

## Summary of Non-consolidated Financial Results

## for the first quarter of Fiscal Year Ending June 2022 (Japanese GAAP)

November 4, 2021

## 1. Financial results for this term (July 1, 2021 to September 30, 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 %
1 <sup>st</sup> quarter, June 2022	2,251 (2.0)	126 (5.7)	124 (2.8)	82 (0.9)
1 <sup>st</sup> quarter, June 2021	2,298 (4.9)	134 (4.8)	128 (8.8)	83 (8.3)

	EPS	Fully diluted EPS
	Yen	Yen
1 <sup>st</sup> quarter, June 2022	3.15	—
1 <sup>st</sup> quarter, June 2021	3.18	—

## (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
1 <sup>st</sup> quarter, June 2022	10,548	7,143	67.7
FY ended June 2021	11,140	7,567	67.9

(Reference) Shareholders' equity: As of 1<sup>st</sup> quarter, June 2022 ¥7,143 million. As of June 2021 ¥7,567 million.

## 2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
Year ended June 30, 2021	Yen —	Yen 0.00	Yen —	Yen 13.00	Yen 13.00
Year ending June 30, 2022	—	—	—	—	—
Year ending June 30, 2022 (Forecast)	—	0.00	—	14.00	14.00

(Note) Revision of forecasts on the dividends: No

## 3. Forecast of financial results for the fiscal year ending June 30, 2022 (July 1, 2021 to June 30, 2022)

	Net sales		Operating income		Ordinary income		Net income
	Million yen	%	Million yen	%	Million yen	%	Million yen
1 <sup>st</sup> half, June 2022 (cumulative)	5,000	(4.7)	410	1.1	430	2.1	300
Full year	12,000	7.3	1,320	16.8	1,360	16.1	940
							11.8
							35.76

(Note) Revision of forecasts 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.: Yes
- (ii) Changes in accounting policies other than (i) above: No
- (iii) Changes in accounting estimates: No
- (iv) Restatements: No

(3) Number of shares issued

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

※ 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 6 of the accompanying materials for the assumptions underlying the performance and notes to the use of earnings forecasts.

(i) Number of shares issued (including treasury stock)	As of September 30, 2021	26,340,000	As of June 30, 2021	26,340,000
(ii) Number of shares of treasury stock	As of September 30, 2021	52,851	As of June 30, 2021	50,051
(iii) Average number of shares during the fiscal year	As of September 30, 2021	26,289,149	As of June 30, 2021	26,297,533

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## 1. Overview of Operating Results

### (1) Report of Operating Results

The Japanese economy in the first quarter of the FY06/2022, from July to September 2021, was in a tough spot from the effects of the new coronavirus infection and consumer spending was at a low level, but economic activity is gradually resuming with the progress of the vaccination.

Card shopping transaction volume of major credit card companies has also been higher than the previous year results since April 2021.

The Company aims to achieve "15 ALL" (Fifteen All) as a mid-term business goal, net sales of 15 billion yen and an operating income margin of 15% for the fiscal year ending June 30, 2024.

Based on our strength, the system development business related to payment operations, we are enhancing our profitability by the growth of our cloud service business and expanding our business domain by providing IT infrastructure that contributes to "DX", Digital Transformation, for customers in industries other than finance. Operating income for the fiscal year ending June 30, 2024 is planned to be 2.25 billion yen, almost double the 1.13 billion yen achieved in the fiscal year ended June 30, 2021.

The cloud service business, which is the main driving force behind our mid-term business plan, is planned to generate sales of 1.13 billion yen for the current fiscal year (ending June 30, 2022), and is expected to post a profit for the full-year for the first time since the business started.

In addition, orders are expanding on the active business negotiations with new customers. In the first quarter of this fiscal year, we won 1.0 billion yen in new orders, and the order backlog in the cloud service business grew from 1.85 billion yen at the end of the previous fiscal year to 2.61 billion yen at the end of the first quarter of this fiscal year. We are going to acquire new additional orders in the second quarter of this fiscal year. These orders are expected to contribute to sales in the next fiscal year (ending June 30, 2023) and sales for the next fiscal year (ending June 30, 2023) are expected to grow significantly to 2.0 billion yen.

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 coronavirus 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 financial results for the first quarter of the FY06/2022 has not been affected by new corona virus infection.

For the first quarter of the current fiscal year, we recorded net sales of 2,251 million yen (down by 2.0% year-on-year), operating income of 126 million yen (down by 5.7% year-on-year), ordinary income of 124 million yen (down by 2.8% year-on-year), and net income of 82 million yen (down by 0.9% year-on-year).

Net sales were slightly lower than the previous fiscal year's results. Compared to the previous fiscal year, sales of servers for new development projects and sales of third-party hardware decreased.

Operating income was slightly lower than the previous year's results. Although net sales decreased from the previous fiscal year and SG&A expenses increased, the results were almost the same as the previous year because of steady operations in system development projects and improved profitability from maintenance and cloud services.

As mentioned above, orders in the cloud service business, which is the driving force for our mid-term business plan, grew significantly during this first quarter.

This was due to orders from companies other than financial industry that are newly launching the acquiring business. New orders from business companies outside the financial industry and credit card companies are also expected in the second quarter of this fiscal year. Our cloud service has become one of the most promising options not only for existing financial companies but also for companies newly starting up their own card and payment businesses.

Our business is progressing as initially planned, and there is no change in the forecast for the first half of the

current fiscal year.

We engage the development of FEP (Front End Processing) system for our customers, credit card companies mainly, which include functions such as network connection and card transaction authorization necessary to complete credit card payment processing.

For example, when we develop a new FEP system for customer, we record sales from the sale of NET+1 (In-house product), which constitutes the core of the FEP system, sales from development work (System Development), in which our engineers customize the package to meet the functional requirements of the customer, sales from the sale of servers (Hardware), in which the developed software is installed, and sales from maintenance work (Maintenance) are recorded.

Also, we engage the business of selling our products, which are a prevention tool from internal information leakage in corporate organizations and third-party products for cyber-security measures.

Trends in sales by categories are as follows.

(Chart 1) Sales by categories (Million yen)

Category	FY09/2020	FY09/2021
System Development	1,113	1,170
Maintenance	315	360
In-house products	144	131
Cloud service	224	243
Hardware	208	79
Third-party products	110	69
Security products	181	198
Total	2,298	2,251

From this fiscal year, the category classification in (Chart 1) has been subdivided and categories have been redefined in operation.

We have revised categories to show the classification of sales based on the so-called "stock" and "flow" type in more precise than before. Judged from the type of contract and the actual status of the services, we have classified projects and contracts that can generate a certain amount of sales on a regular basis as "stock" and the rest of those as "flow".

Typical examples of "stock" type sales are fees for the use of systems and system operations related to the cloud service business, or fees for maintenance service for our products or third-party products. Cloud service fees are categorized as "Own Services". Typical "flow" type sales include fees for contracted development work and sales of the In-house products and third-party products. Results for this quarter are as follows.

(Chart 2) Categories by Stock and Flow (Million yen)

Category	FY09/2021	Ratio (%)
Software Development	888	39.4
In-house products	128	5.7
System Service	8	0.4
Third-party products	29	1.3
Sum of "Flow" type sales	1,055	46.9
Maintenance	624	27.7
Maintenance of third-party products	142	6.3
Own Services	308	13.7
Other Services	120	5.3
Sum of "Stock" type sales	1,196	53.1
Total	2,251	100.0

July 9, 2021, the Company received the notice from Tokyo Stock Exchange, Inc. that the Company's tradable

share market cap did not reach to 10 billion yen under the criteria of TSE's listing requirement. The tradable share market cap was 8.3 billion yen as of the date. Ratio of tradable shares was 47.2% and compiled to the requirement. And other listing requirements were compiled as well.

After the receipt of the notice, on July 28, the Company announced that we had decided as a guideline to choose to be listed in the Prime market segment in "Notice regarding the judge on the adaptation for the listing requirements on new market segments, TSE, and the policy of the company."

The policies of the Company are to work for the steady execution of "15 ALL", our mid-term business plan, improving corporate governance and enhancing shareholder return. We are going to adapt to listing requirements for Prime market by these actions.

## (2) Report of Financial Position

### (Assets)

The balance of assets at the first quarter of this fiscal year was 10,548 million yen, decreased by 591 million yen from the end of the previous fiscal year. Current assets amounted to 6,349 million yen by the decrease of 626 million yen from the end of the previous fiscal year. This was mainly due to the decrease in cash and deposits of 208 million yen and the decrease in accounts receivable and contract assets of 569 million yen.

Non-current assets totaled 4,199 million yen by the increase of 35 million yen from the end of the previous fiscal year. This was mainly due to the decrease of 42 million yen in investment securities and the increase of 58 million yen in intangible assets.

### (Liabilities)

The balance of liabilities at the first quarter of this fiscal year was 3,405 million yen by the decrease of 167 million yen from the end of the previous fiscal year. This was mainly due to the increase in advance received of 276 million yen, the increase in provision for bonuses of 70 million yen, the decrease in notes and accounts payable of 155 million yen and the decrease in taxes payable of 210 million yen.

### (Net Assets)

The balance of net assets at the first quarter of this fiscal year was 7,143 million yen by the decrease of 424 million yen from the end of the previous fiscal year. This was mainly due to the decrease of 394 million yen in retained earnings and the decrease of 29 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 4, 2021, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2021".

## 2. Financial Statements

### (1) Balance Sheet

	Thousands of yen	
	Previous term end (as of June 30,2021)	Current term end (as of September 30,2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,307,699	4,099,540
Notes and accounts receivable	1,698,475	—
Notes and accounts receivable, and contract assets	—	1,129,022
Inventories	371,178	309,743
Other	598,409	810,917
<b>Total current assets</b>	<b>6,975,762</b>	<b>6,349,223</b>
<b>Non-current assets</b>		
Property, plant and equipment	733,004	696,262
Intangible assets		
Software	1,124,857	977,891
Other	192,821	398,695
<b>Total intangible assets</b>	<b>1,317,679</b>	<b>1,376,587</b>
Investments and other assets		
Investment securities	1,369,810	1,327,131
Other	743,878	799,558
<b>Total investments and other assets</b>	<b>2,113,688</b>	<b>2,126,689</b>
<b>Total non-current assets</b>	<b>4,164,372</b>	<b>4,199,540</b>
<b>Total assets</b>	<b>11,140,135</b>	<b>10,548,764</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	430,770	275,140
Income taxes payable	243,271	32,416
Advances received	1,233,216	1,509,761
Provision for bonuses	348,470	419,276
Provision for bonuses for directors	43,362	4,757
Other	612,457	509,419
<b>Total current liabilities</b>	<b>2,911,547</b>	<b>2,750,772</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	544,834	543,399
Provision for retirement benefits for directors	22,550	19,242
Asset retirement obligations	87,487	87,504
Other	6,058	4,326
<b>Total non-current liabilities</b>	<b>660,930</b>	<b>654,473</b>
<b>Total liabilities</b>	<b>3,572,478</b>	<b>3,405,246</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	5,621,359	5,226,957
Treasury stock	(26,712)	(26,712)
<b>Total shareholders' equity</b>	<b>7,011,496</b>	<b>6,617,094</b>
<b>Valuation and translation adjustment</b>		
Valuation difference on available-for-sale securities	556,160	526,424
Total valuation and translation adjustments	556,160	526,424
<b>Total net assets</b>	<b>7,567,656</b>	<b>7,143,518</b>
<b>Total liabilities and net assets</b>	<b>11,140,135</b>	<b>10,548,764</b>

(2) Income Statement

Thousands of yen

	Previous term (from July 1,2020 to September 30,2020)	Current term (from July 1,2021 to September 30,2021)
Net sales	2,298,911	2,251,961
Cost of sales	1,709,661	1,631,887
Gross income	589,250	620,073
Selling, general and administrative expenses	454,844	493,388
Operating income	134,405	126,685
Non-operating income		
Interest income	179	190
Dividend income	562	—
Subsidy income	450	—
Gain on insurance cancellation	—	669
Other	364	520
Total non-operating income	1,556	1,379
Non-operating expenses		
Interest expenses	12	—
Commitment fee	1,498	1,867
Compensation expenses	5,000	—
Other	942	1,285
Total non-operating expenses	7,453	3,152
Ordinary income	128,507	124,912
Extraordinary income	—	—
Extraordinary losses	—	—
Profit before income taxes	128,507	124,912
Income taxes - current	66,036	21,739
Income taxes - deferred	(21,117)	20,310
Total income taxes	44,919	42,049
Net income	83,588	82,862

(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, 2021 to September 30, 2021),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first quarter of the current fiscal year (July 1, 2021 to September 30, 2020),

Not applicable.

(Revision to the Accounting Policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company started applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020), etc. at the beginning of the first quarter of the current accounting period. When the ownership of goods or services has been transferred to a client as promised, we recognize the amount to be received in exchange for said goods or services as revenues. Some revenues for software development had been recognized at the time of acceptance inspection, but through the application of the Accounting Standard for Revenue Recognition, we started recognizing revenues for a certain period of time when clients receive benefits as performance obligations are fulfilled. For some maintenance contracts, etc., revenues had been recognized at a specific point in time in accordance with the contracts, but we started recognizing revenues for a certain period of time. For some revenues from sale of security products, the total amount of remunerations received from clients had been recognized as revenues, but for transactions in which our company serves as an agent for offering goods or services to clients, we recognize the net amount obtained by subtracting the expenses paid to suppliers, etc. from the total amount of remunerations received from clients as revenues.

The application of the Accounting Standard for Revenue Recognition, etc. follows the transitional handling specified in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retroactive application of the new accounting policy to the period before the first quarter of the current term is reflected in the retained earnings as of the beginning of the first quarter of the current term, and the new accounting policy has been applied from the balance at the beginning of the current term. In addition, the method set forth in the proviso (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition was applied, and the accounting process was carried out based on the conditions of the contracts updated before the first quarter of the current term, and the cumulative effect was reflected in the retained earnings as of the beginning of the first quarter of the current term.

As a result, the sales in the first quarter of the current term increased to 236,428 thousand yen, the cost of sales rose to 156,171 thousand yen, and the gross profit, operating income, and net income before taxes and other adjustments increased to 80,256 thousand yen each. In addition, the balance of retained earnings at the beginning of the current term decreased to 135,495 thousand yen.

Since the Accounting Standard for Revenue Recognition, etc. were applied, "Notes and accounts receivable" shown in the section of current assets in the balance sheet for the previous accounting year has been included in "Notes and accounts receivable, and contract assets" from the first quarter of the current accounting period. In accordance with the transitional handling set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the new indication method was not applied to the previous accounting year. Furthermore, in accordance with the transitional handling set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), we did not write the breakdown of revenues from contracts with clients in the first quarter of the previous cumulative accounting period.

(Additional information)

There has been no significant change in the assumptions, including the future spread of the new coronavirus infection and the timing of its containment, described in the section (Additional information) of the Annual Securities Report for the previous fiscal year.

(Business Segment)

The Business Segment information is omitted because the reportable segment is the single one.

(Revenue recognition)

Categorized information on revenue from contracts with customers

Thousands of yen

	1 <sup>st</sup> quarter of FY06/22 (cumulative) (from July 1, 2021 to September 30, 2021)
Net sales	
Software Development	888,453
In-house products	128,427
System Service	8,800
Third-party products	29,813
Maintenance	624,995
Maintenance of third-party products	142,524
Own services	308,881
Other services	120,066
Total	2,251,961
Timing of revenue recognition	
Goods and services transferred at a point in time	619,571
Goods and services transferred at a period of time	1,632,390
Total	2,251,961