

## Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2022 (Japanese GAAP)

August 3, 2022

## 1. Financial results for this term (July 1, 2021 to June 30, 2022)

(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 2022	11,493	2.7	1,519	34.4	1,556	32.9	1,055	25.5
Year ended, June 2021	11,187	2.4	1,130	9.1	1,171	9.0	840	10.4

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
	Yen	Yen	%	%	%
Year ended, June 2022	40.16	—	13.5	13.0	13.2
Year ended, June 2021	31.98	—	11.6	10.8	10.1

(Reference) Equity in earnings of affiliates: As of June 2022 ¥12 million, As of June 2021 ¥5 million

## (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended, June 2022	12,740	8,039	63.1	305.87
Year ended, June 2021	11,140	7,567	67.9	287.85

(Reference) Shareholders' equity: As of June 2022 ¥8,039 million As of June 2021 ¥7,567 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 2022	1,486	(1,516)	(350)	3,932
Year ended, June 2021	1,700	(742)	(292)	4,307

## 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, 2021	—	0.00	—	13.00	13.00	341	40.6	4.7
Year ended June 30, 2022	—	0.00	—	17.00	17.00	446	42.3	5.7
Year ending June 30, 2023 (Forecast)	—	0.00	—	20.00	20.00		41.1	

## 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
First Half	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

### Notes:

#### (1) 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

#### (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, 2022	56,851	As of June 30, 2021	50,051
(iii) Average number of shares during the full year		26,286,363		26,294,407

※ 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 include uncertainty. Actual results may differ from forecast figures due to changes in business conditions.

The company is going to hold financial results briefing for institutional investors and securities analysts on August 5, 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

In FY 6/2022, the Japanese economy was affected by COVID-19, but on a recovery trend, as corporate earnings and business conditions kept improving as a whole. On the other hand, the uncertainties over the Japanese economy are increasing, due to the prolongation of the situation in Ukraine, the suppression of economic activities in China, etc.

In the credit card industry, which is our major business domain, people who avoided using cash and did online shopping increased while COVID-19 lingered, cashless payment became common thanks to the cashless point return project, etc. implemented by the Ministry of Economy, Trade and Industry, and both the ratio of cashless payment to private consumption expenditure and cashless payment amount increased, showing the growth of the market. According to the calculation by the Ministry of Economy, Trade and Industry, the ratio of cashless payment in 2021 was 32.5%, exceeding 30% for the first time, and the cashless payment amount exceeded 90 trillion yen.

In such a business environment, our company aims to achieve the mid-term business goals titled "15 ALL": net sales of 15 billion yen and an operating income margin of 15% in the term ending June 2024. Based on the development business of systems in payment and finance, which is the forte of our company, our company will secure stable revenues and expand our business scale by growing the cloud service business, and endeavor to expand our business domain by developing new products targeted at enterprises outside the financial field, by utilizing knowledge and experience accumulated through the development business in the financial field.

In FY 6/2022, our company posted net sales of 11,493 million yen (up 2.7% year on year), an operating income of 1,519 million yen (up 34.4% year on year), an ordinary income of 1,556 million yen (up 32.9% year on year), and a net income of 1,055 million yen (up 25.5% year on year).

Net sales increased thanks to the growth of the cloud service business, the update of hardware of existing clients, etc. Operating income grew considerably, due to the efforts to improve the quality of development, maintenance, etc. of systems and productivity, the growth of sales of hardware, etc. as well as the cloud service business moving into the black this term.

The cloud service business progressed steadily with respect to the initial plan, earning net sales of 1,173 million yen (up 24.5% year on year). Regarding the receipt of orders, we received multiple orders for large-scale projects this term, so the order amount was 3,461 million yen (up 350.7% year on year) and the backlog of orders was 4,141 million yen (up 123.5% year on year). Our cloud service is one of promising options for not only existing credit card companies, but also business companies that will launch a card or payment business. Such order receipt is expected to contribute to net sales from FY 6/2023, and net sales are projected to be 2 billion yen in FY 6/2023 and 2.5 billion yen in FY 6/2024.

Our company develops Front End Processing (FEP) systems equipped with functions for accessing networks, authenticating the use of cards, etc. required for mainly completing the settlement of credit-card payment, for clients, mainly credit card companies.

For example, when developing a new FEP system, we record sales from the sale of NET+1 (In-house products), which constitutes the core part of the FEP system, sales from development work (System Development) in which engineers customize the package according to each client's functionality requirements, sales from sale of a server (Hardware) with developed software, and sales from maintenance of a system (Maintenance) composed of software and hardware.

In addition, as security products, we sell our products that prevent the leakage of internal information from corporate organizations and other companies' products for cyber security.

The variations in sales of each category are as follows.

(Reference) Sales by categories

(Million yen)

Category	FY06/2021	FY06/2022
System Development	5,272	5,357
Maintenance	1,357	1,502
In-house products	335	354
Cloud service	942	1,173
Hardware	1,638	1,755
Third-party products	509	350
Security products	1,131	998
Total	11,187	11,493

We redefined sales categories in order to indicate so-called "stock" and "flow" type in more detail, and have been using them from FY 6/2022. Considering contract types, actual situations of business operations, etc., we categorize transactions through which we can post a certain amount of sales constantly as "stock" and other transactions as "flow".

Representative "stock" type sales are the charges for use of systems and fees for system operation in the cloud service business or fees for maintenance of products of our company and other companies. The fees for cloud services are categorized as "Own services." Representative "flow" type sales are the fees for commissioned development and prices of products of our company and other companies. The results for FY 6/2022 are as follows.

(Reference) Categories by Stock and Flow (Million yen)

Category	FY06/2022	Ratio (%)
Software Development	4,288	37.3
In-house products	392	3.4
System Service	40	0.4
Third-party products	1,566	13.6
Sum of "Flow" type sales	6,288	54.7
Maintenance	2,639	23.0
Maintenance of third-party products	614	5.4
Own Services	1,434	12.5
Other Services	516	4.5
Sum of "Stock" type sales	5,204	45.3
Total	11,493	100.0

## (2) Report of Financial Position

### (Assets)

The balance of assets at the end of the FY06/2022 was 12,740 million yen, an increase of 1,600 million yen from the end of the previous fiscal year. Current assets amounted to 8,274 million yen, an increase of 1,298 million yen from the end of the previous fiscal year. This was mainly due to the increase in notes and accounts receivable-trade, and contract assets of 1,024 million yen. Non-current assets totaled 4,466 million yen, an increase of 302 million yen from the end of the previous fiscal year. This was mainly due to increases of 515 million yen in software and of 216 million yen in software in progress, despite a decrease of 453 million yen in investment securities.

### (Liabilities)

The balance of liabilities at the end of the FY06/2022 was 4,701 million yen, an increase of 1,129 million yen from the end of the previous fiscal year. This was mainly due to increases in advances received of 651 million yen and of accounts payable-trade of 510 million yen.

### (Net Assets)

The balance of net assets at the end of the FY06/2022 was 8,039 million yen, an increase of 471 million yen

from the end of the previous fiscal year. This was mainly due to an increase of 578 million yen in retained earnings.

### (3) Report of Cash Flows

The balance of cash and deposits at the end of the FY06/2022 was 3,932 million yen, a decrease of 375 million yen from the end of the previous fiscal year.

#### (Cash flows from operating activities)

Net cash provided by operating activities in the FY06/2022 amounted to 1,486 million yen, decreasing from the previous fiscal year by 12.6%. This was mainly due to the fact that Income before income taxes in current fiscal year amounted to 1,556 million yen and depreciation costs amounted to 829 million yen as the result of our strong business operation overall, and increase in notes and accounts receivable amounted to 716 million yen and income taxes paid amounted to 384 million yen.

#### (Cash flows from investing activities)

Net cash used in investing activities in the FY06/2022 was 1,516 million yen (compared with 742 million yen expended in the previous fiscal year). This was mainly due to the purchase of intangible assets of 1,289 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 350 million yen (292 million yen expended in the previous fiscal year). This was mainly due to cash dividends paid of 341 million yen.

Trends in cash flow indicators are as follows.

	FY06/2021	FY06/2022
Shareholders' equity ratio (%)	67.9	63.1
Equity ratio based on market value (%)	145.6	161.9
Debt amortization schedule (number of years)	0.0	0.0
Interest coverage ratio (times)	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

Our company formulated the three-year mid-term business plan starting from the fiscal year ending June 30, 2022 and took various measures. Considering the progress toward our target values, etc., we have revised the numerical goals for the three-year period beginning in the fiscal year ending June 30, 2023 as a rolling plan, at the time of announcement of the results for the fiscal year ending June 30, 2022. In this mid-term business plan, we will reinforce and expand our business foundation by reforming our business structure and expanding our business domain. We will also establish the foundations for human resources and co-creation for our sustainable growth.

#### a. Reinforcement and expansion of our business foundation

We will work to reform our business structure and expand our business domain, while making the necessary investments to maintain and improve the high quality and performance that support critical social infrastructure, with the aim of achieving sustainable growth.

- ① To expand “Stock” type\*1 business based on cloud services
- ② To develop an infrastructure environment and an operational system in anticipation of further increase in the number of users of cloud services
- ③ To introduce cloud support for FEP systems\*2 and support for customers’ IT strategies, in the payment and finance business
- ④ To develop new products and expand our domain by utilizing the technologies and experiences accumulated in the payment and finance business
- ⑤ To shift business models from product sale to provision of security services in the security business
- ⑥ To develop our system operation structure and further improve the quality of operation

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

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

#### b. Establishment of a foundation for human resources

By hiring and utilizing a diverse range of human resources and promoting human resource development measures, we will cultivate human resources with advanced skills and expertise as well as flexible ideas. In addition, by reforming the personnel system aiming to realize comfortable workstyles and worthwhile jobs, we will establish the foundation for human resources who will support our sustainable growth.

#### c. Establishment of a foundation for co-creation

We will promote corporate reform centered on co-creation. Within the company, we will eliminate vertical segmentation within the organization, promote organic organizational collaboration by stimulating dialogue, and engage in co-creation among employees. In addition, we will make a full-fledged effort to address ESG issues.

Forecast for FY 6/2023 are net sales of 13.5 billion yen (up 17.5% year on year), an operating income of 1.8 billion yen (up 18.4% year on year), and an operating income margin of 13.3%. In particular, the sales of the cloud service business are expected to grow considerably due to the increase of orders in FY 6/2022. We will expand our cloud service business organizing the infrastructure and operation in anticipation of further increase in the number of users.

In addition, reformation of structures of business and costs was promoted in FY 6/2022. We will continue this endeavors in FY 6/2023, and aim to increase operating profit by approximately 20% investing management resources actively for strengthening quality of our services and addressing ESG issues.

(Reference) Mid-term business plan

(Revised Plan)

(Million yen)

	FY06/2022 (Actual)	FY06/2023 (Forecast)	FY06/2024 (Plan)	FY06/2025 (Plan)
Net sales	11,493	13,500	15,000	16,500
Operating income [OM]	1,519 [13.2%]	1,800 [13.3%]	2,250 [15.0%]	2,500 [15.2%]

(Previous 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%]

(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.

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 precisely predict 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	
	The previous fiscal year (as of June 30,2021)	Current fiscal year (as of June 30,2022)
<b>Assets</b>		
Current assets		
Cash and deposits	4,307,699	3,932,647
Notes and accounts receivable-trade	1,698,475	—
Notes and accounts receivable-trade, and contract assets	—	2,723,400
Securities	—	300,381
Merchandise and finished goods	9,871	46,759
Work in process	355,789	257,338
Raw materials and supplies	5,517	9,261
Advance payments - trade	368,425	590,215
Prepaid expenses	227,033	412,767
Other	2,950	1,452
Total current assets	6,975,762	8,274,224
Non-current assets		
Property, plant and equipment		
Buildings	425,259	444,866
Accumulated depreciation	(211,347)	(227,319)
Buildings, net	213,912	217,547
Structures	16,479	16,479
Accumulated depreciation	(15,653)	(15,743)
Structures, net	825	735
Tools, furniture, and fixtures	866,604	985,548
Accumulated depreciation	(447,306)	(587,363)
Tools, furniture and fixtures, net	419,297	398,185
Leased assets	159,724	159,724
Accumulated depreciation	(145,150)	(154,192)
Leased assets, net	14,573	5,531
Land	84,394	84,394
Total property, plant and equipment	733,004	706,395
Intangible assets		
Software	1,124,857	1,640,255
Software in progress	189,015	405,777
Telephone subscription right	3,806	3,806
Total intangible assets	1,317,679	2,049,839
Investments and other assets		
Investment securities	1,369,810	916,484
Shares of subsidiaries and associates	24,680	24,680
Long-term loans receivable from employees	1,135	-
Long-term prepaid expenses	72,837	70,798
Deferred tax assets	255,097	329,784
Other	390,127	368,562
Total investments and other assets	2,113,688	1,710,309
Total non-current assets	4,164,372	4,466,543
Total assets	11,140,135	12,740,768

	Thousands of yen	
	The previous fiscal year (as of June 30,2021)	Current fiscal year (as of June 30,2022)
Liabilities		
Current liabilities		
Accounts payable-trade	430,770	940,780
Lease obligations	9,787	2,637
Accounts payable - other	175,407	180,733
Accrued expenses	170,814	163,579
Income taxes payable	243,271	331,611
Advances received	1,233,216	1,885,029
Deposits received	117,019	134,786
Provision for bonuses	348,470	289,341
Provision directors' bonuses	43,362	45,885
Other	139,427	61,397
Total current liabilities	<u>2,911,547</u>	<u>4,035,783</u>
Non-current liabilities		
Lease obligations	6,058	3,421
Provision for retirement benefits	544,834	552,279
Provision for directors' retirement benefits	22,550	22,565
Asset retirement obligations	87,487	87,554
Total non-current liabilities	<u>660,930</u>	<u>665,820</u>
Total liabilities	<u>3,572,478</u>	<u>4,701,603</u>
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus		
Legal capital surplus	559,622	559,622
Other capital surplus	13,477	13,477
Total capital surplus	<u>573,099</u>	<u>573,099</u>
Retained earnings		
Legal retained earnings	18,000	18,000
Other retained earnings		
General reserve	2,600,000	2,600,000
Retained earnings brought forward	3,003,359	3,581,843
Total retained earnings	<u>5,621,359</u>	<u>6,199,843</u>
Treasury shares	<u>△26,712</u>	<u>△26,712</u>
Total shareholders' equity	<u>7,011,496</u>	<u>7,589,980</u>
Valuation and translation adjustments		
Valuation difference		
on available-for-sale securities	556,160	449,184
Total valuation and translation adjustments	<u>556,160</u>	<u>449,184</u>
Total net assets	<u>7,567,656</u>	<u>8,039,164</u>
Total liabilities and net assets	<u>11,140,135</u>	<u>12,740,768</u>

## (2) Income Statement

	Thousands of yen	
	Previous fiscal year (from July 1,2020 to June 30,2021	Current fiscal year (from July 1,2021 to June 30,2022
Net sales		
Net sales of finished goods	8,377,550	8,795,728
Net sales of goods	2,810,129	2,697,751
Total net sales	11,187,679	11,493,480
Cost of sales		
Cost of products manufactured	6,187,694	6,127,682
Cost of finished goods sold	6,187,694	6,127,682
Beginning goods	26,675	9,871
Cost of purchased goods	1,826,554	1,703,697
Total	1,853,230	1,713,568
Ending goods	9,871	46,759
Cost of goods sold	1,843,359	1,666,809
Total cost of sales	8,031,053	7,794,491
Gross profit	3,156,625	3,698,988
Selling, general and administrative expenses	2,026,122	2,179,069
Operating income	1,130,503	1,519,919
Non-operating income		
Interest income	31	42
Interest on securities	661	661
Dividend income	45,219	47,302
Other	5,437	4,902
Total non-operating income	51,349	52,908
Non-operating expenses		
Interest expenses	26	—
Commitment fees	4,689	5,418
Foreign exchange losses	1,610	4,862
Compensation expenses	3,613	3,814
Other	678	2,639
Total non-operating expenses	10,618	16,735
Ordinary income	1,171,233	1,556,092
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	1,166,520	1,556,092
Income taxes - current	334,611	468,017
Income taxes - deferred	(9,062)	32,325
Total income taxes	325,549	500,343
Net income	840,970	1,055,749

(3) Statement of Changes in Net Assets

Previous 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	
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
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

Current term (from July 1, 2021 to June 30, 2022)

(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	3,003,359	5,621,359	(26,712)
Cumulative impact of accounting changes							(135,495)	(135,495)	
Balance at the beginning of current period reflecting accounting changes	843,750	559,622	13,477	573,099	18,000	2,600,000	2,867,864	5,485,864	(26,712)
Changes of items during period									
Dividends of surplus							(341,769)	(341,769)	
Net income							1,055,749	1,055,749	
Net changes of items other than shareholders' equity					-				
Total changes of items during period	-	-	-	-	-	-	713,979	713,979	-
Balance at end of current period	843,750	559,622	13,477	573,099	18,000	2,600,000	3,581,843	6,199,843	(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	7,011,496	556,160	556,160	7,567,656
Cumulative impact of accounting changes	(135,495)			(135,495)
Balance at the beginning of current period reflecting accounting changes	6,876,000	556,160	556,160	7,432,161
Changes of items during period				
Dividends of surplus	(341,769)			(341,769)
Net income	1,055,749			1,055,749
Net changes of items other than shareholders' equity		(106,976)	(106,976)	(106,976)
Total changes of items during period	713,979	(106,976)	(106,976)	607,003
Balance at end of period	7,589,980	449,184	449,184	8,039,164

#### (4) Cash Flow Statement

	Thousands of yen	
	Previous fiscal year (from July 1,2020 to June 30,2021	Current fiscal year (from July 1,2021 to June 30,2022
Cash flows from operating activities		
Income before income taxes	1,166,520	1,556,092
Depreciation	751,229	829,292
Share-based payment expenses	62,701	43,635
Increase (decrease) in provision for bonuses	53,288	(59,129)
Increase (decrease) in provision directors' bonuses–	679	2,523
Increase (decrease) in provision for retirement benefits	54,403	7,444
Increase (decrease) in provision for directors' retirement benefits	(7,502)	15
Interest and dividend income	(45,911)	(48,006)
Interest expenses	26	—
Compensation expenses	3,613	3,814
Commitment fee	4,689	5,418
Loss on retirement of non-current assets	4,713	—
Decrease (increase) in notes and accounts receivable-trade	(126,829)	(716,504)
Decrease (increase) in inventories	42,304	(88,302)
Increase (decrease) in notes and accounts payable-trade	(182,910)	518,469
Other	67,820	(226,390)
Subtotal	<u>1,848,836</u>	<u>1,828,373</u>
Interest and dividends received	45,911	48,006
Interest expenses paid	(26)	—
Commitment fee paid	(4,686)	(5,415)
Compensation expenses paid	(3,613)	—
Income taxes paid	<u>(186,151)</u>	<u>(384,733)</u>
Net cash provided by (used in) operating activities	<u>1,700,270</u>	<u>1,486,230</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(269,322)	(248,716)
Purchase of intangible assets	(469,647)	(1,289,557)
Purchase of investment securities	(2,269)	(1,833)
Loan advances	(2,909)	—
Collection of loans receivable	709	2,120
Proceeds from Cancellation of insurance funds	—	21,325
Other	461	173
Net cash provided by (used in) investing activities	<u>(742,978)</u>	<u>(1,516,487)</u>
Cash flows from financing activities		
Cash dividends paid	(262,641)	(341,131)
Repayments of lease obligations	<u>(29,481)</u>	<u>(9,787)</u>
Net cash provided by (used in) financing activities	<u>(292,123)</u>	<u>(350,918)</u>
Effect of exchange rate change on cash and cash equivalents	666	6,122
Net increase (decrease) in cash and cash equivalents	<u>665,835</u>	<u>(375,052)</u>
Cash and cash equivalents at beginning of period	<u>3,641,864</u>	<u>4,307,699</u>
Cash and cash equivalents at end of period	<u>4,307,699</u>	<u>3,932,647</u>

## (5) 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.<br>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. Accounting standard for revenues and expenses

Revenues originating from contracts with clients

We recognize the revenues by applying the following five steps.

Step 1: Identify the contracts with clients

Step 2: Identify performance obligation stemming from the contracts

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to respective performance obligations stemming from the contracts

Step 5: Recognize the revenues once the performance obligations have been fulfilled (or during the process of fulfilling the obligations)

We develop software and sell products and goods, offer maintenance and other services, and we recognize respective revenues as follows.

Revenues are measured based on the compensation stated in the contract with each client and exclude any sums collected for a third party. We recognize the revenues once the goods or services have been transferred the client.

Compensation for the performance obligation is mainly received within one year after fulfilling the performance obligation and does not contain any important financial elements.

① Software development

Transactions where software development is the source of revenues include system development based on an entrustment contract or a quasi-mandate contract.

Regarding transactions based on an entrustment contract, the system, etc. under development may not be set aside for another client or a different purpose and they include enforceable rights for receiving payment for the work once it has been finished. This is why we consider the performance obligation to be gradually fulfilled as the system development or the like progresses, and recognize the revenues based on the cost-to-cost method (sum corresponding to the ratio of actually incurred cumulative costs to the total estimated cost as of the last day of the term). Revenues recognized before the day of billing clients are recognized as contract assets. However, in case a construction period is very short and the sum is not significant, said revenue is recognized at the point of receipt and inspection by the client.



With regard to transactions based on a quasi-mandate contract, as a certain level of service is generally provided during the contract period, we consider the performance obligation to be fulfilled with time and recognize the revenue based on a proportional division of the sum promised in the contract with each client during the period of providing the service.

## ② Products and goods

Transactions where the sale of products and goods is the source of revenues are the sale of hardware, software, etc.

We consider the performance obligation to be fulfilled by fulfilling delivery requirements specified in a contract, such as handing over the products and goods such as hardware and software to a client and accepting the receipt and inspection, and we recognize the revenue as the sum promised in the contract with the client at this point.

Among the sale of software, in regard to the sale of security tools produced by our company, there is no significant difference in the time of shipping and handing over the product to a client. Therefore, as the client has acquired control over said product at the point of shipment, we consider the performance obligation to be fulfilled and recognize the revenues at the point of shipment.

Among the sale of goods, in cases where our company is considered to be an agent, the net price following the deduction of the sum paid to another party from the sum received for exchanging the goods provided by said other party is deemed to be revenues, and we recognize the revenue once the arrangements to deliver the goods to the client have been completed.

## ③ Services

Transactions where the provision of services is the source of revenues include maintenance, subscriptions and cloud services.

These transactions are everyday or repetitive services and we consider the performance obligation to be fulfilled with time during which the service is provided to a client based on a contract, and recognize the revenue based on a proportional division of the sum promised in the contract with the client during the period of providing the service. However, in case the sum is not significant, we recognize the revenue as a one-time revenue in the starting month of the maintenance or other service.

## 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 which are readily convertible to known amounts of cash and present insignificant risk of changes in value.

(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 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 beginning of the

current fiscal year is reflected in the retained earnings as of the beginning of the current fiscal year, 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 current fiscal year.

As a result, the sales in the current term increased by 167,850 thousand yen, the cost of sales raised by 45,345 thousand yen, and the gross profit, operating income, and net income before taxes and other adjustments increased by 122,505 thousand yen each. In addition, the balance of retained earnings brought forward 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 previous fiscal year.

(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.

(Equity in earnings of affiliates, etc.)	(Thousands of yen)	
	Previous term end (as of June 30, 2021)	Current term end (as of June 30, 2022)
Investments in affiliates	24,680	24,680
Investments accounted for using the equity method	129,428	140,638
Equity in earnings of affiliates	5,565	12,343

(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
	FY06/22 (from July 1, 2021 to March 31, 2022)
Net sales	
Software Development	4,288,425
In-house products	392,620
System Service	40,750
Third-party products	1,566,771
Maintenance	2,639,944
Maintenance of third-party products	614,344
Own services	1,434,528
Other services	516,095
Total	11,493,480
Timing of revenue recognition	
Goods and services transferred at a point in time	4,140,651

Goods and services transferred at a period of time	7,352,829
Total	11,493,480

(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, 2020 to June 30, 2021)	Current term (from July 1, 2021 to June 30, 2022)
Net assets per share (Yen)	287.85	305.87
Net income per share (Yen)	31.98	40.16

\*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, 2020 to June 30, 2021)	Current term (from July 1, 2021 to June 30, 2022)
Net income per share (Yen)		
Net income (Thousands of yen)	840,970	1,055,749
Non attributable to common shareholders	—	—
Net income attributes to common stocks (Thousands of yen)	840,970	1,055,749
Weighted-average number of common stocks outstanding for the period	26,294,407	26,286,363

(Significant subsequent events)

There is no applicable item.