

## Summary of Non-consolidated Financial Results for the first quarter of Fiscal Year Ending June 2021 (Japanese GAAP)

November 4, 2020

## 1. Financial results for this term (July 1, 2020 to September 30, 2020)

(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	%
1 <sup>st</sup> Quarter, June 2021	2,298	(4.9)	134	(4.8)	128	(8.8)	83	(8.3)
1 <sup>st</sup> Quarter, June 2020	2,417	3.4	141	100.1	140	79.3	91	89.6

	EPS	Fully diluted EPS
	Yen	Yen
1 <sup>st</sup> Quarter, June 2021	3.18	—
1 <sup>st</sup> Quarter, June 2020	3.47	—

## (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
1 <sup>st</sup> Quarter, June 2021	9,996	6,819	68.2
FY ended June 2020	10,552	6,983	66.2

(Reference) Shareholders' equity: As of 1st quarter, June 2021 ¥6,819 million As of June 2020 ¥6,983 million

## 2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended June 30, 2020	—	0.00	—	10.00	10.00
Year ending June 30, 2020	—				
Year ending June 30, 2021 (Forecast)		0.00	—	10.00	10.00

(Note) Revision of forecasts on the dividends: No

## 3. Forecast of financial results for the fiscal year ending June 30, 2021 (July 1, 2020 to June 30, 2021)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	5,000	0.7	380	3.0	400	11.1	280	18.1	10.65
Full Year	11,000	0.7	1,150	11.0	1,190	10.7	820	7.6	31.18

(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 (common stock)

(i) Number of shares issued at year-end (including treasury stock)	As of September 30,2020	26,340,000	As of June 30, 2020	26,340,000
(ii) Number of shares of treasury stock at year-end	As of September 30,2020	44,751	As of June 30, 2020	41,651
(iii) Average number of shares during the full year	As of September 30,2020	26,297,533	As of September 30,2019	26,306,055

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.

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## 1. Overview of Operating Results

### (1) Report of Operating Results

The Japanese economy in the first quarter of the FY06/2021, from July to September 2020, was in a tough spot from the effects of the new coronavirus infection. But, with economic activity gradually resuming, the economy is seemingly picking up, although consumer spending on services such as food, beverage and lodging is at a low level, overall consumer spending is believed to be picking up.

Major credit card companies' billings since March 2020 has remained below the previous year's results, but monthly results are improving year over year.

The trend of increasing credit card shopping is expected to continue with the execution of government's stimulus policies. Meanwhile, if business condition of each credit card companies shrinks their CAPEX, which may affect to the earnings forecast and mid-term business plan of ours.

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 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 first quarter of the FY06/2021 has not been effected by new corona virus infection.

The company recorded the net sales of 2,298 million yen (down 4.9%, YoY ), operating income of 134 million yen (down 4.8%, YoY), ordinary income of 128 million yen (down 8.8%, YoY) and net income of 83 million yen (down 8.3%, YoY).

The net sales were lower than the results of the previous fiscal year. The booking of sales for some system development projects were moved to the second quarter of this fiscal year and the system development sales were lower than initial plan, which were also lower than the previous fiscal year results.

Sales in other categories were generally in line with the initial plan. The decline of the sales of hardware resulted as the plan, too.

The company is mainly engaged in the development of FEP (Front End Processing) systems that provide the functions for network-gateway and authorization required to complete credit card payment processing.

For example, in the newly development project of FEP system, net sales are recorded in each sales category as follows. The sales of NET+1 (In-house products), which forms as the core of the FEP system, the sales of engineering work (System development) for customizing the NET+1 software package to meet the functional requirements from customers, the sales of servers (Hardware) deployed the FEP system developed by us and the sales of maintenance service (Maintenance) for the system consisting software and hardware. And we are engaged sales of In-house product to prevent enterprises from an internal information leakage and the third party products for cyber-security.

## (Reference) Sales by categories

(Million yen)

Category	Previous Q1	Current Q1	Stock / Flow
System Development	1,251	1,113	Flow
Maintenance	301	315	Stock
In-house products	97	144	Flow
Cloud service	178	224	Stock
Hardware	353	208	Flow
Third party products	61	110	Flow
Security products	173	181	Flow
Total	2,417	2,298	

(Note) Categories with contracts that allow us to record sales of a fixed amount on a regular basis are shown as "stock". Otherwise, categories with contracts that are not stationary in terms of the amount and timing are shown as "Flow".

Operating income was lower than the previous fiscal year result by the sales reduction of the System Development and the temporary cost for recovering the system trouble in our cloud service business.

Although both net sales and operating income for the first quarter of the FY06/2021 were lower than the previous results, orders of hardware sales grew as initially planned and orders of system development topped year over year for the first quarter, our sales activities have performed steadily. Orders on hand as of the end of the first quarter have increased to the end of the FY06/2020 and year over year.

Our business remains steady and we have no revision to the financial forecasts for the first half of this fiscal year.

## (2) Report of Financial Position

## (Assets)

The balance of assets at the end of the first quarter of this fiscal year decreased by 555 million yen from the end of the previous fiscal year to 9,996 million yen. Current assets decreased by 482 million yen from the end of the previous fiscal year to 5,898 million yen. This was mainly due to the increase of 232 million yen in cash and deposits and the increase of 116 million yen in inventories, and the decrease of 845 million yen in notes and accounts receivable.

Non-current assets decreased 72 million yen from the end of the previous fiscal year to 4,098 million yen. This was mainly due to the decrease of 24 million yen in property, plant and equipment and the decrease of 52 million yen in software.

## (Liabilities)

The balance of liabilities at the end of the first quarter of this fiscal year decreased by 391 million yen from the end of the previous fiscal year to 3,177 million yen. This was mainly due to the increase of 99 million yen in provision for bonuses, the decrease of 340 in notes and accounts payable and the decrease of 53 million yen in advances received.

## (Net Assets)

Net assets at the end of the first quarter of this fiscal year decreased 164 million yen from the end of the previous fiscal year to 6,819 million yen. This was mainly due to the decrease of 179 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 5, 2020, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2020".

## 2. Financial Statements

### (1) Balance Sheet

	Thousands of yen	
	Previous term end (as of June 30,2020)	Current term end (as of September 30,2020)
Assets		
Current assets		
Cash and deposits	3,641,864	3,874,048
Notes and accounts receivable	1,720,318	874,750
Inventories	413,482	530,455
Others	605,574	619,032
Total current assets	6,381,239	5,898,287
Non-current assets		
Property, plant and equipment	537,972	513,086
Intangible assets		
Software	1,262,416	1,210,170
Others	202,895	194,693
Total intangible assets	1,465,312	1,404,863
Investments and other assets		
Investment securities	1,359,193	1,381,743
Others	808,293	798,699
Total investments and other assets	2,167,487	2,180,443
Total non-current assets	4,170,771	4,098,393
Total assets	10,552,011	9,996,680
Liabilities		
Current liabilities		
Notes and accounts payable	627,020	286,939
Income taxes payable	61,971	78,020
Advances received	1,381,890	1,328,562
Provision for bonuses	295,182	395,088
Provision for bonuses for directors	42,682	8,625
Others	541,881	458,804
Total current liabilities	2,950,627	2,556,040
Non-current liabilities		
Provision for retirement benefits	490,430	506,818
Provision for retirement benefits for Directors	30,052	19,121
Asset retirement obligations	87,421	87,437
Others	10,010	7,865
Total non-current liabilities	617,914	621,242
Total liabilities	3,568,542	3,177,283

	Thousands of yen	
	Previous term end (as of June 30,2020)	Current term end (as of September 30,2020)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	5,043,372	4,863,977
Treasury stock	(26,712)	(26,712)
Total shareholders' equity	6,433,508	6,254,113
Valuation and translation adjustment		
Valuation difference on available-for-sale Securities	549,960	565,283
Total valuation and translation Adjustments	549,960	565,283
Total net assets	6,983,469	6,819,397
Total liabilities and net assets	10,552,011	9,996,680

## (2) Income Statement

	Thousands of yen	
	Previous term (from July 1 to September 30, 2019)	Current term (from July 1, to September 30, 2020)
Net sales	2,417,395	2,298,911
Cost of sales	1,795,894	1,709,661
Gross income	621,500	589,250
Selling, general and administrative expenses	480,273	454,844
Operating income	141,227	134,405
Non-operating income		
Interest income	103	179
Dividend income	450	562
Subsidy income	-	450
Others	434	364
Total non-operating income	987	1,556
Non-operating expenses		
Interest expenses	29	12
Commitment fee	1,180	1,498
Compensation expenses	-	5,000
Others	47	942
Total non-current expenses	1,258	7,453
Ordinary income	140,956	128,507
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes	140,956	128,507
Income taxes - current	34,135	66,036
Income taxes - deferred	15,663	(21,117)
Total income taxes	49,798	44,919
Net income	91,157	83,588
Net sales	2,417,395	2,298,911



(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, 2020 to September 30, 2020),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first quarter of the current fiscal year (July 1, 2020 to September 30, 2020),

Not applicable.

(Business Segment)

The Business Segment information is omitted because the company consolidated two different business segments, Financial Systems Solutions and Product Solutions, to the single business segment.

Reason for the change

The company has managed and administrated the business by two reporting segments, the Financial Systems Solutions business and the Product Solutions business, so far.

In the Financial Systems Solutions business segment, the company has engaged the business of providing system development and related services indispensable for credit card payment for our main customers, credit card companies.

In the Product Solutions business segment, we have operated the distributing information security and cyber-security products to general enterprises.

The policy of the company is to promote the growth by reinforcing organizations for sales and product development that belong to two business segments. Sharing informational properties of our customers administrated by both segments separately reinforces sales operations, and enhancing the organizations for the security products development promotes the launching new services and new products.

Our reporting segments were changed according to the revision of the organizations and management administration at July 1 2020.