

Summary of Non-consolidated Financial Results

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

February 2, 2022

1. Financial results for this term (July 1, 2021 to December 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	%
1 st half, June 2022	4,887	(6.9)	478	18.0	499	18.7	337	18.3
1 st half, June 2021	5,247	5.7	405	10.0	421	17.0	285	20.5

	EPS		Fully diluted EPS	
	Yen		Yen	
1 st half, June 2022	12.85		—	
1 st half, June 2021	10.86		—	

(2) Financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
1 st half, June 2022	10,450		7,354		70.4	
FY ended June 2021	11,140		7,567		67.9	

(Reference) Shareholders' equity: As of 1st half, June 2022 ¥7,354 million. As of June 2021 ¥7,567 million.

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen				
Year ended June 30, 2022	—	0.00	—	13.00	13.00
Year ending June 30, 2021	—	0.00			
Year ending June 30, 2022 (Forecast)			—	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		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	12,000	7.3	1,320	16.8	1,360	16.1	940	11.8	35.76

(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.: 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

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

As of December 31, 2022	26,340,000	As of June 30, 2021	26,340,000
As of December 31, 2022	52,851	As of June 30, 2021	50,051
As of December 31, 2022	26,288,149	As of December 31, 2021	26,296,117

(ii) Number of shares of treasury stock

(iii) Average number of shares

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

The company is going to hold financial results briefing for institutional investors and securities analysts on February 4, 2022. The materials of the presentation are being uploaded to the company's website soon after the event.

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1. Overview of Operating Results

(1) Report of Operating Results

The Japanese economy in the first half of the FY06/2022, from July to December 2021, was in a tough spot from the effects of the new coronavirus infection, but the trend is picking up.

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

The cashless payment ratio in Japan grew from 18.2% in 2018 to 29.7% in 2020*. The government aims to increase this ratio to around 40% by June 2025, and is currently pursuing policies to promote the introduction of cashless payments in mid-small merchants. Not only major financial institutions and credit card companies, but companies that provide financial and payment services to individuals and small and medium-sized businesses, as well as companies that provide system services to such companies, which so-called Fintech services are beginning to be popular. These changes in the business environment have become an opportunity for us.

*https://www.meti.go.jp/shingikai/mono_info_service/cashless_payment/pdf/2021_001_04_00.pdf

We aim 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 result of the 1.13 billion yen achieved in the fiscal year ended June 30, 2021.

In the cloud service business, which is the main driving force behind our mid-term business plan, orders have been growing on the active business negotiations with new customers. In the first quarter of the current fiscal year, we received 1 billion yen in new orders. During the second quarter of the current fiscal year, we received 1.87 billion yen in new orders, and the order backlog in the cloud service business increased significantly from 1.85 billion yen at the end of the previous fiscal year to 4.23 billion yen at the end of the current quarter. We are going to accumulate additional new orders in the second half of the current fiscal year. These orders will contribute to sales for the fiscal year ending June 30, 2023 (next fiscal year) and beyond, we plan to achieve sales of 2 billion yen in the fiscal year ending June 30, 2023 and 2.5 billion yen in the fiscal year ending June 30, 2024. For the current fiscal year (ending June 30, 2022), we are forecasting to post sales of 1.13 billion yen, and for the first time since the business launch, we will post a profit for the full year. The business has been in the black since the first half of the current fiscal year, and the business has begun to generate revenue in a medium-term.

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 new coronavirus infection, we have taken measures such as assessing the health status of employees and staff, implementing telework and staggered working hours, and limiting domestic and international business trips. The financial results for the first half of this fiscal year have not been affected by new corona virus infection.

For the first half of the current fiscal year, we recorded net sales of 4,887 million yen (down 6.9% year-on-year), operating income of 478 million yen (up 18.0% year-on-year), ordinary income of 499 million yen (up 18.7% year-on-year), and net income of 337 million yen (up 18.3% year-on-year).

Net sales were lower than the previous fiscal year's results. We recorded comparatively larger-sized sales of Hardware by the sale of a specific server in the previous fiscal year, but no similar-sized sales was booked in this quarter of the current fiscal year. Software development for new customers and sales of In-house products were increased and sales of other categories except for Hardware surpassed the previous year's results, but the extensive decline in Hardware sales reduced net sales totally for the first half of the current

fiscal year.

Operating income exceeded the results of the previous fiscal year. Operating income for the second quarter increased by 29.8% compared to the previous fiscal year (271 million yen for the previous fiscal year, 352 million yen for the current fiscal year), and the cumulative total for the first half increased by 18.0% (405 million yen for the previous fiscal year, 478 million yen for the current fiscal year). The cloud service business improved and turned profitable because of an increase in sales from the launch of services for new customers and a decrease in fixed costs and operation expenses. We posted a profit of 11 million yen for the first half, compared to a loss of 49 million yen in the previous fiscal year. The increase in sales of In-house products to new customers and the improved profitability of system development covered the decrease in profit due to the decline in Hardware sales, resulting in an increase in operating income for the first half of the current fiscal year.

Our cloud service has become one of the most favorable options not only for existing financial enterprises but also for companies starting up their own card and payment businesses. As mentioned above, orders received increased significantly throughout the first half of the current fiscal year, totaling 2,876 million yen. This was due to orders from companies starting payment business and customers in the financial industry such as major credit card companies. In the second half of the current fiscal year, new orders are expected from companies except for the financial industry and credit card companies, and the cloud service business has begun to generate revenue in earnest.

We engage the development of FEP (Front End Processing) system for our customers, credit card companies mainly, which includes 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 customers, 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 prevent 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	1 st half of FY12/2020	1 st half of FY12/2021
System Development	2,437	2,519
Maintenance	647	728
In-house products	209	268
Cloud service	470	493
Hardware	872	272
Third-party products	240	168
Security products	369	438
Total	5,247	4,887

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 way than before. Judging 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	1 st half of FY12/2021	Ratio (%)
Software Development	1,978	40.5
In-house products	285	5.8
System Service	16	0.3
Third-party products	157	3.2
Sum of "Flow" type sales	2,437	49.9
Maintenance	1,277	26.1
Maintenance for third-party products	307	6.3
Own Services	624	12.8
Other Services	238	4.9
Sum of "Stock" type sales	2,449	50.1
Total	4,887	100.0

As mentioned above, the order backlog as of the end of the second quarter was 7,963 million yen, significantly higher than the previous result of the 5,688 million yen as of December 31, 2020 by the growth in orders in the cloud service business. There are no unprofitable projects in the system development business, and profitability is stable, we expect our business in the second half to proceed smoothly. There is no change in the full-year forecast. In addition, the new coronavirus infection is not expected to have a significant impact on the full-year results.

On January 11, 2022, announced by the Tokyo Stock Exchange "Announcement of the Results of Market Segment Selection by Listed Companies", our shares will be listed on the Prime Market from April 4, 2022. On December 8, 2021, we selected to be listed in the Prime Market and disclosed our "Plan to meet the Continued Listing Criteria for the New Market Segments". As mentioned in the plan, 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 ourselves to listing requirements for Prime market by these actions.

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the first half of this fiscal year decreased by 689 million yen from the end of the previous fiscal year to 10,450 million yen. Current assets decreased by 779 million yen from the end of the previous fiscal year to 6,196 million yen. This was mainly due to the decrease of 217 million yen in notes and accounts receivable and the decrease of 696 million yen in cash and deposits.

Non-current assets increased 89 million yen from the end of the previous fiscal year to 4,254 million yen. This was mainly due to the decrease of 105 million yen in investment securities and increase of 282 in intangible assets.

(Liabilities)

The balance of liabilities at the end of the first half of this fiscal year decreased by 476 million yen from the end of the previous fiscal year to 3,096 million yen. This was mainly due to the decrease of 86 million yen in provision for bonuses and the decrease of 172 million yen in income tax payable.

(Net Assets)

Net assets at the end of the first half of this fiscal year decreased 213 million yen from the end of the previous fiscal year to 7,354 million yen. This was mainly due to the decrease of 139 million yen in retained earnings and decrease of 73 million yen in valuation difference on available-for-sale securities.

(Report of Cash Flows)

The balance of cash and deposits at the end of first half of the current fiscal year was ended in 3,610 million yen (3,741 million yen at the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities in the first half of the current fiscal year amounted to 297 million yen (net cash amounted in the previous fiscal year was 574 million yen). This was mainly attributable to the fact that income before taxes amounted to 499 million yen and depreciation amounted to 402 million yen, and notes and accounts receivable increased 142 million yen, and inventories increased 124 million yen by the production cost of system development works in progress.

(Cash flows from investing activities)

Net cash used in investing activities in the first half of the current fiscal year was 649 million yen (compared with 195 million yen used in the previous fiscal year). This was mainly due to 561 million yen used for the purchase of intangible fixed assets by the development works of the software for sales purposes and the internal use.

(Cash flows from financing activities)

Net cash used in financing activities in the first half of the current fiscal year was 345 million yen (278 million yen used in the previous fiscal year). This was mainly due to cash dividends paid of 340 million yen.

(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 December 31,2021)
Assets		
Current assets		
Cash and deposits	4,307,699	3,610,983
Notes and accounts receivable	1,698,475	—
Notes and accounts receivable, and contract assets	—	1,480,867
Inventories	371,178	349,424
Other	598,409	755,425
Total current assets	6,975,762	6,196,701
Non-current assets		
Property, plant and equipment	733,004	679,662
Intangible assets		
Software	1,124,857	938,025
Other	192,821	661,922
Total intangible assets	1,317,679	1,599,947
Investments and other assets		
Investment securities	1,369,810	1,264,117
Other	743,878	710,302
Total investments and other assets	2,113,688	1,974,420
Total non-current assets	4,164,372	4,254,030
Total assets	11,140,135	10,450,732
Liabilities		
Current liabilities		
Notes and accounts payable	430,770	413,495
Income taxes payable	243,271	70,786
Advances received	1,233,216	1,216,394
Provision for bonuses	348,470	262,337
Provision for bonuses for directors	43,362	17,979
Other	612,457	451,813
Total current liabilities	2,911,547	2,432,807
Non-current liabilities		
Provision for retirement benefits	544,834	551,646
Provision for retirement benefits for directors	22,550	20,352
Asset retirement obligations	87,487	87,521
Other	6,058	4,024
Total non-current liabilities	660,930	663,544
Total liabilities	3,572,478	3,096,352

	Thousands of yen	
	Previous term end (as of June 30,2021)	Current term end (as of December 31,2021)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	5,621,359	5,482,020
Treasury stock	(26,712)	(26,712)
Total shareholders' equity	<u>7,011,496</u>	<u>6,872,157</u>
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	556,160	482,222
Total valuation and translation adjustments	<u>556,160</u>	<u>482,222</u>
Total net assets	<u>7,567,656</u>	<u>7,354,379</u>
Total liabilities and net assets	<u>11,140,135</u>	<u>10,450,732</u>

(2) Income Statement

	Thousands of yen	
	Previous term (from July 1,2020 to December 31, 2020)	Current term (from July 1,2021 to December 31, 2021)
Net sales	5,247,940	4,887,281
Cost of sales	3,858,124	3,390,064
Gross income	1,389,816	1,497,217
Selling, general and administrative expenses	984,228	1,018,496
Operating income	405,587	478,720
Non-operating income		
Interest income	344	360
Dividend income	20,887	23,107
Other	3,805	3,302
Total non-operating income	25,036	26,770
Non-operating expenses		
Interest expenses	21	—
Commitment fee	2,758	2,939
Compensation expenses	5,000	—
Other	1,744	2,776
Total non-operating expenses	9,524	5,716
Ordinary income	421,100	499,774
Extraordinary income	—	—
Extraordinary losses	—	—
Profit before income taxes	421,100	499,774
Income taxes - current	92,125	50,207
Income taxes - deferred	43,345	111,641
Total income taxes	135,471	161,848
Net income	285,628	337,925

(3) Cash Flow Statement

	Thousands of yen	
	Previous term (from July 1,2020 to December 31, 2020)	Current term (from July 1,2021 to December 31, 2021)
Cash flows from operating activities		
Income before income taxes	421,100	499,774
Depreciation	357,515	402,295
Share-based payment expenses	38,787	22,605
Increase (decrease) in provision for bonuses	(29,794)	(86,133)
Increase (decrease) in provision for bonuses for directors	(25,508)	(25,382)
Increase (decrease) in provision for retirement benefits	27,918	6,811
Increase (decrease) in provision for retirement benefits for directors	(9,802)	(2,197)
Interest and dividend income	(21,231)	(23,467)
Interest expenses	21	—
Compensation expenses	5,000	—
Commitment fee	2,758	2,939
Decrease (increase) in notes and accounts receivable	(110,002)	(142,606)
Decrease (increase) in inventories	(108,700)	(124,367)
Increase (decrease) in notes and accounts payable	(11,150)	47,441
Other	60,782	(110,593)
Subtotal	597,692	467,120
Interest and dividends received	21,226	23,463
Interest expenses paid	(19)	—
Commitment fee paid	(2,443)	(2,565)
Income taxes paid	(41,726)	(190,497)
Net cash provided by (used in) operating activities	574,730	297,521
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,044)	(102,727)
Purchase of intangible assets	(164,866)	(561,807)
Purchase of investment securities	(1,218)	(1,173)
Other	(384)	15,866
Net cash provided by (used in) investing activities	(195,513)	(649,842)
Cash flows from financing activities		
Repayments of lease obligations	(16,704)	(4,893)
Cash dividends paid	(262,209)	(340,543)
Net cash provided by (used in) financing activities	(278,914)	(345,437)
Effect of exchange rate change on cash and cash equivalents	(994)	1,041
Net increase (decrease) in cash and cash equivalents	99,307	(696,715)
Cash and cash equivalents at beginning of period	3,641,864	4,307,699
Cash and cash equivalents at end of period	3,741,171	3,610,983

(4) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the first half of the current fiscal year (July 1, 2021 to December 31, 2021),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first half of the current fiscal year (July 1, 2021 to December 31, 2021),

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. 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 half of the current term increased to 270,644 thousand yen, the cost of sales rose to 111,097 thousand yen, and the gross profit, operating income, and net income before taxes and other adjustments increased to 159,566 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 half 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 st half of FY06/22 (cumulative) (from July 1, 2021 to December 31, 2021)
Net sales	
Software Development	1,978,839
In-house products	285,280
System Service	16,300
Third-party products	157,483
Maintenance	1,278,296
Maintenance of third-party products	307,416
Own services	624,718
Other services	238,947
Total	4,887,281
Timing of revenue recognition	
Goods and services transferred at a point in time	1,393,514
Goods and services transferred at a period of time	3,493,767
Total	4,887,281