

Summary of Non-consolidated Financial Results

for the first half of Fiscal Year Ending June 2023 (Japanese GAAP)

February 1, 2023

1. Financial results for this term (July 1, 2022 to December 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	%
1 st half, June 2023	6,789	38.9	803	67.8	824	64.9	558	65.1
1 st half, June 2022	4,887	(6.9)	478	18.0	499	18.7	337	18.3

	EPS		Fully diluted EPS	
	Yen		Yen	
1 st half, June 2023	21.23		—	
1 st half, June 2022	12.85		—	

(2) Financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
1 st half, June 2023	12,582		8,156		64.8	
FY ended June 2022	12,740		8,039		63.1	

(Reference) Shareholders' equity: As of 1st half, June 2023 ¥8,156 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

(a) 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 December 31, 2022	26,340,000	As of June 30, 2022	26,340,000
As of December 31, 2022	60,051	As of June 30, 2022	56,851
As of December 31, 2022	26,281,264	As of December 31,2021	26,288,149

(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 February 3, 2023. 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 the first half of the FY06/2023, the Japanese economy showed a gentle recovery, although corporate earnings and business sentiment were partially weak.

In the credit card industry, where our company operate our core business, the volume of transactions of credit card companies increased from the previous year thanks to the recovery of consumer spending.

In this business environment, our company promotes the medium-term business plan for the three-year period that will end in the fiscal year ending June 30, 2025. We are working to reinforce and expand our business foundation by reforming our business structure and expanding our business domains and establish the foundation for human resources and co-creation for our sustainable growth.

In reinforcing and expanding our business foundation, in addition to strengthening the system development business related to the payment business domain, which is our strength, we are expanding our "stock-type"* business through the growth of the cloud service, expanding new areas of the payment business domain, and expanding our business domain beyond the payment and financial industry.

For the first half of the FY06/2023, we recorded net sales of 6,789 million yen (up 38.9% year on year) because of the increase in hardware sales due to FEP system* upgrades for existing customers, an increase in the number of users of the cloud service, and large projects of system development for credit card company. Operating income stood at 803 million yen (up 67.8% year on year) because of an increase in hardware sales and system development sales. As a result, we recorded an ordinary income of 824 million yen (up 64.9% year on year) and a net income of 558 million yen (up 65.1% year on year).

In the cloud service, we recorded net sales of 881 million yen (up 78.7% year on year), and a gross profit of 25 million yen (up 108.3% year on year). Net sales grew, as the number of orders received increased significantly in the previous term. On the other hand, profits increased year-on-year, but fell short of initial forecasts due to an increase in expenses to strengthen the operational systems in line with an increase in the number of users for some service. From now on, we will reform our operational systems drastically, to improve revenues as soon as possible.

In the payment business domain, our company is mainly developing front end processing (FEP) systems and fraud detection system for credit card companies. Systems are composed of mainly our original products, such as NET+1 and ACEPlus. For example, in the development of FEP systems, we record sales of in-house products, system development sales customized to meet the client's functional requirements, and hardware sales with the developed software, respectively.

Moreover, in the security business domain, we develop and market in-house products to prevent internal information leakage in business organizations, as well as third-party products for cybersecurity 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 first half of this fiscal year decreased by 158 million yen from the end of the previous fiscal year to 12,582 million yen. Current assets decreased by 680 million yen from the end of the previous fiscal year to 7,594 million yen. This was mainly due to the increase of 404 million yen in cash and deposits and the decrease of 1,028 million yen in notes and accounts receivable and contract assets.

Non-current assets increased 522 million yen from the end of the previous fiscal year to 4,988 million yen. This was mainly due to the increase of 166 million yen in property, plant and equipment and the increase of 325 million yen in intangible assets.

(Liabilities)

The balance of liabilities at the end of the first half of this fiscal year decreased by 275 million yen from the end of the previous fiscal year to 4,425 million yen. This was mainly due to the increase of 79 million yen in consumption tax payable, 48 million yen in accrued expenses, and 54 million yen in advances received and the decrease of 524 million yen in notes and accounts payable.

(Net Assets)

The balance of net assets at the end of the first half of this fiscal year increased 117 million yen from the end of the previous fiscal year to 8,156 million yen. This was mainly due to the increase of 111 million yen in retained earnings.

(Report of Cash Flows)

The balance of cash and deposits at the end of first half of the current fiscal year was ended in 4,336 million yen (3,610 million yen at the same period of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities in the first half of the current fiscal year amounted to 1,717 million yen (297 million yen in the same period of previous fiscal year). This was mainly attributable to the fact that income before taxes amounted to 824 million yen and depreciation amounted to 447 million yen, and notes and accounts receivable decreased 1,082 million yen, and notes and accounts payable decreased 568 million yen.

(Cash flows from investing activities)

Net cash used in investing activities in the first half of the current fiscal year was 864 million yen (649 million yen used in the same period of the previous fiscal year). This was mainly due to 660 million yen used for the purchase of intangible fixed assets by the development works of software for sales purposes and the internal use.

(Cash flows from financing activities)

Net cash used in financing activities in the first half of the current fiscal year was 447 million yen (345 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid of 445 million yen.

(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 December 31,2022)
Assets		
Current assets		
Cash and deposits	3,932,647	4,336,685
Notes and accounts receivable - trade, and contract assets	2,723,400	1,694,930
Securities	300,381	300,084
Inventories	313,359	354,403
Other	1,004,436	907,953
Total current assets	<u>8,274,224</u>	<u>7,594,057</u>
Non-current assets		
Property, plant and equipment	706,395	872,649
Intangible assets		
Software	1,640,255	1,859,529
Other	409,584	515,519
Total intangible assets	<u>2,049,839</u>	<u>2,375,048</u>
Investments and other assets		
Investment securities	916,484	927,768
Other	793,824	813,101
Total investments and other assets	<u>1,710,309</u>	<u>1,740,869</u>
Total non-current assets	<u>4,466,543</u>	<u>4,988,568</u>
Total assets	<u>12,740,768</u>	<u>12,582,625</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	940,780	415,805
Income taxes payable	331,611	353,200
Advances received	1,885,029	1,939,496
Provision for bonuses	289,341	281,798
Provision for bonuses for directors	45,885	30,293
Other	543,134	727,141
Total current liabilities	<u>4,035,783</u>	<u>3,747,737</u>
Non-current liabilities		
Provision for retirement benefits	552,279	576,724
Provision for retirement benefits for directors	22,565	10,945
Asset retirement obligations	87,554	87,588
Other	3,421	2,817
Total non-current liabilities	<u>665,820</u>	<u>678,075</u>
Total liabilities	<u>4,701,603</u>	<u>4,425,813</u>

	Thousands of yen	
	Previous term end (as of June 30,2022)	Current term end (as of December 31,2022)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	6,199,843	6,311,039
Treasury shares	(26,712)	(26,712)
Total shareholders' equity	7,589,980	7,701,176
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	449,184	455,635
Total valuation and translation adjustments	449,184	455,635
Total net assets	8,039,164	8,156,812
Total liabilities and net assets	12,740,768	12,582,625

(2) Income Statement

Thousands of yen

	Previous term (from July 1,2021 to December 31,2021	Current term (from July 1,2022 to December 31,2022
Net sales	4,887,281	6,789,862
Cost of sales	3,390,064	4,669,260
Gross profit	1,497,217	2,120,602
Selling, general and administrative expenses	1,018,496	1,317,122
Operating income	478,720	803,479
Non-operating income		
Interest income	360	340
Dividend income	23,107	24,344
Other	3,302	5,257
Total non-operating income	26,770	29,943
Non-operating expenses		
Commitment fees	2,939	2,765
Foreign exchange losses	927	5,220
Other	1,848	1,247
Total non-operating expenses	5,716	9,234
Ordinary income	499,774	824,189
Extraordinary income	—	—
Extraordinary losses	—	—
income before income taxes	499,774	824,189
Income taxes - current	50,207	320,523
Income taxes - deferred	111,641	(54,343)
Total income taxes	161,848	266,179
Net income	337,925	558,009

(3) Cash Flow Statement

	Thousands of yen	
	Previous term (from July 1,2021 to December 31,2021)	Current term (from July 1,2022 to December 31,2022)
Cash flows from operating activities		
Income before income taxes	499,774	824,189
Depreciation	402,295	447,207
Share-based payment expenses	22,605	16,880
Increase (decrease) in provision for bonuses	(86,133)	(7,542)
Increase (decrease) in provision for bonuses for directors (and other officers)	(25,382)	(15,591)
Increase (decrease) in provision for retirement benefits	6,811	24,445
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2,197)	(11,620)
Interest and dividend income	(23,467)	(24,685)
Commitment fee	2,939	2,765
Decrease (increase) in notes and accounts receivable – trade and contract assets	(142,606)	1,082,937
Decrease (increase) in inventories	(124,367)	(41,043)
Increase (decrease) in notes and accounts payable - trade	47,441	(568,927)
Other, net	(110,593)	266,588
Subtotal	467,120	1,995,603
Interest and dividends received	23,463	24,680
Commitment fee paid	(2,565)	(2,393)
Income taxes paid	(190,497)	(300,579)
Net cash provided by (used in) operating activities	297,521	1,717,311
Cash flows from investing activities		
Purchase of property, plant and equipment	(102,727)	(216,601)
Purchase of intangible assets	(561,807)	(660,842)
Purchase of investment securities	(1,173)	(1,984)
Proceeds from collection of loans receivable	1,080	80
Proceeds from cancellation of insurance funds	14,808	14,840
Other, net	(21)	(60)
Net cash provided by (used in) investing activities	(649,842)	(864,568)
Cash flows from financing activities		
Repayments of lease liabilities	(4,893)	(2,033)
Dividends paid	(340,543)	(445,736)
Net cash provided by (used in) financing activities	(345,437)	(447,770)
Effect of exchange rate change on cash and cash equivalents	1,041	(933)
Net increase (decrease) in cash and cash equivalents	(696,715)	404,038
Cash and cash equivalents at beginning of period	4,307,699	3,932,647
Cash and cash equivalents at end of period	3,610,983	4,336,685

(4) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the first half of the current fiscal year (July 1, 2022 to December 31, 2022),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the first half of the current fiscal year (July 1, 2022 to December 31, 2022),

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)

	1 st half of FY06/22 (cumulative) (from July 1, 2021 to December 30, 2021)	1 st half of FY06/23 (cumulative) (from July 1, 2022 to December 30, 2022)
Net sales		
Software Development	1,978,839	2,346,664
In-house products	285,280	110,590
System Service	16,300	15,407
Third-party products	157,483	1,220,623
Maintenance	1,278,296	1,496,994
Maintenance of third-party products	307,416	351,550
Own services	624,718	997,765
Other services	238,947	250,265
Total	4,887,281	6,789,862
Timing of revenue recognition		
Goods and services transferred at a point in time	1,393,514	2,420,745
Goods and services transferred over a period of time	3,493,767	4,369,117
Total	4,887,281	6,789,862