

Summary of Non-consolidated Financial Results

for the third quarter of Fiscal Year Ending June 2019 (Japanese GAAP)

May 8, 2019

1. Financial results for this term (July 1, 2018 to March 31, 2019)

(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	%
3 rd Quarter, June 2019	7,689	(1.8)	675	84.2	688	84.5	466	95.8
3 rd Quarter, June 2018	7,828	29.3	366	(29.8)	373	(33.8)	238	(41.3)

	EPS	Fully diluted EPS
	Yen	Yen
3 rd Quarter, June 2019	17.74	—
3 rd Quarter, June 2018	9.07	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
3 rd Quarter, June 2019	9,562	6,026	63.0
FY ended June 2018	8,837	5,715	64.7

2. Dividends

	Dividend per share				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended June 30, 2018	—	0.00	—	7.00	7.00
Year ending June 30, 2019	—	0.00	—		
Year ending June 30, 2019 (Forecast)				7.00	7.00

(Note) Revision of forecasts on the dividends: No

3. Forecast of financial results for the fiscal year ending June 30, 2019
(July 1, 2018 to June 30, 2019)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	10,700	0.9	880	60.7	900	56.9	620	64.3	23.56

(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 March 31, 2019	26,340,000	As of June 30, 2018	26,340,000
(ii) Number of shares of treasury stock at year-end		28,833		23,800
(iii) Average number of shares during the full year		26,313,293	As of March 31, 2018	26,278,972

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1. Qualitative Information on Quarterly Results ended March 31, 2019

(1) Report of Operating Results

The domestic economy in the current nine months has been looked to continue gradually expanding despite the slowdown in the overseas economies.

In the major business domain of the company, financial industry and the credit-card industry, the favorable business environment such as the promotion of a cashless society and a varied payment method has kept its momentum.

In the current nine months period, the company recorded net sales of 7,689 million yen (1.8% decrease YOY), operating income of 675 million yen (84.2% YOY growth), ordinary income of 688 million yen (84.5% YOY growth), net income of 466 million yen (95.8 % YOY growth).

A large scale system development project in the Financial Systems Solutions segment had boosted the sales volume in the same period of the previous year, but the size of this project dropped in the current period. While the hardware sales in the Product Solutions segment had achieved high performance in the same period of the previous year, it declined in the current period. As a result, the net sales of the company ended under the previous year's result.

In the third quarter, from January 1 to March 31, 2019, the operating income in this period has grown significantly, thanks to the sales of the in-house development product increase.

(Financial Systems Solutions Business)

This business segment has recorded the net sales from software development, maintenance service, and sales of software product and hardware product, to customers that consist of credit-card companies mainly.

The company recorded net sales of 7,068 million yen (0.9% YOY growth) and operating income of 748 million yen (50.8% YOY growth).

The sales of the software development declined due to the reduction of the size of the one large scale system development project.

In the third quarter, the sales of the in-house development software package for the FEP (Front End Processing) system development projects grew significantly. The part of the in-house packages sales, which was planned to be recorded in the fourth quarter, was brought forward to the third quarter.

Operating income of the segment recorded a large increase year over year by the sales of the in-house development packages. No unprofitable system development project was recorded in the current period.

(Product Solutions Business)

This business segment has recorded the net sales of 620 million yen (24.6% decrease YOY) and operating loss of 72million yen (loss of 129million yen in the same period of the previous year) by the sales of the CWAT, in-house development software, preventing information leakage from organizations inside and the sales of the TRAPS, third-party software, defending cyber-attacks from networks.

While the sales of the in-house development software topped year over year, the sales of the hardware resulted below year over year.

(2) Report of Financial Position

(Assets)

The balance of assets at the end of the third quarter of the current fiscal year increased by 725 million yen from the end of the previous fiscal year to 9,562 million yen. Current assets increased by 609 million yen from the end of the previous fiscal year to 5,643 million yen. This was mainly due to an increase of 234 million yen in notes and accounts receivable and an increase of 217 million yen in inventories. Non-current assets increased 115 million yen from the end of the previous fiscal year to 3,918 million yen. This was mainly due to an increase of 229 million yen in software, an increase of 94 million yen in investment securities, and a decrease of 61 million yen in allowance for doubtful accounts.

(Liabilities)

The balance of liabilities at the end of the third quarter of the current fiscal year increased by 413 million yen

from the end of the previous fiscal year to 3,535 million yen. This was mainly due to increases of 237 million yen in income taxes payable and 417 million yen in advances received, and notes and accounts payable decreased by 230 million yen.

(Net Assets)

Net assets at the end of the third quarter of the fiscal year increased 311 million yen from the end of the previous fiscal year to 6,026 million yen. This was mainly due to an increase of 282 million yen in retained earnings and an increase of 28 million yen in valuation difference on available-for-sale securities.

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

There is no revision to the business forecast announced on August 1, 2018, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2018".

2. Financial Statements

(1) Balance Sheet

Thousands of yen

	Previous term end (as of June 30, 2018)	Current term end (as of March 31, 2019)
Assets		
Current assets		
Cash and deposits	2,839,698	2,831,358
Notes and accounts receivable	1,092,603	1,327,482
Inventories	547,000	764,870
Other	554,733	719,743
Total current assets	5,034,035	5,643,456
Non-current assets		
Property, plant and equipment	519,838	510,483
Intangible assets		
Software	1,098,004	1,327,101
Other	416,842	58,959
Total intangible assets	1,514,846	1,386,061
Investments and other assets		
Investment securities	954,052	1,049,001
Other	875,874	973,350
Allowance for doubtful accounts	(61,629)	—
Total investments and other assets	1,768,297	2,022,351
Total non-current assets	3,802,981	3,918,896
Total assets	8,837,017	9,562,352
Liabilities		
Current liabilities		
Notes and accounts payable	543,354	312,604
Income taxes payable	83,433	321,000
Advances received	1,053,670	1,471,190
Provision for product warranties	14,580	—
Provision for bonuses	237,254	392,921
Provision for directors' bonuses	18,960	56,206
Asset retirement obligations	—	9,664
Other	571,559	390,568
Total current liabilities	2,522,812	2,954,156
Non-current liabilities		
Provision for retirement benefits	421,554	439,670
Provision for directors' retirement benefits	22,102	22,356
Asset retirement obligations	80,948	71,838
Other	74,313	47,636
Total non-current liabilities	598,918	581,501
Total liabilities	3,121,730	3,535,657

Thousands of yen

	Previous term end (as of June 30,2018)	Current term end (as of March 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	561,186	561,186
Retained earnings	4,018,414	4,301,055
Treasury stock	(14,872)	(14,898)
Total shareholders' equity	5,408,478	5,691,093
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	306,807	335,600
Total valuation and translation adjustments	306,807	335,600
Total net assets	5,715,286	6,026,694
Total liabilities and net assets	8,837,017	9,562,352

(2) Income Statement

Thousands of yen

	Previous term (from July 1, 2017 to March 31, 2018)	Current term (from July 1, 2018 to March 31, 2019)
Net sales	7,828,993	7,689,283
Cost of sales	6,242,105	5,607,228
Gross income	1,586,887	2,082,055
Selling, general and administrative expenses	1,220,151	1,406,528
Operating income	366,736	675,527
Non-operating income		
Interest income	773	342
Dividend income	6,292	5,663
Foreign exchange gains	383	—
Insurance income	—	4,000
Subsidy income	—	3,874
Other	2,968	2,333
Total non-operating income	10,417	16,214
Non-operating expenses		
Interest expenses	520	128
Commitment fee	2,905	2,903
Other	599	359
Total non-operating expenses	4,025	3,391
Ordinary income	373,128	688,350
Extraordinary income	—	—
Extraordinary losses		
Loss on retirement of non-current assets	50	—
Total extraordinary losses	50	—
Income before income taxes	373,078	688,350
Income taxes - current	194,136	414,943
Income taxes - deferred	(59,478)	(193,446)
Total income taxes	134,658	221,496
Net income	238,419	466,854

(3) Notes

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the third quarter of the current fiscal year (July 1, 2018 to March 31, 2019),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the third quarter of the current fiscal year (July 1, 2018 to March 31, 2019),

Not applicable.

(Additional Information)

(Adaption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Effective from the beginning of the first quarter of the current fiscal year, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). As a result, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Non-current liabilities."

(Business Segment)

1. Previous term (from July 1, 2017 to March 31, 2018)

Net Sales and income or loss by reporting segment

Thousands of yen

	Business Segments			Total
	Financial System Solutions Business	Product Solutions Business	Sub total	
Net Sales				
To external customers	7,005,953	823,039	7,828,993	7,828,993
Intersegment internal sales and transfers	—	—	—	—
Total	7,005,953	823,039	7,828,993	7,828,993
Segment income	496,170	(129,434)	366,736	366,736

2. Current term (from July 1, 2018 to March 31, 2019)

Net Sales and income or loss by reporting segment

Thousands of yen

	Business Segments			Total
	Financial System Solutions Business	Product Solutions Business	Sub total	
Net Sales				
To external customers	7,068,312	620,971	7,689,283	7,689,283
Intersegment internal sales and transfers	—	—	—	—
Total	7,068,312	620,971	7,689,283	7,689,283
Segment income	748,467	(72,940)	675,527	675,527