

Summary of Non-consolidated Financial Results

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

May 10, 2023

1. Financial results for this term (July 1, 2022 to March 31, 2023)

(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 rd quarter, June 2023	9,896	26.3	1,136	20.4	1,157	19.9	780	18.5
3 rd quarter, June 2022	7,834	(2.9)	943	39.1	964	38.5	658	40.0

	EPS		Fully diluted EPS	
	Yen		Yen	
3 rd quarter, June 2023	29.71		—	
3 rd quarter, June 2022	25.06		—	

(2) Financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
3 rd quarter, June 2023	12,815		8,405		65.6	
FY ended June 2022	12,740		8,039		63.1	

(Reference) Shareholders' equity: As of 3rd quarter, June 2023 ¥8,405 million. As of June 2022 ¥8,039 million.

2. Dividends

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

(Note) Revision of forecasts on the dividends: No

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

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	13,500	17.5	1,800	18.4	1,840	18.2	1,280	21.2	48.70

(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.: No

(ii) Changes in accounting policies other than (i) above: No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(3) Number of shares issued

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

As of March 31, 2023	26,340,000	As of June 30, 2022	26,340,000
As of March 31, 2023	60,051	As of June 30, 2022	56,851
As of March 31, 2023	26,280,832	As of March 31, 2022	26,287,254

(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 5 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 12, 2023. The materials of the presentation are being uploaded to the company's website soon after the event.

Contents

1. Overview of Operating Results	4
(1) Report of Operating Results	4
(2) Report of Financial Position	5
(3) Statement for the Future Forecast such as Business Forecast	5
2. Financial Statements	6
(1) Balance Sheet	6
(2) Income Statement	8
(3) Notes	9
(Notes on the Going Concern Assumption)	9
(Significant Changes in the Amount of Shareholders' Equity)	9
(Adaption of unique accounting method for quarterly financial statements)	9
(Additional information)	9
(Business Segment)	9
(Revenue recognition)	9

1. Overview of Operating Results

(1) Report of Operating Results

In the third quarter of the FY06/2023, the Japanese economy as a whole picked up moderately, showing some weakness, such as slow improvement in corporate earnings.

In the credit card industry, our main area of business, the volume of transactions of credit card companies has continuously increased from the previous year due to the recovery of consumer spending.

In this business environment, our company is promoting the medium-term business plan for the three-year period that will end in the fiscal year ending June 30, 2025. We are strengthening and expanding our business foundation by reforming our business structure and expanding our business domains. At the same time, we are working to establish the foundation for human resources and co-creation for our own sustainable growth. To strengthen our business foundation, we are expanding our stock-type* business by growing the cloud service, expanding our payment business domains by utilizing payment data and supporting customers' IT strategies. We are also expanding our business domains beyond the payment and financial industry, based on our technologies and experience in the payment and finance businesses, which are our strengths.

For the third quarter of the FY06/2023, net sales amounted to 9,896 million yen (up 26.3% year on year). This was mainly due to hardware sales resulting from the renewal of FEP systems* by existing customers and an increase in the number of users of the cloud service, and a large-scale project of system development for credit card company. Operating income was 1,136 million yen (up 20.4% year on year), mainly due to an increase in sales of hardware and system development. As a result, ordinary income was 1,157 million yen (up 19.9% year on year) and quarterly net income was 780 million yen (up 18.5% year on year).

For the cloud service, net sales were 1,351 million yen (up 70.4% year on year), and gross profit was 69 million yen (down 27.4% year on year). Although net sales grew substantially, profits declined from the same period of the previous fiscal year due to an increase in expenses for strengthening our operation systems by expanding the number of users in some service. Currently, we are reforming the operation systems drastically to improve profitability at an early stage.

In the payment business domain, we are primarily developing front end processing (FEP) systems and fraud detection system for credit card companies. The core of the system consists of our original products such as "NET+1" and "ACEPlus". For example, in the development of FEP systems, sales of in-house products and sales of system development that customized to meet the functional requirements of customers and hardware sales that are equipped with developed software are recorded, respectively. In the security business domain, we are developing and selling in-house products to prevent the leakage of internal information in corporate organizations, as well as third-party products for cyber security measures.

*1 stock-type: projects and contracts that can generate a certain amount of sales on a regular basis

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

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the third quarter of this fiscal year increased by 74 million yen from the end of the previous fiscal year to 12,815 million yen. Current assets decreased by 1,014 million yen from the end of the previous fiscal year to 7,259 million yen. This was mainly due to the decrease of 240 million yen in cash and deposits and of 807 million yen in notes and accounts receivable - trade, and contract assets.

Non-current assets increased by 1,089 million yen from the end of the previous fiscal year to 5,556 million yen. This was mainly due to the increase of 250 million yen in property, plant and equipment, 460 million yen in intangible assets, and 249 million yen in investment securities.

(Liabilities)

The balance of liabilities at the end of the third quarter of this fiscal year decreased by 291 million yen from the end of the previous fiscal year to 4,410 million yen. This was mainly due to the increase of 214 million yen in provision for bonus and the decrease of 523 million yen in notes and accounts payable.

(Net Assets)

The balance of net assets at the end of the third quarter of this fiscal year increased 366 million yen from the end of the previous fiscal year to 8,405 million yen. This was mainly due to the increase of 333 million yen in retained earnings.

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

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

2. Financial Statements

(1) Balance Sheet

	Thousands of yen	
	Previous term end (as of June 30,2022)	Current term end (as of March 31,2023)
Assets		
Current assets		
Cash and deposits	3,932,647	3,692,099
Notes and accounts receivable - trade, and contract assets	2,723,400	1,916,083
Securities	300,381	100,029
Inventories	313,359	410,237
Other	1,004,436	1,141,072
Total current assets	<u>8,274,224</u>	<u>7,259,523</u>
Non-current assets		
Property, plant and equipment	706,395	957,238
Intangible assets		
Software	1,640,255	1,912,907
Other	409,584	597,633
Total intangible assets	<u>2,049,839</u>	<u>2,510,540</u>
Investments and other assets		
Investment securities	916,484	1,165,543
Other	793,824	922,889
Total investments and other assets	<u>1,710,309</u>	<u>2,088,433</u>
Total non-current assets	<u>4,466,543</u>	<u>5,556,211</u>
Total assets	<u>12,740,768</u>	<u>12,815,735</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	940,780	417,060
Income taxes payable	331,611	274,105
Advances received	1,885,029	1,976,592
Provision for bonuses	289,341	503,699
Provision for bonuses for directors	45,885	38,777
Other	543,134	498,964
Total current liabilities	<u>4,035,783</u>	<u>3,709,200</u>
Non-current liabilities		
Provision for retirement benefits	552,279	589,446
Provision for retirement benefits for directors	22,565	12,022
Asset retirement obligations	87,554	97,015
Other	3,421	2,515
Total non-current liabilities	<u>665,820</u>	<u>701,000</u>
Total liabilities	<u>4,701,603</u>	<u>4,410,200</u>

	Thousands of yen	
	Previous term end (as of June 30,2022)	Current term end (as of March 31,2023)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	6,199,843	6,533,782
Treasury shares	(26,712)	(26,712)
Total shareholders' equity	7,589,980	7,923,919
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	449,184	481,615
Total valuation and translation adjustments	449,184	481,615
Total net assets	8,039,164	8,405,534
Total liabilities and net assets	12,740,768	12,815,735

(2) Income Statement

Thousands of yen

	Previous term (from July 1,2021 to March 31,2022)	Current term (from July 1,2022 to March 31,2023)
Net sales	7,834,650	9,896,709
Cost of sales	5,321,896	6,775,946
Gross profit	2,512,753	3,120,762
Selling, general and administrative expenses	1,569,046	1,984,584
Operating income	943,707	1,136,178
Non-operating income		
Interest income	531	797
Dividend income	23,107	24,344
Other	4,491	7,088
Total non-operating income	28,130	32,230
Non-operating expenses		
Commitment fees	4,484	4,310
Foreign exchange losses	657	4,514
Other	1,857	2,298
Total non-operating expenses	7,000	11,123
Ordinary income	964,837	1,157,285
Income before income taxes	964,837	1,157,285
Income taxes - current	252,368	486,803
Income taxes - deferred	53,810	(110,270)
Total income taxes	306,179	376,533
Net income	658,658	780,752

(3) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

Not applicable.

(Additional information)

There has been no significant change in the assumptions, including the future spread of the new coronavirus infection and the timing of its containment, described in the section (Additional information) of the Annual Securities Report for the previous fiscal year.

(Business Segment)

The Business Segment information is omitted because the reportable segment is the single one.

(Revenue recognition)

Categorized information on revenue from contracts with customers

(Thousands of yen)

	3 rd quarter of FY06/22 (cumulative) (from July 1, 2021 to March 31, 2022)	3 rd quarter of FY06/23 (cumulative) (from July 1, 2022 to March 31, 2023)
Net sales		
Software Development	3,046,325	3,507,845
In-house products	338,622	153,501
System Service	30,700	20,027
Third-party products	656,873	1,454,187
Maintenance	1,951,787	2,304,858
Maintenance of third-party products	457,329	541,512
Own services	989,626	1,526,391
Other services	363,384	388,384
Total	7,834,650	9,896,709
Timing of revenue recognition		
Goods and services transferred at a point in time	2,469,017	3,213,311
Goods and services transferred over a period of time	5,365,632	6,683,397
Total	7,834,650	9,896,709