

## Summary of Non-consolidated Financial Results

## for the first quarter of Fiscal Year Ending June 2023 (Japanese GAAP)

November 2, 2022

## 1. Financial results for this term (July 1, 2022 to September 30, 2022)

(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 2023	3,646	61.9	483	281.6	480	284.7	324	292.0
1 <sup>st</sup> quarter, June 2022	2,251	(2.0)	126	(5.7)	124	(2.8)	82	(0.9)

	EPS		Fully diluted EPS	
	Yen		Yen	
1 <sup>st</sup> quarter, June 2023	12.36		—	
1 <sup>st</sup> quarter, June 2022	3.15		—	

## (2) Financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
1 <sup>st</sup> quarter, June 2023	12,599		7,913			62.8
FY ended June 2022	12,740		8,039			63.1

(Reference) Shareholders' equity: As of 1<sup>st</sup> quarter, June 2023 ¥7,913 million. As of June 2022 ¥8,039 million.

## 2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
Year ended June 30, 2022	Yen —	Yen 0.00	Yen —	Yen 17.00	Yen 17.00
Year ending June 30, 2023	—	—	—	—	—
Year ending June 30, 2023 (Forecast)	—	0.00	—	20.00	20.00

(Note) Revision of forecasts on the dividends: No

## 3. Forecast of financial results for the fiscal year ending June 30, 2023 (July 1, 2022 to June 30, 2023)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1 <sup>st</sup> half, June 2023 (cumulative)	6,800	39.1	900	88.0	920	84.1	640	89.4	24.35
Full year	13,500	17.5	1,800	18.4	1,840	18.2	1,280	21.2	48.70

(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.: 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 September 30, 2022	As of June 30, 2022	26,340,000
(ii) Number of shares of treasury stock	As of September 30, 2022	59,651	56,851
(iii) Average number of shares during the fiscal year	As of September 30, 2022	26,282,466	As of September 30, 2021 26,289,149

※ 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 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 first quarter of the FY06/2023 has been gradually recovering despite the impact of COVID-19. Corporate earnings and business sentiment have been showing some weaknesses, however, they have been improving as a whole.

In the credit card industry, which is our primary business domain, credit card companies' transaction volume has exceeded the previous year's results because of the recovery in personal consumption.

In this business environment, our company promotes the medium-term business plan for the three-year period that will end in the fiscal year ending June 30, 2025. We are working to reinforce and expand our business foundation by reforming our business structure and expanding our business domains and establish the foundation for human resources and co-creation for our sustainable growth.

In reinforcing and expanding our business foundation, in addition to strengthening the system development business related to the payment business domain, which is our strength, we are expanding our "stock-type" \* business through the growth of cloud services, expanding new areas of the payment business domain, and expanding our business domain beyond the payment and financial industry.

For the first quarter of the current fiscal year, we recorded net sales of 3,646 million yen (up 61.9% year on year) because of the increase in hardware sales due to FEP system\* upgrades for existing customers, an increase in the number of users of the cloud services, and large projects of system development for credit card companies. Operating income stood at 483 million yen (up 281.6% year on year) because of an increase in hardware sales, etc., despite a decline in earnings caused by the reinforcement of the infrastructure environment and the operation system for the cloud services. As a result, we recorded an ordinary income of 480 million yen (up 284.7% year on year) and a net income of 324 million yen (up 292.0% year on year).

With regard to our cloud services, we recorded net sales of 434 million yen (up 78.7% year on year), and a gross profit of -4 million yen (-19 million in the same period of the previous year). Amount of Orders increased significantly in the previous fiscal year, leading to an increase in net sales, however, profits have temporarily declined due to the reinforcement of the infrastructure environment and the operation system in response to an increase in the number of users. Profits are expected to improve from the second quarter onward.

Our company is engaged in the development of FEP systems for customers, mainly credit card companies, which provide network connection, card usage authentication, and other functions necessary for completing the payment process mainly for credit card transactions.

For example, when developing a new FEP system, the sales of "NET+1 (Net Plus One)" (in-house product), the sales from development work to customize products to meet the customers' functional requirements, the sales of servers equipped with developed software, and the sales from maintenance work for the system consisting of software and hardware will be recorded respectively.

Moreover, in terms of security, we develop and market in-house products to prevent internal information leakage in business organizations, as well as third-party products for cybersecurity measures.

\*1 "Stock" type: projects and contracts that can generate a certain amount of sales on a regular basis

\*2 FEP(Front End Processing) system: Hardware and software with network connectivity, card usage authentication, and other functions required for credit card payment processing

### (2) Report of Financial Position (Assets)

The balance of assets at the first quarter of this fiscal year was 12,599 million yen, decreased by 140 million yen from the end of the previous fiscal year. Current assets amounted to 7,749 million yen, decreased by 525 million yen from the end of the previous fiscal year. This was mainly due to the increase in cash and deposits of 743 million yen and the decrease in Notes and accounts receivable - trade, and contract assets of 1,134

million yen.

Non-current assets totaled 4,850 million yen by the increase of 384 million yen from the end of the previous fiscal year. This was mainly due to the increase of 105 million yen by purchasing tools, furniture and fixtures in Property, plant and equipment and the increase of 196 million yen in Software.

(Liabilities)

The balance of liabilities at the first quarter of this fiscal year was 4,686 million yen by the decrease of 14 million yen from the end of the previous fiscal year. This was mainly due to the increase in advance received of 68 million yen, the increase in provision for bonuses of 198 million yen, and the decrease in notes and accounts payable - trade of 334 million yen.

(Net Assets)

The balance of net assets at the first quarter of this fiscal year was 7,913 million yen by the decrease of 125 million yen from the end of the previous fiscal year. This was mainly because retained earnings were decreased by 446 million yen due to the disposal of surplus via allocation towards dividend funds and were increased by 324 million yen by recording net income.

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

There is no revision to the business forecast announced on August 3, 2022, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2022".

## 2. Financial Statements

### (1) Balance Sheet

		Thousands of yen
	Previous term end (as of June 30,2022)	Current term end (as of September 30,2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,932,647	4,676,472
Notes and accounts receivable - trade, and contract assets	2,723,400	1,589,083
Securities	300,381	300,232
Inventories	313,359	370,283
Other	1,004,436	813,045
<b>Total current assets</b>	<b>8,274,224</b>	<b>7,749,117</b>
<b>Non-current assets</b>		
Property, plant and equipment	706,395	818,860
Intangible assets		
Software	1,640,255	1,837,245
Other	409,584	346,402
<b>Total intangible assets</b>	<b>2,049,839</b>	<b>2,183,647</b>
Investments and other assets		
Investment securities	916,484	911,942
Other	793,824	936,390
<b>Total investments and other assets</b>	<b>1,710,309</b>	<b>1,848,333</b>
<b>Total non-current assets</b>	<b>4,466,543</b>	<b>4,850,841</b>
<b>Total assets</b>	<b>12,740,768</b>	<b>12,599,958</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	940,780	605,822
Income taxes payable	331,611	327,924
Advances received	1,885,029	1,953,697
Provision for bonuses	289,341	488,005
Provision for bonuses for directors	45,885	18,122
Other	543,134	632,299
<b>Total current liabilities</b>	<b>4,035,783</b>	<b>4,025,871</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	552,279	560,161
Provision for retirement benefits for directors	22,565	9,883
Asset retirement obligations	87,554	87,571
Other	3,421	3,119
<b>Total non-current liabilities</b>	<b>665,820</b>	<b>660,736</b>
<b>Total liabilities</b>	<b>4,701,603</b>	<b>4,686,607</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	6,199,843	6,077,835
Treasury shares	(26,712)	(26,712)
<b>Total shareholders' equity</b>	<b>7,589,980</b>	<b>7,467,972</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	449,184	445,379
<b>Total valuation and translation adjustments</b>	<b>449,184</b>	<b>445,379</b>
<b>Total net assets</b>	<b>8,039,164</b>	<b>7,913,351</b>
<b>Total liabilities and net assets</b>	<b>12,740,768</b>	<b>12,599,958</b>

(2) Income Statement

	Thousands of yen	
	Previous term (from July 1, 2021 to September 30, 2021)	Current term (from July 1, 2022 to September 30, 2022)
Net sales	2,251,961	3,646,349
Cost of sales	1,631,887	2,511,593
Gross profit	<u>620,073</u>	<u>1,134,755</u>
Selling, general and administrative expenses	<u>493,388</u>	<u>651,272</u>
Operating income	<u>126,685</u>	<u>483,483</u>
Non-operating income		
Interest income	190	175
Dividend income	—	1,003
Gain on insurance cancellation	669	—
Other	520	1,122
Total non-operating income	<u>1,379</u>	<u>2,301</u>
Non-operating expenses		
Commitment fees	1,867	1,693
Foreign exchange losses	517	2,381
Other	767	1,232
Total non-operating expenses	<u>3,152</u>	<u>5,306</u>
Ordinary income	<u>124,912</u>	<u>480,478</u>
Extraordinary income	—	—
Extraordinary losses	—	—
Income before income taxes	<u>124,912</u>	<u>480,478</u>
Income taxes - current	21,739	306,305
Income taxes - deferred	20,310	(150,632)
Total income taxes	<u>42,049</u>	<u>155,672</u>
Net income	<u>82,862</u>	<u>324,805</u>

(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, 2022 to September 30, 2022),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first quarter of the current fiscal year (July 1, 2022 to September 30, 2022),

Not applicable.

(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

	1 <sup>st</sup> quarter of FY06/22 (cumulative) (from July 1, 2021 to September 30, 2021)	1 <sup>st</sup> quarter of FY06/23 (cumulative) (from July 1, 2022 to September 30, 2022)
Net sales		
Software Development	888,453	1,046,167
In-house products	128,427	83,999
System Service	8,800	7,587
Third-party products	29,813	1,037,971
Maintenance	624,995	703,592
Maintenance of third-party products	142,524	156,865
Own services	308,881	491,885
Other services	120,066	118,280
Total	2,251,961	3,646,349
Timing of revenue recognition		
Goods and services transferred at a point in time	619,571	1,561,395
Goods and services transferred over a period of time	1,632,390	2,084,954
Total	2,251,961	3,646,349