of March 31 2020, 6,475 million yen, As of June 2019, 6,372 million yen.

2. Dividends

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

(Percentage represents year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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 March 31, 2020	26,340,000	As of June 30,2019	26,340,000
(ii) Number of shares of treasury stock at year-end		39,807		31,907
(iii) Average number of shares during the full year		26,264,403	As of March 31, 2019	26,313,293

- ※ 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.
- ※ This document has been translated from the Japanese original for the convenience of overseas investors. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

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1. Overview of Operating Results

(1) Report of Operating Results

The domestic economic situation, which had been expanding moderately from the beginning of this fiscal year, has been subject to rapid changes due to the spread of the new coronavirus infection and other factors and the current Japanese economic situation has weakened.

Regarding to the future economic situation, it is expected, if the spread of infection converges and depressed demand has recovered, the economy will return to a moderate expansion trend.

April 1 2020, Ministry of Economy, Trade and Industry released that the number of registered merchants of Point Reward Project for Consumers using Cashless Payment started on October 2019 amounted 1,080,000. Subjected gross billing paid by credit cards have increased to 1.4 trillion yen between October 1 and December 2, 2019 and to 3.1 trillion yen by January 27, 2020.

The monthly reports by major credit card companies show that the trends of credit card shopping have continued to increase year on year until February 2020. Transaction volume of in-store credit card shopping may drop from March, on the other hand, presumably online shopping credit card payment is increasing, the growth of the amount of credit card payment in consumer spending is expected to keep expanding.

Although the external environment is changing rapidly, our business has been steady in the cumulative period of the third quarter of the FY06/2020. In the fourth quarter of the FY06/2020, from April 1 to June 30 2020, our business is expected to progress as the current business plan and the company holds steadily the business forecasts for the full year of FY06/2020.

The Company, which is responsible for developing and operating systems that provide indispensable functions for card payments, properly recognizes its social mission and promotes its business with improving the facilities and systems necessary to continue business.

Even in the emergency event of the severely restriction to traveling of our employees, our policy is to keep the operation of the system in-service by means of organizational and feasible measures.

In the third quarter of the FY06/2020, from July 1 2019 to March 31 2020, the company recorded net sales of 7,805 million yen (1.5% increase YoY), operating income of 585 million yen (13.3% decrease YoY), ordinary income of 601 million yen (12.7% decrease YoY) and net income of 398 million yen (14.7% decrease YoY).

In the Financial Systems Solutions Business segment, the company recorded net sales as initially planned. In the third quarter, from January 1 to March 31, 2020, although we recorded the net sales of system development project that turned to be lower profitability than initially planned, overall the business has been progressed stably.

In the product Solutions Business segment, although the net sales increased the result of the previous fiscal year, the operating income decreased from the previous fiscal year due to the decline of the sales of in-house developed product.

The net sales of the company consist almost entirely of domestic enterprises, financial institutions. We have not been supplied by business support from overseas system development entities. Since the beginning of March, the company halted all the travel to overseas, suspended non-essential domestic business trip and a part of employees even in system development division have stayed home engaging remote work. There have been no negative impacts to the business, such as the additional large-scale expenses for proceeding business or the deteriorating profitability due to the delay of the system development projects.

Despite that we have dropped the chance having face-to-face meeting customers due to the coronavirus, there is no negative impact to the business prospective and system development projects in progress.

We have stably hold the projections for the fourth quarter of the FY06/20, from April 1 to June 30, 2020 and have no revision of the business forecast for the full-year FY06/20.

However, a part of the sales prospects in the fourth quarter is possible to lose the initial schedule due to the delay of the part of system development jobs or the postpone of some products delivery schedule, as a result, the initial business forecasts for the FY06/20, ending June 2020, may be missed possibly.

(Financial Systems Solutions Business)

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

companies. The segment achieved the net sales of 7,144 million yen, (1.1% increase YoY) and operating income of 732 million yen, (2.1% decrease YoY) for the cumulative period of the third quarter. The sales by the software development made up for the decrease of the in-house developed package software sales and the segment surpassed the net sales of the previous fiscal year.

In the third quarter, from January 1 to March 31 2020, the company exceeded the net sales of the same period of the previous fiscal year and recorded 2,617 million yen (6.7% increase YoY). The operating income failed the previous fiscal year result, 431 million yen, to 238 million yen (44.6% decrease YoY).

In the third quarter, the sales of the software development resulted 1,808 million yen, and the sales of the in-house developed package software resulted 23 million yen. In the same period of the previous fiscal year, from January 1 to March 31 2019, the sales of the software development resulted 1,354 million yen, and the sales of the in-house developed package software resulted 337 million yen.

The decrease of the in-house developed package software sales in the third quarter was not caused by the particular condition. It was because that the timings of record for the sales of in-house package for various development projects coincided due to the progress of each system development projects in the same period of the previous fiscal year. NET+1, the flagship in-house development software of the company, is a product composes the core for the FEP (Front End Processing) system we build, and is utilized for FEP new-built or replacement projects that we receive orders.

In the third quarter of the previous fiscal year, although the timings of the sales of in-house package coincided for FEP system development projects for various customers, the timing of the sales are usually varied by the progress of each system development projects.

The operating income for the cumulative period of the third quarter of the FY06/20 slightly dipped the result of the previous fiscal year and recorded 732 million yen. Because we had particular software development project turned to be lower profitability than initially planned, in the third quarter, from January 1 to March 31 2020.

(Product Solutions Business)

In this business segment, 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 such as TRAPS, the company recorded net sales of 661 million yen (6.5% increase YoY) and operating loss of 146 million yen (72 million yen in the previous fiscal year).

Although the sales of third-party products exceeded the previous fiscal year, the sales of the in-house product with relatively higher profitability than third parties declined. As a result, the net sales of the segment surpassed the previous fiscal year, though, the operating income recorded below the previous results.

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the third quarter of the FY06/20 decreased by 328 million yen from the end of the previous fiscal year to 9,703 million yen. Current assets decreased by 400 million yen from the end of the previous fiscal year to 5,654 million yen. This was mainly due to the increase of 226 million yen in notes and accounts receivable, the decrease of 468 million yen in cash and deposits and the decrease of 151 million yen in inventories. Non-current assets increased 71 million yen from the end of the previous fiscal year to 4,049 million yen. This was mainly due to the decrease of 84 million yen in investment securities and the increase of 172 million yen in other intangible assets (software in progress).

(Liabilities)

The balance of liabilities at the end of the third quarter of the FY06/20 decreased by 431 million yen from the end of the previous fiscal year to 3,228 million yen. This was mainly due to the increase of 92 million yen in notes and accounts payable, the increase of 137 million yen in provision for bonuses and the decrease 359 million yen in income taxes payable.

(Net Assets)

Net assets at the end of the third quarter of the FY06/20 increased 102 million yen from the end of the previous fiscal year to 6,475 million yen. This was mainly due to the decrease of 59 million yen in valuation difference on available-for-sale securities and the increase of 161 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 March 31, 2020)
Assets		
Current assets		
Cash and deposits	3,254,913	2,786,134
Notes and accounts receivable	1,455,554	1,681,811
Inventories	640,892	489,381
Others	702,914	696,894
Total current assets	<u>6,054,274</u>	<u>5,654,221</u>
Non-current assets		
Property, plant and equipment	540,988	529,200
Intangible assets		
Software	1,188,857	1,130,789
Others	152,363	324,732
Total intangible assets	<u>1,341,221</u>	<u>1,455,522</u>
Investments and other assets		
Investment securities	1,234,859	1,150,532
Others	860,899	914,080
Total investments and other assets	<u>2,095,759</u>	<u>2,064,613</u>
Total non-current assets	<u>3,977,969</u>	<u>4,049,336</u>
Total assets	<u>10,032,243</u>	<u>9,703,558</u>
Liabilities		
Current liabilities		
Notes and accounts payable	332,221	425,053
Income tax payable	359,462	-
Advances received	1,428,303	1,405,971
Provision for bonuses	278,538	416,125
Provision for bonuses for directors	40,175	25,321
Others	619,730	345,117
Total current liabilities	<u>3,058,430</u>	<u>2,617,589</u>
Non-current liabilities		
Provision for retirement benefits	451,172	480,628
Provision for retirement benefits for directors	23,885	28,497
Asset retirement obligations	86,947	87,404
Others	39,292	14,227
Total non-current liabilities	<u>601,297</u>	<u>610,757</u>
Total liabilities	<u>3,659,728</u>	<u>3,228,347</u>

	Thousands of yen	
	Previous term end (as of June 30, 2019)	Current term end (as of March 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	561,186	573,099
Retained earnings	4,518,091	4,679,737
Treasury stock	(14,955)	(26,687)
Total shareholders' equity	<u>5,908,072</u>	<u>6,069,899</u>
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	464,442	405,311
Total valuation and translation adjustments	<u>464,442</u>	<u>405,311</u>
Total net assets	6,372,515	6,475,210
Total liabilities and net assets	10,032,243	9,703,558

(2) Income Statement

【Nine months period of current fiscal year】

	Thousands of yen	
	Previous term (from July 1, 2018 to March 31, 2019)	Current term (from July 1, 2019 to March 31, 2020)
Net sales	7,689,283	7,805,470
Cost of sales	5,607,228	5,782,816
Gross income	2,082,055	2,022,654
Selling, general and administrative expenses	1,406,528	1,436,913
Operating income	675,527	585,740
Non-operating income		
Interest income	342	487
Dividend income	5,663	20,735
Insurance claim income	4,000	-
Subsidy income	3,874	-
Others	2,333	3,196
Total non-operating income	16,214	24,419
Non-operating expenses		
Interest expenses	128	76
Commitment fee	2,903	3,048
Compensation expenses	-	5,650
Others	359	373
Total non-current expenses	3,391	9,149
Ordinary income	688,350	601,010
Extraordinary income	-	-
Extraordinary losses		
Income before income taxes	688,350	601,010
Income taxes - current	414,943	191,563
Income taxes - deferred	(193,446)	11,027
Total income taxes	221,496	202,591
Net income	466,854	398,418

(4) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the third quarter of the FY06/20 (July 1, 2019 to March 31, 2020),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the third quarter of the FY06/20 (July 1, 2019 to March 31, 2020),

Not applicable.

(Business Segment)

Previous term (from July 1, 2018 to March 31, 2019)

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

Thousands of yen

	Business Segments			Total
	Financial Systems Solutions	Product Solutions	Sub total	
Net sales				
To external customers	7,068,312	620,971	7,689,283	7,689,283
Intersegment internal sales and transfers	—	—	—	—
Total	7,068,312	620,971	7,689,283	7,689,283
Segment income	748,467	(72,940)	675,527	675,527

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

Current term (from July 1, 2019 to March 31, 2020)

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

Thousands of yen

	Business Segments			Total
	Financial Systems Solutions	Product Solutions	Sub total	
Net sales				
To external customers	7,144,030	661,439	7,805,470	7,805,470
Intersegment internal sales and transfers	—	—	—	—
Total	7,144,030	661,439	7,805,470	7,805,470
Segment income	732,665	(146,924)	585,740	585,740

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