

Summary of Non-consolidated Financial Results

for the Fiscal Year Ended June 2020 (Japanese GAAP)

August 5, 2020

1. Financial results for this term (July 1, 2019 to June 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	%
Year ended, June 2020	10,920	4.6	1,036	12.5	1,074	12.7	762	11.4
Year ended, June 2019	10,443	(1.5)	921	68.3	953	66.2	683	81.2

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
	Yen	Yen	%	%	%
Year ended, June 2020	29.00	—	11.4	10.4	9.5
Year ended, June 2019	25.99	—	11.3	10.1	8.8

(Reference) Equity in earnings of affiliates: As of June 2020 ¥8 million As of June 2019 ¥4 million

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended, June 2020	10,552	6,983	66.2	265.55
Year ended, June 2019	10,032	6,372	63.5	242.23

(Reference) Shareholders' equity: As of June 2020 ¥6,983million As of June 2019 ¥6,372 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 2020	1,547	(752)	(407)	3,641
Year ended, June 2019	1,237	(601)	(219)	3,254

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, 2019	—	0.00	—	9.00	9.00	236	34.6	3.9
Year ended June 30, 2020	—	0.00	—	10.00	10.00	262	34.5	3.9
Year ending June 30, 2021 (Forecast)	—	0.00	—	10.00	10.00		32.1	

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

Notes:

(1) 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

(2) Number of shares issued (common stock)

(i) Number of shares issued at year-end (including treasury stock)	As of June 30, 2020	26,340,000	As of June 30, 2019	26,340,000
(ii) Number of shares of treasury stock at year-end		41,651		31,907
(iii) Average number of shares during the full year		26,273,290		26,312,352

※ 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.

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1. Overview of Operating Results

(1) Report of Operating Results

In the fiscal year, ended June 30, 2020, Japanese economy has fallen from a moderate expansion trend to a very difficult situation due to the impact of the new coronavirus infection. Corporate earnings and business sentiment have deteriorated and the growth of capital investment has clearly slowed down.

It is expected to improve the situation that economic activity gradually resumes and the impact of the infection is contained in future, but there will continue to be a great deal of uncertainty about the outcome and the magnitude of the impact of the pandemic.

The volumes of credit card shopping of major credit card companies were also impacted by the infection and monthly results from March to May 2020 significantly dropped lower than in the same period of the last year.

Meanwhile, June 11, 2020, according to an announcement by the Ministry of Economy, Trade and Industry, the subjected gross billing paid by credit cards for the Point Reward Project for Cashless Payment started on October 2019 have increased to 1.4 trillion yen from October 1 to December 2, 2019, and to 4.6 trillion yen by March 16, 2020. Although the Point Reward Project ended at the end of June 2020, the cashless payment rate of the whole sales of merchants that participated in the program increased from 26% to 33% approximately during the period by April 2020. Within this cashless payment rate, the percentage of the credit card payment is account for over 60% and credit card has continued to hold the centered position of the cashless payment.

By the impact of the infection, in-store credit card transactions declined, while credit card transactions for E-commerce are expected increasing. The growth of the percentage of credit card payment in a whole consumer activity is likely to continue.

Despite the rapid change external environment, the company's business has remained stable during the fourth quarter of the FY06/2020, April to June 2020. Due to the impact of the infection, some projects supposed to be recorded in the current fiscal year were postponed to the next fiscal year, but the amount was insignificant, and the results were almost in line with our initial forecast.

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.

The company recorded the net sales of 10,920 million yen for the FY06/2020, July 2019 to June 2020, and it exceeded the initial forecast, 10,600 million yen. In the Financial Systems Solutions business, the net sales of 9,857 million yen exceeded the initial forecast, 9,400 million yen. In the Product Solutions business, the net sales of 1,063 million yen were lower than initial forecast, 1,200 million yen.

The net sales of 10,920 million yen exceeded 10,443 million yen, the result of the previous fiscal year, by 4.6%.

In the Financial Systems Solutions business, the net sales of 9,857 million yen exceeded 9,366 million yen, the result of the previous fiscal year, by 5.6%. In the Product Solutions business, the net sales of 1,063 million yen were lower than 1,106 million yen, the result of the previous fiscal year.

The operating income of 1,036 million yen exceeded 1,000 million yen, the initial forecast, and it exceeded 921 million yen, the result of the previous fiscal year, by 12.5%.

In the Financial Systems Solutions business, the operating income of 1,123 million yen exceeded 890 million yen, the result of the previous fiscal year, by 26.2%. The Product Solutions business ended the operating loss of 87 million yen.

The company recorded the ordinary income of 1,074 million yen and it exceeded 953 million yen, the result of the previous fiscal year, by 12.7%. The net income of 762 million yen for the FY06/2020 exceeded 683 million yen, the result of the previous fiscal year, by 11.4%.

Results by business segment for FY06/2020 are as follows.

(Financial Systems Solutions Business)

In this business segment, we are 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.

When we develop a new FEP system for each customer, sales are recorded from the breakdown by categories as followed.

Sales Category	Example
In-house packages sales	Sales of NET+1 package software constitutes the core of the FEP system.
Software development sales	Sales from the development work which allows engineers to customize the package software to meet the customer's functional requirements.
Hardware sales	Sales of servers, hardware, to deploy the developed software.
Maintenance service sales	Sales from the maintenance work for a system we built that consists of software and hardware

Net sales resulted 9,857 million yen for FY06/2020 (9,336 million yen for the previous fiscal year) and operating income resulted 1,123 million yen for FY06/2020 (890 million yen for the previous fiscal year).

Software development sales were 5,791 million yen (5,668 million yen) and were almost in line with the previous fiscal year.

Hardware sales of 1,526 million yen (1,140 million yen for the previous fiscal year) grew compared to the previous fiscal year by 33.9%. A part of type of servers that installs FEP system developed by the company is approaching to the expiration date of manufacture's support and a few replacement projects of this type of servers were recorded sales in the fourth quarter of FY06/2020, from April to June 2020.

Several similar replacement projects are scheduled in FY06/2021 either.

Net sales from cloud service business of 828 million yen exceeded 637 million yen, result of the previous fiscal year by launch service for new customer in FY06/2020.

Meanwhile sales from in-house package software of 226 million yen were lower than 490 million yen, result of the previous fiscal year. NET+1, a flagship in-house package software of ours, is a core component of FEP system developed by the company and it is adopted to the development projects for introduction or replacement of FEP systems.

In the third quarter of the previous fiscal year, the sales of in-house package grew temporarily, because the timings of these sales coincided for FEP system development projects for various customers. We had no similar phenomenon in FY06/2020, which resulted in a decrease in in-house package software sales. The timings of in-house package software sales booked are usually varied by the progress of each system development projects.

Operating income of 1,123 million yen exceeded 890 million yen, the result of the previous fiscal year by 26.2%. Most of Software development works have done well without unprofitable project and it improved profitability from the previous fiscal year. Cloud service business improved profitability by its sales growth. And as mentioned above, operating income increased because of the strong growth in hardware sales.

(Product Solutions Business)

In this business segment, the company engages sales in-house products to prevent leaks of internal information within corporate organizations, as well as cyber security products from third-parties.

The results for FY06/2020 were net sales of 1,063 million yen (1,106 million yen for the previous fiscal year) and operating loss of 87 million yen (operating income of 31 million yen for the previous fiscal year).

Net sales of in-house product were lower than the result of the previous fiscal year due to sales of a few projects had been postponed to following fiscal year by the infection. Despite sales of third-parties products exceeded the results of the previous fiscal year, these profitability were relatively low and additionally the

weaker sales results of in-house product, the income worsened than the previous fiscal year.

Sales by segment in this term

(Million yen)	
Business segments	Net sales
Financial System Solutions Business	9,857 (90.3%)
Product Solutions Business	1,063 (9.7%)
Total	10,920 (100.0%)

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the FY06/2020 was 10,552 million yen, an increase of 519 million yen from the end of the previous fiscal year. Current assets amounted to 6,381 million yen, an increase of 326 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of 386 million yen and an increase in accounts receivable-trade of 264 million yen, despite a decrease in work in process of 244 million yen and a decrease in advance payments of 123 million yen.

Non-current assets totaled 4,170 million yen, an increase of 192 million yen from the end of the previous fiscal year. This was mainly due to an increase of 124 million yen in investment securities and an increase of 73 million yen in software, despite a decrease in deferred tax assets of 85 million yen.

(Liabilities)

The balance of liabilities at the end of the FY06/2020 was 3,568 million yen, a decrease of 91 million yen from the end of the previous fiscal year. This was mainly due to a decrease in income taxes payable of 297 million yen and a decrease in accrued expenses of 55 million yen and a decrease in advances received of 46 million yen, despite an increase in accounts payable of 294 million yen.

(Net Assets)

The balance of net assets at the end of the FY06/2020 was 6,983 million yen, an increase of 610 million yen from the end of the previous fiscal year. This was mainly due to an increase of 85 million yen in valuation difference on available-for-sale securities and an increase of 525 million yen in retained earnings.

(3) Report of Cash Flows

The balance of cash and deposits at the end of the FY06/2020 was 3,641 million yen, an increase of 386 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities in the FY06/2020 amounted to 1,547 million yen, an increase from the previous fiscal year by 25.0%. This was mainly attributable to the fact that income before income taxes amounted to 1,074 million yen, income taxes paid amounted to 552 million yen, and depreciation expenses amounted to 605 million yen, as a result of our strong business operation overall.

(Cash flows from investing activities)

Net cash used in investing activities in the FY06/2020 was 752 million yen (compared with 601 million yen used in the previous fiscal year). This was mainly due to the purchase of intangible fixed assets of 579 million yen for the software development for sales purposes and the internal use.

(Cash flows from financing activities)

Net cash used in financing activities was 407 million yen (219 million yen used in the previous fiscal year). This was mainly due to cash dividends paid of 236 million yen and 35 million yen for repayments of lease obligations.

Trends in cash flow indicators are as follows.

	FY06/2019	FY06/2020
Shareholders' equity ratio (%)	63.5	66.2
Equity ratio based on market value (%)	232.9	205.1
Debt amortization schedule (number of years)	0.1	0.0
Interest coverage ratio (times)	7,598.6	16,516.7

(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

August 5, 2020, the company revised in view of the spread of new corona virus infection and disclosed the mid-term business plan as a Revised plan.

Regarding the results for FY06/2020, the timing of sales of small part of projects were postponed to FY06/2021 by the infection, but the effect to the results were insignificant.

We have not experienced any major disruptions to the continuity of our system development and system operations. Currently, the Company's production activities are performing well.

On the other hand, the chance of direct contact with customers is reducing in the sales activities and some new project negotiations have been stalled by customers' convenience.

By the spread of the infection, it is quite difficult to predict precisely the size of the expecting impact to the company's business, and the extent to which each sales activity will affect orders and sales.

However, we have revised our mid-term business plan on the assumption that delays in receiving orders for new projects and other factors may constrain the mid-term growth rate in sales.

Regarding the business environment, we anticipate that there will be no significant change in the trend of growth of credit card payment transaction volume over the long term, and that our business opportunities will

continue to expand.

For the FY06/2021, the company forecasts net sales to be essentially flat. However, from FY06/2022 to FY06/2023, the sales growth is expected to recover by development projects for major credit card companies, new customers starting the credit card business by their own, and new projects for cloud services.

With maintaining a profit margin of 10% or higher in mid-term, we plan to achieve an operating income of 1,500 million yen and an operating margin of approximately 11% in the FY06/2023.

The Company aims to achieve a 15% operating margin over the longer term. We expect to grow the profitability by adding businesses that provide a more stable source of revenue to our system development business, the core source of revenue.

The company will add so-called recurring* and subscription* revenue streams to business to achieve more stable sales growth and higher margins over the longer term. By developing and launching new services and products with these revenue streams, we will continue to grow the profitability.

The revised mid-term business plan does not weave sales forecasts of new products and services that are currently under development and have not yet been fully launched to the market.

In accordance with this plan, we have made changes to our reporting segments from the FY06/2021, and disclosed today.

By integrating the human and intellectual resources that were managed between the two business segments separately, we have revised our organizational structure and changed our management system to enhance sales and marketing activities, and to promote the development of new products and services

*Recurring

A business model that continuously generates revenue from customers even after a product is sold.

*Subscription

A business model that generates revenue based on the duration of use of the product, rather than selling it.

(Revised Plan)

	(Million yen)			
	FY06/2020 (Actual)	FY06/2021 (Forecast)	FY06/2022 (Plan)	FY06/2023 (Plan)
Net sales	10,920	11,000	12,000	13,500
Operating income [OM]	1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]

(Previous Plan)

	(Million yen)		
	FY06/2020 (Forecast)	FY06/2021 (Plan)	FY06/2022 (Plan)
Net sales	10,600	11,200	12,000
Financial Systems Solutions Business	9,400	9,900	10,600
Product Solutions Business	1,200	1,300	1,400
Operating income [OM]	1,000 [9.4%]	1,080 [9.6%]	1,200 [10.0%]

Forecasts of FY06/2021 were net sales of 11,000 million yen, operating income of 1,150 million yen and operating margin of 10.5%.

Although decline of system development sales is expected, products sales categorized to In-house products, Hardware and third-parties products, are anticipated performing well.

Cloud service business is expected net sales of 940 million yen, increased by 13.5% YoY, for FY06/2021 because we did not earn orders from new customers in acquiring operations (merchant acquisition) service during FY06/2020.

The company operates sales activities aiming to earn orders from new customers, not only regional banks but operators launching their own credit card business, in FY06/2021 and we plan net sales of 1,300 million yen for FY06/2022 and 1,600 million yen for FY06/2023 in the revised mid-term business plan.

(Reference)

(Net sales by categories)

(million yen)

	FY06/2020 (Actual)	FY06/2021 (Forecast)	Remarks
System development	5,791	5,362	Sales from system development by contract basis.
Maintenance service	1,246	1,284	Sales from maintenance service for systems developed by the company.
In-house products	244	397	Sales of in-house products
Cloud service	828	940	Sales from a systems distribution in which the company hosts software for customers.
Hardware	1,526	1,494	Sales of servers to be installed systems developed by the company.
Third-parties	220	423	Sales of third-parties products.
Security products	1,063	1,100	Sales of security products both in-house and third-parties.

(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.

We operate the business sites in the Headquarter, Chuo-ku Tokyo, and the Hakodate office that employee and the personnel from subcontractors engaging system development projects are working. Small part of employees are working at the office run by customers.

The company has exercised measures that make about 700 staff of employees and subcontractors work from home as of the end of June 2020. In addition, the company has operated daily basis health monitoring for all the employee, subcontractors and cohabiting families.

As of today, part of employees continue working from home. The company has halted all the travel to overseas, and restricted domestic business trip and attending non-essential meeting.

As of today, the company has not had any serious concerns about business continuity and has not suffered any material adverse effects.

Reduced chances of contact by visiting customers has affected part of sales activities and the clients' personnel have been working from home. As a result, net sales of about 32 million yen from software development and products sales in total in Financial Systems Solutions Business, and net sales of about 56 million yen from products sales in Product Solutions Business were postponed from FY06/2020 to following fiscal year.

Although it is difficult to predict precisely the future impact of the infection spread on the company's business, 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 customers' capital expenditure plans and other factors.

2. Basic Policy on Selecting Accounting Standards

The Company uses 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	
	Previous term end (as of June 30,2019)	Current term end (as of June 30,2020)
Assets		
Current assets		
Cash and deposits	3,254,913	3,641,864
Accounts receivable - trade	1,455,554	1,720,318
Merchandise and finished goods	13,119	26,675
Work in process	626,309	381,557
Raw materials and supplies	1,463	5,249
Advance payments - trade	504,442	381,282
Prepaid expenses	178,155	219,460
Other	20,316	4,830
Total current assets	6,054,274	6,381,239
Non-current assets		
Property, plant and equipment		
Buildings	431,370	402,210
Accumulated depreciation	(221,841)	(199,537)
Buildings, net	209,528	202,672
Structures	16,479	16,479
Accumulated depreciation	(15,248)	(15,457)
Structures, net	1,230	1,022
Tools, furniture and fixtures	460,290	580,943
Accumulated depreciation	(282,796)	(367,320)
Tools, furniture and fixtures, net	177,494	213,623
Leased assets	182,095	154,235
Accumulated depreciation	(113,754)	(117,976)
Leased assets, net	68,340	36,259
Land	84,394	84,394
Total property, plant and equipment	540,988	537,972
Intangible assets		
Software	1,188,857	1,262,416
Software in progress	148,295	199,089
Telephone subscription right	3,806	3,806
Leased assets	261	—
Total intangible assets	1,341,221	1,465,312
Investments and other assets		
Investment securities	1,234,859	1,359,193
Shares of subsidiaries and associates	24,680	24,680
Long-term prepaid expenses	111,355	144,252
Deferred tax assets	334,734	248,771
Other	390,129	390,589
Total investments and other assets	2,095,759	2,167,487
Total non-current assets	3,977,969	4,170,771
Total assets	10,032,243	10,552,011

	Thousands of yen	
	Previous term end (as of June 30, 2019)	Current term end (as of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	332,221	627,020
Lease obligations	35,022	29,280
Accounts payable - other	148,407	92,836
Accrued expenses	178,874	157,946
Income taxes payable	359,462	61,971
Advances received	1,428,303	1,381,890
Deposits received	128,769	110,191
Provision for bonuses	278,538	295,182
Provision for bonuses for directors (and other officers)	40,175	42,682
Asset retirement obligations	9,664	—
Other	118,992	151,626
Total current liabilities	3,058,430	2,950,627
Non-current liabilities		
Lease obligations	39,292	10,010
Provision for retirement benefits	451,172	490,430
Provision for retirement benefits for directors (and other officers)	23,885	30,052
Asset retirement obligations	86,947	87,421
Total non-current liabilities	601,297	617,914
Total liabilities	3,659,728	3,568,542
Net assets		
Shareholders' equity		
Share capital	843,750	843,750
Capital surplus		
Legal capital surplus	559,622	559,622
Other capital surplus	1,564	13,477
Total capital surpluses	561,186	573,099
Retained earnings		
Legal retained earnings	18,000	18,000
Other retained earnings		
General reserve	2,600,000	2,600,000
Retained earnings brought forward	1,900,091	2,425,372
Total retained earnings	4,518,091	5,043,372
Treasury shares	(14,955)	(26,712)
Total shareholders' equity	5,908,072	6,433,508
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	464,442	549,960
Total valuation and translation adjustments	464,442	549,960
Total net assets	6,372,515	6,983,469
Total liabilities and net assets	10,032,243	10,552,011

(2) Income Statement

	Thousands of yen	
	Previous term (from July 1,2018 to June 30,2019)	Current term (from July 1,2019 to June 30,2020)
Net sales		
Net sales of finished goods	8,431,256	8,529,159
Net sales of goods	2,012,044	2,391,689
Total net sales	10,443,300	10,920,848
Cost of sales		
Cost of products manufactured	6,193,047	6,285,862
Cost of finished goods sold	6,193,047	6,285,862
Beginning goods	23,505	13,119
Cost of purchased goods	1,433,194	1,667,931
Total	1,456,700	1,681,051
Ending goods	13,119	26,675
Cost of goods sold	1,443,580	1,654,375
Total cost of sales	7,636,627	7,940,237
Gross income	2,806,672	2,980,611
Selling, general and administrative expenses	1,885,084	1,944,275
Operating income	921,588	1,036,335
Non-operating income		
Interest income	70	55
Interest on securities	629	596
Dividend income	25,097	44,926
Insurance claim income	4,000	28,028
Subsidy income	4,474	—
Other	2,831	3,396
Total non-operating income	37,102	77,004
Non-operating expenses		
Interest expenses	162	93
Commitment fee	3,597	3,743
Foreign exchange losses	1,032	—
Compensation expenses	—	33,679
Other	316	996
Total non-operating expenses	5,109	38,512
Ordinary income	953,581	1,074,827
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Total extraordinary losses	—	—
Income before income taxes	953,581	1,074,827
Income taxes - current	442,428	264,553
Income taxes - deferred	(172,738)	48,220
Total income taxes	269,690	312,774
Net income	683,891	762,053

(3) Statement of Changes in Net Assets

Previous term (from July 1, 2018 to June 30, 2019)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Treasury stock
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,400,414	(14,872)
Changes of items during period								
Dividends of surplus							(184,213)	(184,213)
Net income							683,891	683,891
Purchase of treasury stock								(83)
Disposal of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	—	499,677	(83)
Balance at end of current period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,900,091	(14,955)

	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 current period	5,408,478	306,807	306,807	5,715,286
Changes of items during period				
Dividends of surplus	(184,213)			(184,213)
Net income	683,891			683,891
Purchase of treasury stock	(83)			(83)
Disposal of treasury stock				—
Net changes of items other than shareholders' equity		157,635	157,635	157,635
Total changes of items during period	499,593	157,635	157,635	657,229
Balance at end of current period	5,908,072	464,442	464,442	6,372,515

Current term (from July 1, 2019 to June 30, 2020)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	843,750	559,622	1,564	561,186	18,000	2,600,000	1,900,091	4,518,091	(14,955)
Changes of items during period									
Dividends of surplus							(236,772)	(236,772)	
Net income							762,053	762,053	
Purchase of treasury stock									(136,125)
Disposal of treasury stock			11,912	11,912					124,368
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	11,912	11,912	—	—	525,280	525,280	(11,757)
Balance at end of current period	843,750	559,622	13,477	573,099	18,000	2,600,000	2,425,372	5,043,372	(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 current period	5,908,072	464,442	464,442	6,372,515
Changes of items during period				
Dividends of surplus	(236,772)			(236,772)
Net income	762,053			762,053
Purchase of treasury stock	(136,125)			(136,125)
Disposal of treasury stock	136,281			136,281
Net changes of items other than shareholders' equity		85,517	85,517	85,517
Total changes of items during period	525,436	85,517	85,517	610,953
Balance at end of current period	6,433,508	549,960	549,960	6,983,469

(4) Cash Flow Statement

	Thousands of yen	
	Previous term (from July 1,2018 to June 30,2019)	Current term (from July 1,2019 to June 30,2020)
Cash flows from operating activities		
Income before income taxes	953,581	1,074,827
Depreciation	707,556	605,658
Share-based compensation expenses	43,788	66,763
Increase (decrease) in provision for bonuses	41,283	16,644
Increase (decrease) in provision for product warranties	(14,580)	—
Increase (decrease) in provision for bonuses for directors (and other officers)	21,215	2,506
Increase (decrease) in provision for retirement benefits	29,618	39,257
Increase (decrease) in provision for retirement benefits for directors (and other officers)	1,782	6,167
Insurance income	(4,000)	(28,028)
Interest and dividend income	(25,797)	(45,579)
Subsidy income	(4,474)	—
Interest expenses	162	93
Compensation expenses	—	33,679
Commitment fee	3,597	3,743
Decrease (increase) in notes and accounts receivable	11,682	(311,178)
Decrease (increase) in inventories	(93,892)	227,409
Increase (decrease) in notes and accounts payable	(315,523)	406,189
Other	26,607	(34,519)
Subtotal	1,382,608	2,063,635
Interest and dividends received	25,846	45,641
Interest expenses paid	(151)	(93)
Commitment fee paid	(3,906)	(3,742)
Proceeds from subsidy income	4,474	—
Proceeds from insurance income	4,000	28,028
Compensation expenses paid	—	(33,679)
Income taxes paid	(175,532)	(552,724)
Net cash provided by (used in) operating activities	1,237,338	1,547,066
Cash flows from investing activities		
Purchase of property, plant and equipment	(92,265)	(181,455)
Purchase of intangible assets	(411,728)	(579,751)
Purchase of investment securities	(304,077)	(1,664)
Proceeds from redemption of investment securities	250,000	—
Collection of loans receivable	600	568
Other	(44,434)	9,732
Net cash provided by (used in) investing activities	(601,905)	(752,569)
Cash flows from financing activities		
Purchase of treasury stock	(83)	(136,125)
Cash dividends paid	(183,991)	(236,384)
Repayments of lease obligations	(35,510)	(35,024)
Net cash provided by (used in) financing activities	(219,585)	(407,534)
Effect of exchange rate change on cash and cash equivalents	(632)	(11)
Net increase (decrease) in cash and cash equivalents	415,215	386,950
Cash and cash equivalents at beginning of period	2,839,698	3,254,913
Cash and cash equivalents at end of period	3,254,913	3,641,864

4. 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.

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.
Method of amortizing actuarial gains and losses and prior service costs	<p>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.</p> <p>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.</p>

(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. Revenue Recognition

Standards for recording revenue and expenses related to custom-made software development

(1) Development of custom-made software for which the results of progress up to the end of the current fiscal year are recognized to be certain

Percentage-of-completion method
(cost-to-cost method for estimating percentage-of-completion)

(2) Other custom-made software development

Completed-contract method

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

6. Other Significant Items Forming the Basis for Preparation of Financial Statements

(1) Accounting for consumption tax

Consumption taxes are accounted for using the tax-excluded method.

(Equity in earnings of affiliates, etc.)	(Thousands of yen)	
	Previous term end (as of June 30, 2019)	Current term end (as of June 30, 2020)
Investments in affiliates	24,680	24,680
Investments accounted for using the equity method	130,400	125,953
Equity in earnings of affiliates	4,647	8,880

(Business Segment)

1. The outline of any Reporting Segment

Our reportable segments are components of our business for which separate financial information is available and which are subject to regular review by the Board of Directors in order to determine the allocation of management resources and evaluate business performance.

We have two reportable segments: The Financial Systems Solutions Business, which provides maintenance services to customers in the financial industry by integrating hardware and software, centered on software development, and delivering value-added systems. The Product Solutions Business, which provides maintenance services by delivering high-value-added systems using in-house packaged software for the information security field and other applications; and the package software produced by other companies used for cyber security countermeasures.

2. Calculation method for net sales, profit or loss, assets, and other items by reportable segment

The accounting methods for reportable segments are generally the same as those described in "Significant accounting policy."

Income of reportable segments is based on operating income.

3. Information on sales, profit or loss, assets, and other items by reportable segment

Previous term (from July 1, 2018 to June 30, 2019)

(Thousands of yen)

	Business Segments			Adjustments*1	Total*2
	Financial System Solutions Business	Product Solutions Business	Sub total		
Net Sales					
To external customers	9,336,840	1,106,459	10,443,300	—	10,443,300
Intersegment internal sales and transfers	—	—	—	—	—
Total	9,336,840	1,106,459	10,443,300	—	10,443,300
Segment income	890,458	31,129	921,588	—	921,588
Segment assets	8,226,136	755,980	8,982,117	1,050,126	10,032,243
Other items					
Amortization	677,166	30,390	707,556	—	707,556
Increase in tangible and intangible fixed assets	805,556	19,776	825,332	—	825,332

*1. The segment asset adjustment of ¥1,050,126 thousands is comprised of corporate assets. The main assets are related to the Business Administration Division.

*2. The total amount of segment income is the same as the operating income in the income statement, so no adjustments have been made.

Current term (from July 1, 2019 to June 30, 2020)

Thousands of yen

	Business Segments			Adjustments*1	Total*2
	Financial System Solutions Business	Product Solutions Business	Sub total		
Net Sales					
To external customers	9,857,502	1,063,346	10,920,848	—	10,920,848
Intersegment internal sales and transfers	—	—	—	—	—
Total	9,857,502	1,063,346	10,920,848	—	10,920,848
Segment income	1,123,838	(87,502)	1,036,335	—	1,036,335
Segment assets	8,825,752	602,569	9,428,322	1,123,689	10,552,011
Other items					
Amortization	588,469	17,189	605,658	—	605,658
Increase in tangible and intangible fixed assets	710,531	16,623	727,155	—	727,155

*1. The segment asset adjustment of ¥1,123,689 thousands is comprised of corporate assets. The main assets are related to the Business Administration Division.

*2. The total amount of segment income is the same as the operating income in the income statement, so no adjustments have been made.

(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, 2018 to June 30, 2019)	Current term (from July 1, 2019 to June 30, 2020)
Net assets per share (Yen)	242.23	265.55
Net income per share (Yen)	25.99	29.00

*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, 2018 to June 30, 2019)	Current term (from July 1, 2019 to June 30, 2020)
Net income per share (Yen)		
Net income (Thousands of yen)	683,891	762,053
Non attributable to common shareholders	—	—
Net income attributes to common stocks (Thousands of yen)	683,891	762,053
Weighted-average number of common stocks outstanding for the period	26,312,352	26,273,290

(Significant subsequent events)

There is no applicable item.