

## Summary of Non-consolidated Financial Results

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

May 6, 2022

## 1. Financial results for this term (July 1, 2021 to March 31, 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	%
3 <sup>rd</sup> quarter, June 2022	7,834	(2.9)	943	39.1	964	38.5	658	40.0
3 <sup>rd</sup> quarter, June 2021	8,067	3.4	678	15.9	696	15.9	470	18.1

	EPS		Fully diluted EPS	
	Yen		Yen	
3 <sup>rd</sup> quarter, June 2022	25.06		—	
3 <sup>rd</sup> quarter, June 2021	17.90		—	

## (2) Financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
3 <sup>rd</sup> quarter, June 2022	11,303		7,692		68.0	
FY ended June 2021	11,140		7,567		67.9	

(Reference) Shareholders' equity: As of 3<sup>rd</sup> quarter, June 2022 7,692 million yen. As of June 2021 7,567 million yen.

## 2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen				
Year ended June 30, 2021	—	0.00	—	13.00	13.00
Year ending June 30, 2022	—	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 March 31, 2022	26,340,000	As of June 30, 2021	26,340,000
As of March 31, 2022	56,051	As of June 30, 2021	50,051
As of March 31, 2022	26,287,254	As of March 31, 2021	26,295,363

(ii) Number of shares of treasury stock

(iii) Average number of shares  
during the full year

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

※ Explanation on the proper use of financial forecasts

The forward-looking statements and other forward-looking statements contained in this material are based on currently available information and uncertainty. Actual results may differ from forecast figures due to changes in business conditions.

Please refer to "(3) Statement for the Future Forecast such as Business Forecast" on page 6 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 May 10, 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 trend of Japanese economy in the third quarter of the FY06/2022, from January to March 2022, was picking up even under the effects of the new coronavirus infection. Corporate earnings and business foresight overall have been considered to be continuing to improve. On the other hand, rising energy and raw material costs are foreseen to increase upward pressure on prices, and the domestic economy is increasing uncertainty due to the situation in Ukraine.

In the credit card industry, our primal business domain, major credit card companies have processed the larger amount of the shopping transaction than the previous year and are recovering steadily from the pandemic.

In addition, So-called Fintech services are being popular with not only major financial enterprises and credit card companies but also companies providing financial and payment services to individuals and small and medium-sized businesses and companies providing system services to such businesses. These social changes bring us a business opportunity.

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 1.13 billion yen achieved in the fiscal year ended June 30, 2021.

For the cumulative third quarter of the FY06/2022, from July 2021 to March 2022, we recorded net sales of 7,834 million yen (down 2.9% YoY), operating income of 943 million yen (up 39.1% YoY), ordinary income of 964 million yen (up 38.5% YoY), and net income of 658 million yen (up 40.0% YoY).

Net sales were slightly lower than the previous fiscal year, but we recorded significant growth rate of 39.1% for operating income, which outpaced the growth rate of 18.0% for the first half of the FY06/2022.

For the third quarter of the FY06/2022, from January to March 2022, we recorded net sales of 2,947 million yen, which surpassed that of 2,819 million yen of the previous year, but the net sales for the cumulative third quarter were below the previous year results. Hardware and Third-party products sales were lower, but System Development and Maintenance service were higher than the previous fiscal year.

Although, the sales of larger sized servers were comparatively lower than the previous year and Hardware sales decreased, we plan to exceed the hardware sales for the full-year of the previous year, because we are going to book the larger sized hardware sales in the fourth quarter of the current fiscal year.

System development sales for projects for both new and existing customers surpassed the previous year results. We have executed development jobs steadily and the quality control works have sophisticated our profitability. Cloud service business is going favorably with the growing sales by adding new customer.

Operating income has significantly grown over the previous year result. Operating income for the third quarter of the FY06/2022 increased by 70.3% year-over-year (273 million yen for the previous year, 464 million yen for the current year). This income growth was achieved by not only the improved profitability of the system development jobs, maintenance work and cloud service business, but also some of high profitable hardware sales. The growth rate of operating income for the cumulative third quarter was 39.1% (678 million yen for the previous year, 943 million yen for the current year).

Cloud service business is favorably growing the profitability by the increasing sales and efficiency. 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.

We have received orders of 1,000 million yen for the first quarter, 1,876 million yen for the second and 273 million yen for the third. Some larger sized orders are booked consecutively for the first half of the current year and the record has grown significantly. As a result, amount of orders for the business for the

cumulative third quarter was 3,150 million yen, and order backlog was 4,210 million yen.

These orders will turn to net sales from the beginning of the FY06/2023, and we expect net sales of 2,000 million yen for the FY06/2023 and 2,500 million yen for the FY06/2024.

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 third quarter of the FY06/2022 has not been affected by new corona virus infection.

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 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 customers, sales from the sale of servers (Hardware), in which the developed software is installed, and sales from maintenance work (Maintenance) are recorded.

In addition, we engage the business of selling our product, which prevents 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	FY03/2021	FY03/2022
System Development	3,710	3,859
Maintenance	992	1,111
In-house products	267	319
Cloud service	702	793
Hardware	1,339	829
Third-party products	431	237
Security products	622	683
Total	8,067	7,834

From this fiscal year, the categories (Chart 1) have been classified into subdivisions and redefined.

We have revised categories to show the classification of sales based on the so-called "stock" and "flow" type in more precise 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	3 <sup>rd</sup> quarter of FY06/22	Ratio (%)
Software Development	3,046	38.9
In-house products	338	4.3
System Service	30	0.4
Third-party products	656	8.4
Sum of "Flow" type sales	4,072	52.0
Maintenance	1,951	24.9
Maintenance of third-party products	457	5.8
Own Services	989	12.6
Other Services	363	4.6
Sum of "Stock" type sales	3,762	48.0
Total	7,834	100.0

## (2) Report of Financial Position

## (Assets)

The balance of assets at the end of the third quarter of this fiscal year increased by 163 million yen from the end of the previous fiscal year to 11,303 million yen. Current assets decreased by 115 million yen from the end of the previous fiscal year to 6,860 million yen. This was mainly due to the increase of 152 million yen in notes and accounts receivable and contract assets, increase of 200 million yen in securities, and the decrease of 704 million yen in cash and deposits.

Non-current assets increased by 279 million yen from the end of the previous fiscal year to 4,443 million yen. This was mainly due to the decrease of 281 million yen in investment securities and the increase of 566 million yen in intangible assets.

## (Liabilities)

The balance of liabilities at the end of the third quarter of this fiscal year increased by 39 million yen from the end of the previous fiscal year to 3,611 million yen. This was mainly due to the decrease of 145 million yen in income tax payable, the increase of 173 million yen in Notes and accounts payable, and the increase of 182 million yen in advance received.

## (Net Assets)

Net assets at the end of the third quarter of this fiscal year increased by 124 million yen from the end of the previous fiscal year to 7,692 million yen. This was mainly due to the increase of 181 million yen in retained earnings and the increase of 56 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 March 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	4,307,699	3,602,895
Notes and accounts receivable	1,698,475	—
Notes and accounts receivable, and contract assets	—	1,850,675
Securities	—	200,325
Inventories	371,178	343,178
Other	598,409	863,282
Total current assets	6,975,762	6,860,358
Non-current assets		
Property, plant and equipment	733,004	718,355
Intangible assets		
Software	1,124,857	1,069,879
Other	192,821	814,193
Total intangible assets	1,317,679	1,884,072
Investments and other assets		
Investment securities	1,369,810	1,088,486
Other	743,878	752,660
Total investments and other assets	2,113,688	1,841,146
Total non-current assets	4,164,372	4,443,575
Total assets	11,140,135	11,303,933
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	430,770	604,555
Income taxes payable	243,271	98,047
Advances received	1,233,216	1,415,402
Provision for bonuses	348,470	478,900
Provision for bonuses for directors	43,362	35,318
Other	612,457	314,964
Total current liabilities	2,911,547	2,947,188
Non-current liabilities		
Provision for retirement benefits	544,834	551,913
Provision for retirement benefits for directors	22,550	21,453
Asset retirement obligations	87,487	87,538
Other	6,058	3,722
Total non-current liabilities	660,930	664,628
Total liabilities	3,572,478	3,611,816

Thousands of yen

	Previous term end (as of June 30, 2021)	Current term end (as of March 31, 2022)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	5,621,359	5,802,752
Treasury shares	(26,712)	(26,712)
Total shareholders' equity	7,011,496	7,192,889
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	556,160	499,227
Total valuation and translation adjustments	556,160	499,227
Total net assets	7,567,656	7,692,116
Total liabilities and net assets	11,140,135	11,303,933



(2) Income Statement

Thousands of yen

	Previous term (from July 1, 2020 to March 31, 2021)	Current term (from July 1, 2021 to March 31, 2022)
Net sales	8,067,013	7,834,650
Cost of sales	5,911,349	5,321,896
Gross profit	2,155,664	2,512,753
Selling, general and administrative expenses	1,477,002	1,569,046
Operating income	678,661	943,707
Non-operating income		
Interest income	514	531
Dividend income	20,887	23,107
Other	5,097	4,491
Total non-operating income	26,499	28,130
Non-operating expenses		
Interest expenses	25	—
Commitment fee	3,991	4,484
Compensation expenses	3,613	—
Other	1,095	2,515
Total non-operating expenses	8,726	7,000
Ordinary income	696,434	964,837
Extraordinary income	—	—
Extraordinary losses		
Loss on retirement of non-current assets	4,713	—
Total extraordinary losses	4,713	—
Profit before income taxes	691,721	964,837
Income taxes - current	234,526	252,368
Income taxes - deferred	(13,437)	53,810
Total income taxes	221,089	306,179
Net income	470,631	658,658

(3) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the third quarter of the current fiscal year (July 1, 2021 to March 31, 2022),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the third quarter of the current fiscal year (July 1, 2021 to March 31, 2022),

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 third quarter of the current term increased by 310,682 thousand yen, the cost of sales raised by 131,697 thousand yen, and the gross profit, operating income, and net income before taxes and other adjustments increased by 178,984 thousand yen each. In addition, the balance of retained earnings at the beginning of the current term decreased by 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 third 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

	3 <sup>rd</sup> quarter of FY06/22 (cumulative) (from July 1, 2021 to March 31, 2022)
Net sales	
Software Development	3,046,325
In-house products	338,622
System Service	30,700
Third-party products	656,873
Maintenance	1,951,787
Maintenance of third-party products	457,329
Own services	989,626
Other services	363,384
Total	7,834,650
Timing of revenue recognition	
Goods and services transferred at a point in time	2,469,017
Goods and services transferred at a period of time	5,365,632
Total	7,834,650