

Summary of Non-consolidated Financial Results

for the first quarter of Fiscal Year Ending June 2024 (Japanese GAAP)

November 1, 2023

1. Financial results for this term (July 1, 2023 to September 30, 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	%
1 st quarter, June 2024	3,158	(13.4)	263	(45.5)	259	(45.9)	175	(46.0)
1 st quarter, June 2023	3,646	61.9	483	281.6	480	284.7	324	292.0

	EPS		Fully diluted EPS	
	Yen		Yen	
1 st quarter, June 2024	6.68		—	
1 st quarter, June 2023	12.36		—	

(2) Financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
1 st quarter, June 2024	13,602		8,485		62.4	
FY ended June 2023	13,683		8,799		64.3	

(Reference) Shareholders' equity: As of 1st quarter, June 2024 ¥8,485 million. As of June 2023 ¥8,799 million.

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen				
Year ended June 30, 2023	—	0.00	—	20.00	20.00
Year ending June 30, 2024	—				
Year ending June 30, 2024 (Forecast)		15.00	—	25.00	40.00

(Note) Revision of forecasts on the dividends: No

3. Forecast of financial results for the fiscal year ending June 30, 2024 (July 1, 2023 to June 30, 2024)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	7,000	3.1	850	5.8	870	5.6	600	7.5	22.83
Full year	15,000	12.2	2,250	44.5	2,290	42.8	1,590	36.5	60.50

(Note) Revision of forecasts 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 as of the period-end (including treasury stock)

As of September 30, 2023	26,340,000	As of June 30, 2023	26,340,000
As of September 30, 2023	60,086	As of June 30, 2023	60,051
As of September 30, 2023	26,279,931	As of September 30, 2022	26,282,466

(ii) Number of shares of treasury stock as of the period-end

(iii) Average number of shares during the period

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

Note: Explanation on the proper use of financial forecasts

Forward-looking statements contained in these materials are based on currently available information and include uncertainties. Actual results may differ from forecast figures due to changes in business conditions. Please refer to " 1. Overview of Operating Results (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 intends to hold a financial results briefing for institutional investors and securities analysts on November 6, 2023. The materials for this presentation will be 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	7
(4) Notes	8
(Notes on the Going Concern Assumption)	8
(Significant Changes in the Amount of Shareholders' Equity)	8
(Adaption of unique accounting method for quarterly financial statements)	8
(Business Segment)	8
(Revenue recognition)	8

1. Overview of Operating Results

(1) Report of Operating Results

In the first quarter of FY06/2024, the domestic economy recovered moderately. In the credit card industry, our main area of business, the volume of transactions of credit card companies also rose year on year due to a recovery in consumer spending.

According to calculations by the Ministry of Economy, Trade and Industry (METI), the cashless payment ratio in 2022 was 36.0%, and the cashless payment value was ¥111 trillion, exceeding ¥100 trillion for the first time. METI has set a goal of raising the cashless payment ratio to around 40% by 2025.

In the credit card industry, demand for fraud detection is growing rapidly, and the move to cloud services is accelerating for system modernization and cost-effectiveness. There is also a growing appetite for IT investment in security across all industries.

In this business environment, our company is promoting a medium-term business plan for the three-year period concluding in the fiscal year ending June 30, 2025. We are strengthening and expanding our business foundation by reforming our business structure and extending our business domains. At the same time, we are working to establish a foundation for human resources and co-creation for our own sustainable growth.

To strengthen our business foundation, we are expanding our recurring-revenue* 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.

Regarding human capital foundation, we have established the Human Capital Management Promotion Office and are promoting human capital strategies that are consistent with our business strategies.

With regard to our co-creation foundation, we are deepening cross-organizational and all-employee participation-based initiatives and dialogues through internal activities such as the Business Reliability Project and IWI's New Work-Style Project.

In the first quarter of the fiscal year under review, both sales and profits declined from the previous fiscal year due to large-scale hardware upgrade in the previous fiscal year. Excluding the impact of these upgrade, however, both sales and profits were up year on year.

In the payment and finance business, sales of third-party products & services (Hardware, etc.) decreased due to large-scale hardware upgrade in the previous fiscal year. However, sales from system development increased due to large-scale projects for credit card company and growth in the number of projects for existing credit card company. As for cloud services, sales increased due to growth in the number of users, especially for our fraud detection cloud service, "IFINDS." In security, sales increased due to the effect of streamlining sales activities by focusing on core products. As a result, net sales were ¥3,158 million (down 13.4% year on year).

Gross profit in third-party products & services (Hardware, etc.) decreased due to strong sales of large, high-margin hardware in the previous fiscal year. However, gross profit in systems development and cloud services increased due to higher revenues and improved profit margins stemming from increased productivity. Selling, general and administrative (SG&A) expenses increased due to investments in human capital and improvements to the office environment. However, we are working to curb SG&A expenses by eliminating waste and making progress as planned. As a result, operating income was ¥263 million (down 45.5% year on year), ordinary income was ¥259 million (down 45.9% year on year), and quarterly net income was ¥175 million (down 46.0% year on year).

Orders received amounted to ¥4,257 million (up 36.0% year on year) and orders on hand were ¥12,073 million (up 33.4% year on year), making steady progress against the 1H forecast.

In cloud services, which we are aiming to expand under the medium-term business plan, net sales were ¥592 million (up 36.4% year on year) and gross profit was ¥96 million (loss of ¥4 million in the same period of the previous year). Orders for cloud services are mainly multi-year contracts, with the orders on hand at ¥6,717 million as of the end of September. In the fiscal year ending June 2024, we plan to generate sales of ¥2.5 billion, and we are making steady progress.

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 In-house products, such as “NET+1” and “ACEPlus”. In the development of FEP systems, we record separately the sales of in-house products and sales of system development that are customized to meet the functional requirements of customers and the sales of hardware equipped with developed software. In the security business domain, we are developing and selling “CWAT”, an in-house product, to prevent leaks of companies’ internal information, as well as third-party products for cyber security measures.

*1 Recurring revenue: Revenue generated from projects and contracts on a regular basis

*2 Front-end processing (FEP) 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)

As of September 30, 2023, total assets were ¥13,602 million, down by ¥80 million from the end of the previous fiscal year. Current assets amounted to ¥7,336 million, down ¥526 million from the end of the previous fiscal year. This was mainly due to decreases in notes and accounts receivable - trade, and contract assets of ¥597 million.

Non-current assets totaled ¥6,266 million, up ¥446 million from the end of the previous fiscal year. This was mainly due to an increase of ¥320 million in developing software in intangible assets and a rise of ¥152 million in investment securities.

(Liabilities)

As of September 30, 2023, total liabilities amounted to ¥5,117 million, up ¥233 million from the end of the previous fiscal year. This was mainly due to a decrease in income taxes payable of ¥135 million, an increase in provision for bonuses of ¥218 million, and a rise in advances received of ¥119 million.

(Net Assets)

Net assets amounted to ¥8,485 million on September 30, 2023, down ¥314 million from June 30, 2023. This was mainly because retained earnings decreased by ¥525 million due to the allocation to dividend resources through surplus disposition, while the recognition of quarterly net income led to an increase of ¥175 million.

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

There is no revision to the business forecast announced on August 2, 2023, “Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2023”.

2. Financial Statements

(1) Balance Sheet

Thousands of yen

	Previous term end (as of June 30, 2023)	Current term end (as of September 30, 2023)
Assets		
Current assets		
Cash and deposits	4,694,621	4,704,120
Notes and accounts receivable - trade, and contract assets	1,982,679	1,385,050
Inventories	247,624	337,229
Other	938,544	910,146
Total current assets	7,863,470	7,336,547
Non-current assets		
Property, plant and equipment	1,025,781	1,076,407
Intangible assets		
Software	2,340,911	2,233,212
Other	397,955	718,687
Total intangible assets	2,738,867	2,951,899
Investments and other assets		
Investment securities	1,179,719	1,332,094
Other	875,803	905,913
Total investments and other assets	2,055,522	2,238,007
Total non-current assets	5,820,170	6,266,315
Total assets	13,683,641	13,602,862
Liabilities		
Current liabilities		
Notes and accounts payable - trade	473,097	516,177
Income taxes payable	314,629	178,896
Advances received	2,324,707	2,444,464
Provision for bonuses	303,957	521,979
Provision for bonuses for directors	41,782	5,171
Other	707,578	718,208
Total current liabilities	4,165,752	4,384,897
Non-current liabilities		
Provision for retirement benefits	606,007	617,429
Provision for retirement benefits for directors	12,975	—
Asset retirement obligations	97,050	97,086
Other	2,213	18,324
Total non-current liabilities	718,247	732,840
Total liabilities	4,883,999	5,117,737
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	6,918,282	6,568,202
Treasury shares	(26,712)	(26,744)
Total shareholders' equity	8,308,419	7,958,306
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	491,222	526,817
Total valuation and translation adjustments	491,222	526,817
Total net assets	8,799,641	8,485,124
Total liabilities and net assets	13,683,641	13,602,862

(2) Income Statement

Thousands of yen

	Previous term (from July 1,2022 to September 30,2022	Current term (from July 1,2023 to September 30,2023
Net sales	3,646,349	3,158,664
Cost of sales	2,511,593	2,203,380
Gross profit	1,134,755	955,284
Selling, general and administrative expenses	651,272	691,545
Operating income	483,483	263,738
Non-operating income		
Interest income	175	667
Dividend income	1,003	1,155
Other	1,122	364
Total non-operating income	2,301	2,187
Non-operating expenses		
Commitment fees	1,693	1,693
Foreign exchange losses	2,381	2,164
Loss on cancellation of insurance policies	—	1,866
Other	1,232	290
Total non-operating expenses	5,306	6,014
Ordinary income	480,478	259,910
Income before income taxes	480,478	259,910
Income taxes - current	306,305	162,988
Income taxes - deferred	(150,632)	(78,595)
Total income taxes	155,672	84,392
Net income	324,805	175,518

(3) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the first quarter of the current fiscal year (July 1, 2023 to September 30, 2023),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first quarter of the current fiscal year (July 1, 2023 to September 30, 2023),

Not applicable.

(Business Segment)

Business segment information is omitted because the company has a single reportable segment.

(Revenue recognition)

Categorized information on revenue from contracts with customers

Thousands of yen

	1 st quarter of FY06/23 (cumulative) (from July 1, 2022 to September 30, 2022)	1 st quarter of FY06/24 (cumulative) (from July 1, 2023 to September 30, 2023)
Net sales		
Software Development	1,046,167	1,207,967
In-house products	83,999	10,581
System Service	7,587	—
Third-party products	1,037,971	131,774
Maintenance	703,592	861,871
Maintenance of third-party products	156,865	181,103
Own services	491,885	648,134
Other services	118,280	117,232
Total	3,646,349	3,158,664
Timing of revenue recognition		
Goods and services transferred at a point in time	1,561,395	638,812
Goods and services transferred over a period of time	2,084,954	2,519,852
Total	3,646,349	3,158,664