

Summary of Non-consolidated Financial Results

for the third quarter of Fiscal Year Ending June 2021 (Japanese GAAP)

May 6, 2021

1. Financial results for this term (July 1, 2020 to March 31, 2021)

(Percentage represents year-on-year change)

(Rounded down to the nearest million yen)

(1) Results of operations (cumulative)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 rd quarter, June 2021	8,067	3.4	678	15.9	696	15.9	470	18.1
3 rd quarter, June 2020	7,805	1.5	585	(13.3)	601	(12.7)	398	(14.7)

	EPS		Fully diluted EPS	
	Yen		Yen	
3 rd quarter, June 2021	17.90		—	
3 rd quarter, June 2020	15.17		—	

(2) Financial position

	Total assets		Net assets		Shareholders' equity ratio
	Million yen		Million yen		%
3 rd quarter, June 2021	10,673		7,217		67.6
FY ended June 2020	10,552		6,983		66.2

(Reference) Shareholders' equity: As of 3rd quarter, June 2021 ¥7,217 million. As of June 2020 ¥6,983 million.

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen				
Year ended June 30, 2020	—	0.00	—	10.00	10.00
Year ending June 30, 2021	—	0.00	—		
Year ending June 30, 2021 (Forecast)				10.00	10.00

(Note) Revision of forecasts on the dividends: No

3. Forecast of financial results for the fiscal year ending June 30, 2021 (July 1, 2020 to June 30, 2021)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,000	0.7	1,150	11.0	1,190	10.7	820	7.6	31.18

(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

(i) Number of shares issued
(including treasury stock)

As of March 31, 2021	26,340,000	As of June 30, 2020	26,340,000
As of March 31, 2021	47,651	As of June 30, 2020	41,651
As of March 31, 2021	26,295,363	As of March 31, 2020	26,264,403

(ii) Number of shares of treasury stock

(iii) Average number of shares
during the full year

※ 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.

Please refer to "(3) Statement for the Future Forecast such as Business Forecast" on page 5 of the accompanying materials for the assumptions underlying the performance and notes to the use of earnings forecasts.

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1. Overview of Operating Results

(1) Report of Operating Results

The Japanese economy in the third quarter of the FY06/2021, from January 2021 to March 2021, was in a difficult environment due to the effects of COVID-19. While it is said that the economy as a whole is presumably coming to pick up overall, its speed is very slow that uncertainty remains in growth forecast of enterprise and household expense.

Face-to-face consumption in consumer spending has shrunk and the credit card shopping transactions of major credit card companies have remained below the previous year's result.

Although the company's business and results have remained stable with no significant bad effect by far, if business condition of each credit card companies, our key business domain, would make the capex plan of each revised, then may affect to our earnings forecasts and mid-term business plan.

The company, which is responsible for developing and operating systems that provide indispensable functions for credit card payment, properly recognizes its social mission and promotes its business with improving the facilities and systems necessary to continue business. To prevent the spread of infection, we have taken measures such as assessing the health status of employees and staffs, implementing telework and staggered working hours, and limiting domestic and international business trips.

The company is mainly engaged in the development of FEP (Front End Processing) systems that provide the functions for network-gateway and authorization required to complete credit card payment processing. For example, in the newly development project of FEP system, net sales are recorded in each sales category as follows. The sales of NET+1 (In-house products), which forms as the core of the FEP system, the sales of engineering work (System Development) for customizing the NET+1 software package to meet the functional requirements from customers, the sales of servers (Hardware) deployed the FEP system developed by us, and the sales of maintenance service (Maintenance) for the system consisting software and hardware. In addition, we are engaged sales of the In-house product to prevent enterprises from an internal information leakage and the third-party products for cyber-security.

The company recorded the net sales of 8,067 million yen (increased 3.4 %, YoY), operating income of 678 million yen (increased 15.9 %, YoY), ordinary income of 696 million yen (increased 15.9 %, YoY) and net income of 470 million yen (increased 18.1 %, YoY). Both net sales and operating income exceeded the previous fiscal year results.

In financial industry business, we had engaged system development projects to replace FEP system and fraud detection system and to add functions to system in operation, and hardware sales.

The hardware sales exceeded the previous fiscal year results by the sales of hardware applying to system development projects we engaged, and the projects replacing specific model servers. The sales of the third-party products for the new customers' development projects have exceeded the previous fiscal year results, too. In addition, cloud service business has grown from the previous fiscal year as initially planned. Although the sales of system development have declined from the previous fiscal year results, the growth of sales of products such as hardware, offsets the decline.

Meanwhile, information security business lost momentum of the third-party product sales and lowered the previous fiscal year results.

(Reference) Sales by categories

(Million yen)

Category	Q3 for FY06/20	Q3 for FY06/21	Stock / Flow
System Development	4,382	3,710	Flow
Maintenance	926	992	Stock
In-house products	207	267	Flow
Cloud service	609	702	Stock
Hardware	869	1,339	Flow
Third-party products	148	431	Flow
Security products	661	622	Flow
Total	7,805	8,067	

(Note) Categories with contracts that allow us to record sales of a fixed amount on a regular basis are shown as "Stock". Otherwise, categories with contracts that are not stationary in terms of the amount and timing are shown as "Flow".

Operating income has exceeded the previous fiscal year result.

Financial industry business recorded the net sales of 7,444 million yen (increased 4.2 %, YoY), exceeded the previous fiscal year results. Although the sales of both Hardware and Third-party products surpassed the previous fiscal year results, System Development result declined. As a result, operating income was 740 million yen (increased 1.1 %, YoY) remained at the same level as the previous fiscal year.

The operating income of the information security business improved from the previous fiscal year by the reduction of expenses despite lower sales results.

Orders on hand of our Cloud service business was diminishing due to little amount of new order in this quarter. Orders on hand of our information security business declined from the previous fiscal year, as well. However, Orders on hand of Hardware sales, Third-party product sales and System Development increased from the previous fiscal year results. As a result, orders on hand of the company surpassed the previous year results. There is no change in the forecast for the end of the current fiscal year ending June 30, 2021.

Although the influence of COVID-19 may postpone the timing of sales recorded in system development in the fourth quarter of this fiscal year, it would not have significant impact on the full-year forecasts.

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the third quarter of this fiscal year increased by 121 million yen from the end of the previous fiscal year to 10,673 million yen. Current assets increased by 292 million yen from the end of the previous fiscal year to 6,673 million yen. This was mainly due to the decrease of 381 million yen in notes and accounts receivable, increase of 533 million yen in cash and deposits, and the increase of 139 million yen in inventories. Non-current assets decreased by 170 million yen from the end of the previous fiscal year to 3,999 million yen. This was mainly due to the increase of 39 million yen in investment securities and the decrease of 147 million yen in software.

(Liabilities)

The balance of liabilities at the end of the third quarter of this fiscal year decreased by 112 million yen from the end of the previous fiscal year to 3,455 million yen. This was mainly due to the increase of 69 million yen in income tax payable, the increase of 178 million yen in provision for bonuses, the decrease of 57 million yen in Notes and accounts payable, and the decrease of 223 million yen in advance received.

(Net Assets)

Net assets at the end of the third quarter of this fiscal year increased by 234 million yen from the end of the previous fiscal year to 7,217 million yen. This was mainly due to the increase of 207 million yen in retained earnings and the increase of 26 million yen in valuation difference on available-for-sale securities.

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

There is no revision to the business forecast announced on August 5, 2020, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2020".

2. Financial Statements

(1) Balance Sheet

Thousands of yen

	Previous term end (as of June 30, 2020)	Current term end (as of March 31, 2021)
Assets		
Current assets		
Cash and deposits	3,641,864	4,175,031
Notes and accounts receivable	1,720,318	1,338,380
Inventories	413,482	553,004
Other	605,574	607,105
Total current assets	6,381,239	6,673,522
Non-current assets		
Property, plant and equipment	537,972	524,054
Intangible assets		
Software	1,262,416	1,177,008
Other	202,895	141,031
Total intangible assets	1,465,312	1,318,039
Investments and other assets		
Investment securities	1,359,193	1,398,685
Other	808,293	759,067
Total investments and other assets	2,167,487	2,157,752
Total non-current assets	4,170,771	3,999,846
Total assets	10,552,011	10,673,369
Liabilities		
Current liabilities		
Notes and accounts payable	627,020	569,597
Income taxes payable	61,971	131,408
Advances received	1,381,890	1,158,179
Provision for bonuses	295,182	473,879
Provision for bonuses for directors	42,682	28,735
Other	541,881	451,337
Total current liabilities	2,950,627	2,813,138
Non-current liabilities		
Provision for retirement benefits	490,430	530,024
Provision for retirement benefits for directors	30,052	21,411
Asset retirement obligations	87,421	87,471
Other	10,010	3,575
Total non-current liabilities	617,914	642,482
Total liabilities	3,568,542	3,455,620

Thousands of yen

	Previous term end (as of June 30, 2020)	Current term end (as of March 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	5,043,372	5,251,019
Treasury stock	(26,712)	(26,712)
Total shareholders' equity	6,433,508	6,641,156
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	549,960	576,592
Total valuation and translation adjustments	549,960	576,592
Total net assets	6,983,469	7,217,748
Total liabilities and net assets	10,552,011	10,673,369

(2) Income Statement

Thousands of yen

	Previous term (from July 1, 2019 to March 31, 2020)	Current term (from July 1, 2020 to March 31, 2021)
Net sales	7,805,470	8,067,013
Cost of sales	5,782,816	5,911,349
Gross income	2,022,654	2,155,664
Selling, general and administrative expenses	1,436,913	1,477,002
Operating income	585,740	678,661
Non-operating income		
Interest income	487	514
Dividend income	20,735	20,887
Insurance claim income	28,028	—
Other	3,196	5,097
Total non-operating income	52,448	26,499
Non-operating expenses		
Interest expenses	76	25
Commitment fee	3,048	3,991
Compensation expenses	33,679	3,613
Other	373	1,095
Total non-current expenses	37,178	8,726
Ordinary income	601,010	696,434
Extraordinary income	—	—
Extraordinary losses		
Loss on retirement of non-current assets	—	4,713
Total extraordinary losses	—	4,713
Profit before income taxes	601,010	691,721
Income taxes - current	191,563	234,526
Income taxes - deferred	11,027	(13,437)
Total income taxes	202,591	221,089
Net income	398,418	470,631

(3) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the third quarter of the current fiscal year (July 1, 2020 to March 31, 2021),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the third quarter of the current fiscal year (July 1, 2020 to March 31, 2021),

Not applicable.

(Business Segment)

The Business Segment information is omitted because the company consolidated two different business segments, Financial Systems Solutions and Product Solutions, to the single business segment in the first quarter of current fiscal year.