

Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2021 (Japanese GAAP)

August 4, 2021

1. Financial results for this term (July 1, 2020 to June 30, 2021)

(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	%
Year ended, June 2021	11,187	2.4	1,130	9.1	1,171	9.0	840	10.4
Year ended, June 2020	10,920	4.6	1,036	12.5	1,074	12.7	762	11.4

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
	Yen	Yen	%	%	%
Year ended, June 2021	31.98	—	11.6	10.8	10.1
Year ended, June 2020	29.00	—	11.4	10.4	9.5

(Reference) Equity in earnings of affiliates: As of June 2021 ¥5 million As of June 2020 ¥8 million

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended, June 2021	11,140	7,567	67.9	287.85
Year ended, June 2020	10,552	6,983	66.2	265.55

(Reference) Shareholders' equity: As of June 2021 ¥7,567 million As of June 2020 ¥6,983 million

(3) Cash flow conditions

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
Year ended, June 2021	1,700	(742)	(292)	4,307
Year ended, June 2020	1,547	(752)	(407)	3,641

2. Dividends

	Dividend per share					Total dividend payment	Dividend payout ratio (Non-Consolidated)	Dividend to net asset ratio (Non-Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended June 30, 2020	—	0.00	—	10.00	10.00	262	34.5	3.9
Year ended June 30, 2021	—	0.00	—	13.00	13.00	341	40.6	4.7
Year ending June 30, 2022 (Forecast)	—	0.00	—	14.00	14.00		39.8	

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		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	5,000	(4.7)	410	1.1	430	2.1	300	5.0	11.41
Full Year	12,000	7.3	1,320	16.8	1,360	16.1	940	11.8	35.76

Notes:

(1) 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

(2) Number of shares issued (common stock)

(i) Number of shares issued at year-end (including treasury stock)		26,340,000		26,340,000
(ii) Number of shares of treasury stock at year-end	As of June 30, 2021	50,051	As of June 30, 2020	41,651
(iii) Average number of shares during the full year		26,294,407		26,273,290

※ 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.

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1. Overview of Operating Results

(1) Report of Operating Results

In the fiscal year, ended June 30, 2021, the trend of Japanese economy is said to be recovering, while the situation remains severe due to the impact of the new coronavirus infection. Although consumer spending remains at a standstill with inactive spending for accommodation and food service, it is expected that the economy will continue to grow as the effects of the infection subside in future.

In the credit card industry, the company's primary business domain, monthly total amount of handled of credit card transaction is improving*, and monthly credit card shopping transaction amount of major credit card companies is on an upward trend. Business of our customers are recovering and we find no major change of their capital expenditure trends.

In particular, major corporate groups are not only responding to the diversification of payment methods, but are also aiming to expand their business areas by providing customers with other financial services in a combined manner, and this trend is a business opportunity for us.

For example, business companies outside the financial industry are offering new payment and financial services to their customers in order to expand their business domains. In addition, we are seeing some of our client companies moving away from the on-premise contract model, in which specific system development is ordered individually, to the use of so-called cloud services in order to develop new services at a faster pace.

* Survey of Selected Service Industries, Credit Card, by Ministry of Economy, Trade and Industry

The infection increases the opportunities for telecommuting and online shopping, and the expansion of credit card payments is expected to continue, driven by changes in individual consumption behavior and work styles.

Under this business environment, our business in the fiscal year ended June 30, 2021 closed with solid results. We were not affected by infections, and our performance was almost in line with our initial forecast.

The company, which is responsible for developing and operating systems that provide indispensable functions for card payment, properly recognizes its social mission and promotes its business with improving the facilities and systems necessary to continue business. The company conducts daily health monitoring of employees and staff and has a system in place to ensure that appropriate and prompt action is taken.

The company recorded the net sales of 11,187 million yen for the FY06/2021, July 2020 to June 2021, and it exceeded the initial forecast, 11,000 million yen, and the previous fiscal year's result of 10,920 million yen.

The operating income of 1,130 million yen slightly missed 1,150 million yen, the initial forecast, and it exceeded 1,036 million yen, the result of the previous fiscal year, by 9.1%.

The ordinary income of 1,171 million yen exceeded the previous fiscal year's result, 1,074 million yen by 9.0%. The net income of 840 million yen exceeded the previous year's result, 762 million yen, by 10.4%.

In financial industry business, we have engaged system development projects that replace and enhance for systems related to credit card payments and build fraud detection system, and hardware sales.

Hardware sales exceeded the previous fiscal year's results due to sales of hardware used in system development projects that we engage, as well as projects for the replacement of specific types of servers. Sales of third-party products, which are primarily used for development projects for new customers, also exceeded the previous year's results. The cloud service business also exceeded the previous fiscal year's results as initially planned. Although sales of system development were lower than the previous fiscal year's results, the increase in sales of hardware and third-party products compensated for the decrease. In the fiscal year ended June 30, 2021, there were no relatively large-scale development projects scheduled at the beginning of the fiscal year, so the decrease in sales of System Development was as initially planned. All other categories exceeded the previous year's results.

(Reference) Sales by categories

(Million yen)

Category	FY06/2020	FY06/2021	Stock/Flow
System Development	5,791	5,272	Flow
Maintenance	1,246	1,357	Stock
In-house products	244	335	Flow
Cloud service	828	942	Stock
Hardware	1,526	1,638	Flow
Third-party products	220	509	Flow
Security products	1,063	1,131	Flow
Total	10,920	11,187	

(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".

The operating income fell slightly short of the initial forecast, 1,150 million yen, but exceeded the previous year's result.

In the first quarter, from July to September 2020, although there was a temporary increase in expenses in the cloud services business, the results exceeded the previous year's results of 1,036 million yen by the efficiency improvement in System Development, increased revenue in other categories, and improved profitability in the security business.

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the FY06/2021 was 11,140 million yen, an increase of 588 million yen from the end of the previous fiscal year. Current assets amounted to 6,975 million yen, an increase of 594 million yen from the end of the previous fiscal year. This was mainly due to the increase in cash and deposits of 665 million yen. Non-current assets totaled 4,164 million yen, a decrease of 6 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 147 million yen in software and of 71 million yen in long-term prepaid expenses, despite an increase of 205 million yen in tools, furniture and fixtures.

(Liabilities)

The balance of liabilities at the end of the FY06/2021 was 3,572 million yen, an increase of 3 million yen from the end of the previous fiscal year. This was mainly due to a decrease in accounts payable of 196 million yen, a decrease of advances received of 148 million yen, an increase of income taxes payable of 181 million yen and an increase of 82 million yen in accrued expenses.

(Net Assets)

The balance of net assets at the end of the FY06/2021 was 7,567 million yen, an increase of 584 million yen from the end of the previous fiscal year. This was mainly due to an increase of 577 million yen in retained earnings.

(3) Report of Cash Flows

The balance of cash and deposits at the end of the FY06/2021 was 4,307 million yen, an increase of 665 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities in the FY06/2021 amounted to 1,700 million yen, increasing from the previous fiscal year by 9.9%. This was mainly due to the fact that income before income taxes amounted to 1,166 million yen and depreciation expenses amounted to 751 million yen, as a result of our strong business operation overall.

(Cash flows from investing activities)

Net cash used in investing activities in the FY06/2021 was 742 million yen (compared with 752 million

yen expended in the previous fiscal year). This was mainly due to the purchase of intangible fixed assets of 469 million yen for the software development for sales purposes and the internal use.

(Cash flows from financing activities)

Net cash expended in financing activities was 292 million yen (407 million yen expended in the previous fiscal year). This was mainly due to cash dividends paid of 262 million yen.

Trends in cash flow indicators are as follows.

	FY06/2020	FY06/2021
Shareholders' equity ratio (%)	66.2	67.9
Equity ratio based on market value (%)	205.1	145.6
Debt amortization schedule (number of years)	0.0	0.0
Interest coverage ratio (times)	16,516.7	65,007.5

(NOTE) 1. Shareholders' equity ratio: Shareholders' equity/Total assets

2. Equity ratio based on market value: Market capitalization/Total assets

Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.

3. Number of years for debt redemption: interest-bearing debt / operating cash flow

Interest-bearing debt refers to all liabilities on the balance sheet on which interest is paid.

4. Interest coverage ratio: operating cash flow / interest expenses

(4) Future Outlook

August 4, 2021, the company reviewed the mid-term business plan and disclosed as a (Revised plan).

We have had no impact of new corona virus infection to the results for FY06/2021. There has been no significant impact on the continuity of our system development and operation jobs. At present, our production activities are going smoothly.

We are in the process of transforming our business structure that we can offer cloud-based services in addition to our on-premise contract system development services. Conventional on-premise contract development is categorized as a "flow-type" business, as the size of the contract and the timing of revenue booking are varied from project to project. On the other hand, cloud-computing services are classified as "stock-type" business, as it is expected to generate stable revenue-line within an ongoing contract period. We are working to expand our stable revenue by adding "stock-type" businesses that can be expected to generate sustainable profitability, in addition to the existing "flow-type" revenue structure.

As stated above, enterprises outside the financial industry are providing new payment and financial services to their customers in order to expand their business domains. Also, our clients try to launch new businesses rapidly with introducing cloud-computing services. Taking advantage of this situation as a business opportunity, we plan to achieve net sales of 15,000 million yen and operating income of 2,250 million yen (operating margin of 15.0 %) in the fiscal year ending June 30, 2024.

In particular, our cloud service business is expected to grow substantially in medium-term, following the expected return to profitability in the fiscal year ending June 30 2022, and is expected to grow as a major source of revenue for the company by the fiscal year ending June 30, 2024.

We are also taking on the challenge of developing new products for new clients outside the financial industry and cultivating new markets with the knowledge and experience we have gained through our development works in the financial industry.

With our technology, which is based on real-time, high-speed processing of large amounts of data, to discover and solve potential problems in the operations of different industries but financial one, we will develop and cultivate new markets as new pillars of revenue.

(Reference) Mid-term business plan

(Revised Plan)

(Million yen)

	FY06/2021 (Actual)	FY06/2022 (Forecast)	FY06/2023 (Plan)	FY06/2024 (Plan)
Net sales	11,187	12,000	13,500	15,000
Operating income [OM]	1,130 [10.1%]	1,320 [11.0%]	1,750 [13.0%]	2,250 [15.0%]

(Previous Plan)

(Million yen)

	FY06/2020 (Actual)	FY06/2021 (Forecast)	FY06/2022 (Plan)	FY06/2023 (Plan)
Net sales	10,920	11,000	12,000	13,500
Operating income [OM]	1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]

Forecasts of FY06/2022 are net sales of 12,000 million-yen, operating income of 1,320 million yen (operating margin of 11.0%). We forecast 16.8% growth year over year in operating income.

Although larger-scale development projects are not scheduled for the FY06/2022, we will proceed system development work and sales of in-house products and third-party products with existing customers. We are improving the profit margin by increasing the efficiency of system development and enhancing quality control.

In the cloud service business, we forecast net sales of 1,130 million yen (increase by 20.0% year on year). We have received an order for a relatively large-scale contract in July 2021, which is expected to contribute to sales from the second half of the fiscal year. We forecast that its profitability improves and post a profit for the full year. Sales in this business are planned to be 2,000 million yen in the fiscal year ending June 2023 and 2,500 million yen in the fiscal year ending June 2024, which are projected to drive our income growth in the medium term period.

(Reference)

(Net sales by categories)

	FY06/2021 (Actual)	FY06/2022(Forecast)	Remarks
System development	5,272	5,850	Sales from system development by contract basis.
Maintenance service	1,357	1,440	Sales from maintenance service for systems developed by the company.
In-house products	335	400	Sales of in-house products
Cloud service	942	1,130	Sales from a system distribution in which the company hosts software for customers.
Hardware	1,638	1,730	Sales of servers to be installed in the systems developed by the company.
Third-party products	509	250	Sales of third-party products.
Security products	1,131	1,200	Sales of security products both in-house and third-parties'.

(5) Risk information regarding new coronavirus infection

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.

We operate the business sites in the Headquarter, Chuo-ku Tokyo, and the Hakodate office where employee

and the personnel from subcontractors engaging system development projects are working. A small part of employees is working at offices run by customers.

The company has exercised measures that make all the employees and subcontractors work from home as of the end of June 2021. As of today, a part of employees continues working from home. The company has halted all the travel to overseas, and restricted domestic business trip and attending non-essential meetings.

To date, we have not experienced any serious concerns about business continuity and have not suffered any material negative effects by new coronavirus infection.

Although it is difficult to predict precisely the future impact on the company's business by the infection spread, in case the impact prolonged, stagnant sales and production activities could result in a temporary decline in the company's net sales. In addition, our sales may decline over longer term due to deterioration of customers' capital expenditure plans and other factors.

2. Basic Policy on Selecting Accounting Standards

The company adopts Japanese accounting standards for financial reporting.

The company's policy is to respond appropriately to the application of the International Financial Reporting Standards (IFRS) in light of various circumstances in Japan and overseas.

3. Financial Statements

(1) Balance Sheet

	Thousands of yen	
	Previous term end (as of June 30,2020)	Current term end (as of June 30,2021)
Assets		
Current assets		
Cash and deposits	3,641,864	4,307,699
Accounts receivable - trade	1,720,318	1,698,475
Merchandise and finished goods	26,675	9,871
Work in process	381,557	355,789
Raw materials and supplies	5,249	5,517
Advance payments - trade	381,282	368,425
Prepaid expenses	219,460	227,033
Other	4,830	2,950
Total current assets	6,381,239	6,975,762
Non-current assets		
Property, plant and equipment		
Buildings	402,210	425,259
Accumulated depreciation	(199,537)	(211,347)
Buildings, net	202,672	213,912
Structures	16,479	16,479
Accumulated depreciation	(15,457)	(15,653)
Structures, net	1,022	825
Tools, furniture and fixtures	580,943	866,604
Accumulated depreciation	(367,320)	(447,306)
Tools, furniture and fixtures, net	213,623	419,297
Leased assets	154,235	159,724
Accumulated depreciation	(117,976)	(145,150)
Leased assets, net	36,259	14,573
Land	84,394	84,394
Total property, plant and equipment	537,972	733,004
Intangible assets		
Software	1,262,416	1,124,857
Software in progress	199,089	189,015
Telephone subscription right	3,806	3,806
Total intangible assets	1,465,312	1,317,679
Investments and other assets		
Investment securities	1,359,193	1,369,810
Shares of subsidiaries and associates	24,680	24,680
Long-term loans receivable from employees	—	1,135
Long-term prepaid expenses	144,252	72,837
Deferred tax assets	248,771	255,097
Other	390,589	390,127
Total investments and other assets	2,167,487	2,113,688
Total non-current assets	4,170,771	4,164,372
Total assets	10,552,011	11,140,135

Thousands of yen

	Previous term end (as of June 30,2020)	Current term end (as of June 30, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	627,020	430,770
Lease obligations	29,280	9,787
Accounts payable - other	92,836	175,407
Accrued expenses	157,946	170,814
Income taxes payable	61,971	243,271
Advances received	1,381,890	1,233,216
Deposits received	110,191	117,019
Provision for bonuses	295,182	348,470
Provision for directors' bonuses	42,682	43,362
Other	151,626	139,427
Total current liabilities	2,950,627	2,911,547
Non-current liabilities		
Lease obligations	10,010	6,058
Provision for retirement benefits	490,430	544,834
Provision for directors' retirement benefits	30,052	22,550
Asset retirement obligations	87,421	87,487
Total non-current liabilities	617,914	660,930
Total liabilities	3,568,542	3,572,478
Net assets		
Shareholders' equity		
Share capital	843,750	843,750
Capital surplus		
Legal capital surplus	559,622	559,622
Other capital surplus	13,477	13,477
Total capital surpluses	573,099	573,099
Retained earnings		
Legal retained earnings	18,000	18,000
Other retained earnings		
General reserve	2,600,000	2,600,000
Retained earnings brought forward	2,425,372	3,003,359
Total retained earnings	5,043,372	5,621,359
Treasury shares	(26,712)	(26,712)
Total shareholders' equity	6,433,508	7,011,496
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	549,960	556,160
Total valuation and translation adjustments	549,960	556,160
Total net assets	6,983,469	7,567,656
Total liabilities and net assets	10,552,011	11,140,135

(2) Income Statement

	Thousands of yen	
	Previous term (from July 1,2019 to June 30,2020)	Current term (from July 1,2020 to June 30,2021)
Net sales		
Net sales of finished goods	8,529,159	8,377,550
Net sales of goods	2,391,689	2,810,129
Total net sales	10,920,848	11,187,679
Cost of sales		
Cost of products manufactured	6,285,862	6,187,694
Cost of finished goods sold	6,285,862	6,187,694
Beginning goods	13,119	26,675
Cost of purchased goods	1,667,931	1,826,554
Total	1,681,051	1,853,230
Ending goods	26,675	9,871
Cost of goods sold	1,654,375	1,843,359
Total cost of sales	7,940,237	8,031,053
Gross income	2,980,611	3,156,625
Selling, general and administrative expenses	1,944,275	2,026,122
Operating income	1,036,335	1,130,503
Non-operating income		
Interest income	55	31
Interest on securities	596	661
Dividend income	44,926	45,219
Insurance claim income	28,028	—
Other	3,396	5,437
Total non-operating income	77,004	51,349
Non-operating expenses		
Interest expenses	93	26
Commitment fee	3,743	4,689
Foreign exchange losses	—	1,610
Compensation expenses	33,679	3,613
Other	996	678
Total non-operating expenses	38,512	10,618
Ordinary income	1,074,827	1,171,233
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Loss on retirement of non-current assets	—	4,713
Total extraordinary losses	—	4,713
Income before income taxes	1,074,827	1,166,520
Income taxes - current	264,553	334,611
Income taxes - deferred	48,220	(9,062)
Total income taxes	312,774	325,549
Net income	762,053	840,970

(3) Statement of Changes in Net Assets

Previous term (from July 1, 2019 to June 30, 2020)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings	Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at beginning of period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,900,091	4,518,091	(14,955)
Changes of items during period									
Dividends of surplus							(236,772)	(236,772)	
Net income							762,053	762,053	
Purchase of treasury stock									(136,125)
Disposal of treasury stock			11,912	11,912					124,368
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	11,912	11,912	-	-	525,280	525,280	(11,757)
Balance at end of current period	843,750	559,622	13,477	573,099	18,000	2,600,000	2,425,372	5,043,372	(26,712)

	Shareholders' equity	Valuation and translation adjustments		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	5,908,072	464,442	464,442	6,372,515
Changes of items during period				
Dividends of surplus	(236,772)			(236,772)
Net income	762,053			762,053
Purchase of treasury stock	(136,125)			(136,125)
Disposal of treasury stock	136,281			136,281
Net changes of items other than shareholders' equity		85,517	85,517	85,517
Total changes of items during period	525,436	85,517	85,517	610,953
Balance at end of period	6,433,508	549,960	549,960	6,983,469

Current term (from July 1, 2020 to June 30, 2021)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at beginning of period	843,750	559,622	13,477	573,099	18,000	2,600,000	2,425,372	5,043,372	(26,712)
Changes of items during period									
Dividends of surplus							(262,983)	(262,983)	
Net income							840,970	840,970	
Purchase of treasury stock			–	–					–
Disposal of treasury stock									–
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	–	577,987	577,987	–
Balance at end of current period	843,750	559,622	13,477	573,099	18,000	2,600,000	3,003,359	5,621,359	(26,712)

	Shareholders' equity	Valuation and translation adjustments		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	6,433,508	549,960	549,960	6,983,469
Changes of items during period				
Dividends of surplus	(262,983)			(262,983)
Net income	840,970			840,970
Purchase of treasury stock	–			–
Disposal of treasury stock	–			–
Net changes of items other than shareholders' equity		6,199	6,199	6,199
Total changes of items during period	577,987	6,199	6,199	584,187
Balance at end of period	7,011,496	556,160	556,160	7,567,656

(4) Cash Flow Statement

	Thousands of yen	
	Previous term (from July 1,2019 to June 30,2020)	Current term (from July 1,2020 to June 30,2021)
Cash flows from operating activities		
Income before income taxes	1,074,827	1,166,520
Depreciation	605,658	751,229
Share-based compensation expenses	66,763	62,701
Increase (decrease) in provision for bonuses	16,644	53,288
Increase (decrease) in provision for bonuses for directors	2,506	679
Increase (decrease) in provision for retirement benefits	39,257	54,403
Increase (decrease) in provision for retirement benefits for directors	6,167	(7,502)
Insurance income	(28,028)	—
Interest and dividend income	(45,579)	(45,911)
Interest expenses	93	26
Compensation expenses	33,679	3,613
Commitment fee	3,743	4,689
Loss on retirement of non-current assets	—	4,713
Decrease (increase) in notes and accounts receivable	(311,178)	(126,829)
Decrease (increase) in inventories	227,409	42,304
Increase (decrease) in notes and accounts payable	406,189	(182,910)
Other	(34,519)	67,820
Subtotal	2,063,635	1,848,836
Interest and dividends received	45,641	45,911
Interest expenses paid	(93)	(26)
Commitment fee paid	(3,742)	(4,686)
Proceeds from insurance income	28,028	—
Compensation expenses paid	(33,679)	(3,613)
Income taxes paid	(552,724)	(186,151)
Net cash provided by (used in) operating activities	1,547,066	1,700,270
Cash flows from investing activities		
Purchase of property, plant and equipment	(181,455)	(269,322)
Purchase of intangible assets	(579,751)	(469,647)
Purchase of investment securities	(1,664)	(2,269)
Proceeds from redemption of investment securities	—	(2,909)
Collection of loans receivable	568	709
Other	9,732	461
Net cash provided by (used in) investing activities	(752,569)	(742,978)
Cash flows from financing activities		
Purchase of treasury stock	(136,125)	—
Cash dividends paid	(236,384)	(262,641)
Repayments of lease obligations	(35,024)	(29,481)
Net cash provided by (used in) financing activities	(407,534)	(292,123)
Effect of exchange rate change on cash and cash equivalents	(11)	666
Net increase (decrease) in cash and cash equivalents	386,950	665,835
Cash and cash equivalents at beginning of period	3,254,913	3,641,864
Cash and cash equivalents at end of period	3,641,864	4,307,699

4. Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant accounting policy)

1. Accounting for evaluation of assets

(1) Valuation basis and valuation method of securities

Securities in affiliates	Cost basis by moving average method
Held-to-maturity debt securities	Amortized cost (straight-line method)
Other securities	Available-for-sale with market value: Securities are stated at fair value based on market prices as of the balance sheet date. (Unrealized gains and losses reported in a separate component of equity. Cost of selling is determined by the moving average method.)
Available-for-sale without market value	Cost basis by moving average method

(2) Evaluation criteria and method of inventories

Merchandise, work in process and supplies

Inventories are stated at cost determined by the specific identification. (The balance sheet amounts are written down to reflect declines in profitability.)

2. Depreciation and amortization

(1) Property, plant and equipment (excluding lease assets)

Declining balance method

However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The useful lives of property, plant and equipment are follows:

Buildings	8 to 50 years
Structures	10 to 20 years
Tools, furniture and fixtures	4 to 15 years

(2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized using the straight-line method over its estimated useful life (5 years).

Software for sale is stated at the higher of amortization based on estimated sales revenue or straight-line depreciation based on the remaining useful life of the software (3 years).

(3) Leased asset

The straight-line method is used with the lease term as the useful life and the residual value as zero.

3. Accounting for reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on uncollectible receivables. The allowance for doubtful accounts is provided at an amount calculated based on the historical write-off ratio for general receivables and an estimate of the uncollectible amount for specific doubtful receivables.

(2) Provision for product warranties

Estimated losses are recorded to prepare for expenses associated with product warranties.

(3) Provision for bonuses

Allowance for employees' bonuses is provided at an estimated amount to be paid in the current fiscal year.

(4) Provision for directors' bonuses

Accrued bonuses to directors and corporate auditors are provided at an amount calculated based on the estimated amount to be paid in the current fiscal year.

(5) Liability for retirement benefits

Accrued retirement benefits for employees are provided based on the retirement benefit obligation at the end of the current fiscal year.

- | | |
|---|---|
| ① Method of attributing estimated retirement benefits to periods | In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the period up to the end of the current fiscal year. |
| ② Method of amortizing actuarial gains and losses and prior service costs | Prior service costs are amortized by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence.
Actuarial gains and losses are amortized on a straight-line basis over 10 years, which is shorter than the average remaining years of service of the eligible employees, starting from the year following the year in which they are incurred. |

(6) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and corporate auditors, the amount that would be required to be paid at the end of the fiscal year is recorded in accordance with the Company's internal rules.

4. Revenue Recognition

Standards for recording revenue and expenses related to custom-made software development

- | | |
|---|--|
| (1) Development of custom-made software for which the results of progress up to the end of the current fiscal year are recognized to be certain | Percentage-of-completion method
(cost-to-cost method for estimating percentage-of-completion) |
| (2) Other custom-made software development | Completed-contract method |

5. Scope of Cash and Cash Equivalents in the Statement of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, cash withdrawable on demand and short-term investments with original maturities of three months or less and which are readily convertible to known amounts of cash and present insignificant risk of changes in value.

6. Other Significant Items Forming the Basis for Preparation of Financial Statements

(1) Accounting for consumption tax

Consumption taxes are accounted for using the tax-excluded method.

(Equity in earnings of affiliates, etc.)	(Thousands of yen)	
	Previous term end (as of June 30,2020)	Current term end (as of June 30, 2021)
Investments in affiliates	24,680	24,680
Investments accounted for using the equity method	125,953	129,428
Equity in earnings of affiliates	8,880	5,565

(Business Segment)

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

(Earnings per share)

The amounts of net income per share with the respective bases of calculation are as follows.

Items	Previous term (from July 1, 2019 to June 30, 2020)	Current term (from July 1, 2020 to June 30, 2021)
Net assets per share (Yen)	265.55	287.85
Net income per share (Yen)	29.00	31.98

*1. The dilutive shares are not existed, so fully diluted EPS are not represented.

*2. Net income per share is based on follows:

Items	Previous term (from July 1, 2019 to June 30, 2020)	Current term (from July 1, 2020 to June 30, 2021)
Net income per share (Yen)		
Net income (Thousands of yen)	762,053	840,970
Non attributable to common shareholders	—	—
Net income attributes to common stocks (Thousands of yen)	762,053	840,970
Weighted-average number of common stocks outstanding for the period	26,273,290	26,294,407

(Significant subsequent events)

There is no applicable item.