

## Summary of Non-consolidated Financial Results

### for the Fiscal Year Ended June 30, 2024 (Japanese GAAP)

August 7, 2024

## 1. Financial results for the year in review (July 1, 2023 to June 30, 2024)

(Percentages represents year-on-year changes)

(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	%
Year ended June 30, 2024	14,518	8.5	2,030	30.5	2,072	29.3	1,420	21.9
Year ended June 30, 2023	13,374	16.4	1,556	2.4	1,603	3.0	1,165	10.4

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
	Yen	Yen	%	%	%
Year ended June 30, 2024	54.19	—	15.8	13.6	14.0
Year ended June 30, 2023	44.34	—	13.8	12.1	11.6

(Reference) Equity in earnings of affiliates: As of June 2024, ¥17 million.

As of June 2023, ¥11 million.

## (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended June 30, 2024	16,847	9,222	54.7	352.26
Year ended June 30, 2023	13,683	8,799	64.3	334.84

(Reference) Shareholders' equity: As of June 2024, ¥9,222 million.

As of June 2023, ¥8,799 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 30, 2024	3,815	(2,681)	(1,018)	4,813
Year ended June 30, 2023	3,122	(1,913)	(448)	4,694

## 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			
Year ended June 30, 2023	Yen —	Yen 0.00	Yen —	Yen 20.00	Yen 20.00	Million yen 525	% 45.1	% 6.2
Year ended June 30, 2024	—	15.00	—	25.00	40.00	1,051	73.8	11.6
Year ending June 30, 2025 (Forecast)	—	15.00	—	20.00	35.00		57.9	

(Note) Breakdown of dividends for the fiscal year ended June 30, 2024

Ordinary dividend: 15.00 yen

Commemorative dividend: 10.00 yen

### 3. Forecast of financial results for the fiscal year ending June 30, 2025 (July 1, 2024 to June 30, 2025)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	7,500	8.0	860	0.9	880	2.3	610	4.3	23.21
Full year	16,000	10.2	2,250	10.8	2,290	10.5	1,590	11.9	60.50

#### 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

- (i) Number of shares issued as of period-end (including treasury stock)
- (ii) Number of shares of treasury stock as of period-end
- (iii) Average number of shares during period

As of June 30, 2024	26,340,000	As of June 30, 2023	26,340,000
As of June 30, 2024	158,286	As of June 30, 2023	60,051
As of June 30, 2024	26,219,449	As of June 30, 2023	26,280,612

Note: The company has implemented a stock compensation system, "Board Benefit Trust (BBT)", from the second quarter of this fiscal year. The number of treasury shares at the end of the period includes the shares of the company held by the trust (98,200 shares in the fiscal year ended June 2024). Additionally, the shares of the company held by the trust are included in the treasury shares deducted in the calculation of the average number of shares during the period (60,469 shares in the fiscal year ended June 2024).

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

#### 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 (4) Business and Other Forecasts" on page 6 of the accompanying materials for the assumptions underlying the performance and notes on the utilization of earnings forecasts.

The company plans to hold a financial results briefing for institutional investors and securities analysts on August 9, 2024. The presentation materials will be posted on the company's website shortly after the event.

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## 1. Overview of Operating Results

### (1) Report of Operating Results

In FY06/2024, the domestic economy made a moderate recovery. Despite a slight stall in the recovery of consumer spending, capital investment picked up and software investment also increased. Business performance remained solid. 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 2023 was 39.3%, and the cashless payment value was ¥126.7 trillion. 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 working to strengthen and expand 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 services, 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 our 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 initiatives and dialogues involving all employees through internal activities such as the Business Reliability Project and the Co-Creation Project.

For the fiscal year under review, net sales were ¥14,518 million (up 8.5% year on year), operating income was ¥2,030 million (up 30.5% year on year), and the operating profit margin was 14.0%. In August 2021, we announced our medium-term business plan, "15ALL," and have been striving to achieve our target figures of net sales of ¥15 billion and an operating profit margin of 15.0% by the end of June 2024. Although we fell just short of the targets, the sales growth rate (CAGR) over the past three years was 9.1%, significantly expanding our business scale and resulting in the highest ever sales and profits in the current fiscal year.

In particular, in system development in the payment business domain, sales growth was driven by an order for the development of an acquiring system for a major credit card company as a new area of business. Additionally, sales increased among existing customer card companies as we expanded our payment domain beyond the core FEP\* system and fraud detection system.

In the area of cloud services, which we targeted for expansion under this medium-term business plan, our sales growth rate (CAGR) over the past three years was 38.5%. Our cloud services have become a preferred option for new business companies launching card and payment businesses. In the area of card fraud detection, the adoption of joint-use fraud detection services increased, particularly among small and medium-sized credit card companies.

As for the breakdown of sales for the current fiscal year, there was a significant increase driven by the development of acquiring systems for major credit card companies and the growing number of users of our cloud services. In security, in addition to narrowing down the number of products handled, sales also increased due to contributions from the sales of cryptographic key management systems (Hardware Security Module) and ID management solutions during the current fiscal year.

Gross profit increased due to higher sales and steadily improved gross margins in system development and cloud services. Selling, general and administrative (SG&A) expenses remained at the same level as in the previous year, thanks to cost optimization efforts. As a result, operating income was ¥2,030 million (up 30.5% year on year), ordinary income was ¥2,072 million (up 29.3% year on year), and net income was ¥1,420 million (up 21.9% year on year). In terms of orders, we received ¥20,128 million (up 36.1% year on year) and

had orders on hand of ¥16,584 million (up 51.1% year on year). Both orders and orders on hand increased significantly, primarily driven by multi-year contracts in cloud services and security.

Specifically in cloud services, net sales were ¥2,504 million (up 34.1% year on year), and gross profit was ¥350 million (up 1.5 times year on year). Orders for cloud services are mainly multi-year contracts with orders on hand at ¥9,426 million as of the end of June.

In the payment business domain, we are primarily developing front-end processing (FEP) systems and fraud detection systems for credit card companies. The core of the systems consists of In-house products, such as “NET+1” and “ACEPlus.” In the development of FEP systems, we separately record sales of in-house products, system development sales that are customized to meet the functional requirements of customers, and sales of hardware equipped with software we have developed. 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)

The balance of assets as of June 30, 2024 (end-FY06/2024) increased by ¥3,163 million from the end of the previous fiscal year to ¥16,847 million. Current assets increased by ¥1,416 million from the end of the previous fiscal year to ¥9,279 million. This was mainly due to an increase of ¥561 million in advance payments to suppliers and an increase of ¥470 million in notes and accounts receivable - trade, and contract assets.

Non-current assets increased by ¥1,747 million from the end of the previous fiscal year to ¥7,567 million. This was mainly due to an increase of ¥1,257 million in intangible assets and an increase of ¥347 million in tools, furniture and fixtures, net.

### (Liabilities)

The balance of liabilities at the end of FY06/2024 increased by ¥2,740 million from the end of the previous fiscal year to ¥7,624 million. This was mainly due to an increase of ¥2,192 million in advances received.

### (Net Assets)

The balance of net assets at the end of FY06/2024 increased by ¥423 million from the end of the previous fiscal year to ¥9,222 million. This was mainly due to the acquisition of treasury shares of ¥99 million by introducing the Board Benefit Trust (BBT) and an increase of ¥500 million in retained earnings.

## (3) Report of Cash Flows

The balance of cash and deposits at the end of FY06/2024 was ¥4,813 million, an increase of ¥119 million from the end of the previous fiscal year.

### (Cash flows from operating activities)

Net cash provided by operating activities in FY06/2024 amounted to ¥3,815 million, increasing from the previous fiscal year by 22.2%. This was mainly due to the recording of income before income taxes of ¥2,072 million and depreciation costs as a non-cash item of ¥1,142 million.

### (Cash flows from investing activities)

Net cash used in investing activities in FY06/2024 was ¥2,681 million (compared with ¥1,913 million used in

the previous fiscal year). This was mainly due to an expenditure of ¥2,031 million for the purchase of intangible fixed assets for the development of software for sales purposes and internal use.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,018 million (¥448 million used in the previous fiscal year). This was mainly due to cash dividends paid of ¥917 million.

Cash flow indicators are as follows.

	FY06/2023	FY06/2024
Shareholders' equity ratio (%)	64.3	54.7
Equity ratio based on market value (%)	147.1	167.8
Debt amortization schedule (number of years)	0.0	0.0
Interest coverage ratio (times)	-	-

(Notes) 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) Business and Other Forecasts

We have formulated the new three-year medium-term management plan starting from the fiscal year ending June 2025. Under the theme "Transformation for the Future," we are working to diversify our business and establish a foundation for sustainable growth toward the 2030s.

In our core payment domain, we are targeting sustained growth. Simultaneously, we will work to expand our business in the security domain and new business domain utilizing our technological strengths. To achieve these goals, we will focus on three key transformations: "business," "technology," and "human resources." In addition, we will strengthen our competitiveness by further enhancing cooperation with the DNP Group, leveraging our respective customer bases. We have positioned these three years as a period to fortify our earnings base for business diversification, and will implement various measures to achieve stable growth over the medium to long term.

For the year ending 2027, the final year of our current medium-term management plan, we have set targets of net sales of ¥19,000 million, operating profit of ¥2,850 million (operating margin of 15.0%), and ROE of 17.0% or more.

In formulating the medium-term management plan, we have reorganized our business domains into three by the functions we provide, based on our business diversification policy. We will expand the business areas of our core payment domain by leveraging our unique products and advantageous position in the payment industry. We will contribute to the industry's digital transformation and lead the development of a cross-industry fraudulent use countermeasure scheme. In the security domain, we will focus on enhancing sales of our highly profitable proprietary products and expand our security business with a focus on IoT security. In addition, through co-creation with other companies, we will build a new security ecosystem from construction to operation by accumulating SOC (Security Operation Center) know-how, establishing it as our unique strength. In the data communication and analysis platform domain, we will explore new business opportunities by expanding into growing markets using our core "high-speed, large-capacity, and analysis" technologies. Our goal is to establish a unique market position by utilizing our proprietary products.

For the next fiscal year, the first year of our new medium-term management plan, we aim to achieve net sales of ¥16,000 million (up 10.2% year on year) and operating profit of ¥2,250 million (up 10.8% year on year). In our payment domain, we expect to expand sales mainly through the cloud services of FEP and card fraud

detection area. Additionally, in our security domain, we anticipate a significant increase in sales due to the introduction of products to a large company. In terms of profits, we will work to strengthen our profit base as we diversify our businesses, improve efficiency and optimize costs in existing businesses, particularly in the payment domain, and adjust prices to reflect the value of products and services provided.

(Reference) New medium-term management plan (millions of yen)

	FY06/2024 (Actual)	FY06/2025 (Forecast)	FY06/2026 (Plan)	FY06/2027 (Plan)
Net sales	14,518	16,000	17,000	19,000
Operating income (Operating margin)	2,030 (14.0%)	2,250 (14.1%)	2,400 (14.1%)	2,850 (15.0%)
ROE	15.8%	FY06/2027 : 17.0% or more		

(Reference) Sales by business domain (millions of yen)

	FY06/2024 (Actual)	FY06/2025 (Forecast)	FY06/2026 (Plan)	FY06/2027 (Plan)
Payment	12,152	12,950	13,700	14,600
Security	1,558	2,100	2,250	2,800
Data communication and analysis infrastructure	808	950	1,050	1,600

## 2. Basic Policy on Selecting Accounting Standards

The company employs Japanese accounting standards for financial reporting.

The company's policy is to respond appropriately to the adoption of the International Financial Reporting Standards (IFRS) in light of various circumstances in Japan and overseas.

## 2. Financial Statements

### (1) Balance Sheet

Thousands of yen

	Previous fiscal year (as of June 30,2023)	Current fiscal year (as of June 30,2024)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,694,621	4,820,601
Notes and accounts receivable - trade, and contract assets	1,982,679	2,453,677
Merchandise and finished goods	10,786	138,811
Work in process	216,725	206,116
Raw materials and supplies	20,112	21,225
Advance payments to suppliers	649,109	1,210,595
Prepaid expenses	288,329	422,403
Other	1,105	6,329
<b>Total current assets</b>	<b>7,863,470</b>	<b>9,279,761</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	494,356	512,830
Accumulated depreciation	(243,982)	(262,784)
Buildings, net	250,373	250,045
Structures	16,479	16,479
Accumulated depreciation	(15,823)	(15,894)
Structures, net	655	584
Tools, furniture and fixtures	1,439,168	2,058,927
Accumulated depreciation	(826,334)	(1,098,273)
Tools, furniture and fixtures, net	612,833	960,654
Leased assets	159,724	83,559
Accumulated depreciation	(156,614)	(81,547)
Leased assets, net	3,110	2,012
Land	84,394	84,394
Construction in progress	74,413	-
<b>Total property, plant and equipment</b>	<b>1,025,781</b>	<b>1,297,691</b>
<b>Intangible assets</b>		
Software	2,340,911	3,119,998
Software in progress	394,149	872,292
Telephone subscription right	3,806	3,806
<b>Total intangible assets</b>	<b>2,738,867</b>	<b>3,996,098</b>
<b>Investments and other assets</b>		
Investment securities	1,179,719	1,314,398
Shares of subsidiaries and associates	24,680	24,680
Long-term prepaid expenses	75,315	95,219
Deferred tax assets	389,440	485,451
Other	386,367	354,203
<b>Total investments and other assets</b>	<b>2,055,522</b>	<b>2,273,952</b>
<b>Total non-current assets</b>	<b>5,820,170</b>	<b>7,567,742</b>
<b>Total assets</b>	<b>13,683,641</b>	<b>16,847,503</b>



Thousands of yen

	Previous fiscal year (as of June 30,2023)	Current fiscal year (as of June 30,2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	473,097	632,961
Lease liabilities	1,207	1,207
Accounts payable - other	213,228	347,215
Accrued expenses	180,528	218,908
Income taxes payable	314,629	539,228
Advances received	2,324,707	4,517,696
Deposits received	145,297	146,788
Provision for bonuses	303,957	307,703
Provision for bonuses for directors	41,782	28,870
Other	167,316	65,967
Total current liabilities	<u>4,165,752</u>	<u>6,806,548</u>
Non-current liabilities		
Lease obligations	2,213	1,006
Provision for retirement benefits	606,007	626,850
Provision for retirement benefits for directors	12,975	-
Provision for share awards	-	4,193
Provision for share awards for directors	-	8,920
Asset retirement obligations	97,050	97,192
Other	-	79,954
Total non-current liabilities	<u>718,247</u>	<u>818,116</u>
Total liabilities	<u>4,883,999</u>	<u>7,624,665</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus		
Legal capital surplus	559,622	559,622
Other capital surplus	13,477	13,477
Total capital surplus	<u>573,099</u>	<u>573,099</u>
Retained earnings		
Legal retained earnings	18,000	18,000
Other retained earnings		
General reserve	2,600,000	2,600,000
Retained earnings brought forward	4,300,282	4,801,262
Total retained earnings	<u>6,918,282</u>	<u>7,419,262</u>
Treasury shares	<u>(26,712)</u>	<u>(126,570)</u>
Total shareholders' equity	<u>8,308,419</u>	<u>8,709,542</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	491,222	513,296
Total valuation and translation adjustments	<u>491,222</u>	<u>513,296</u>
Total net assets	<u>8,799,641</u>	<u>9,222,838</u>
Total liabilities and net assets	<u>13,683,641</u>	<u>16,847,503</u>

## (2) Income Statement

Thousands of yen

	Previous fiscal year (from July 1,2022 to June 30,2023)	Current fiscal year (from July 1,2023 to June 30,2024)
Net sales		
Net sales of finished goods	10,457,299	11,974,957
Net sales of goods	2,917,637	2,543,335
Total net sales	13,374,937	14,518,293
Cost of sales		
Cost of products manufactured	7,319,407	8,184,196
Cost of finished goods sold	7,319,407	8,184,196
Beginning goods	46,759	10,786
Cost of purchased goods	1,749,724	1,754,128
Total	1,796,484	1,764,915
Ending goods	10,786	138,811
Cost of goods sold	1,785,697	1,626,103
Total cost of sales	9,105,104	9,810,299
Gross profit	4,269,832	4,707,993
Selling, general and administrative expenses	2,713,236	2,677,036
Operating income	1,556,595	2,030,956
Non-operating income		
Interest income	14	16
Interest on securities	1,418	3,364
Dividend income	48,745	50,603
Insurance claim income	-	17,503
Other	7,740	11,354
Total non-operating income	57,920	82,843
Non-operating expenses		
Commitment fee	5,239	5,256
Compensation expenses	1,438	28,230
Other	4,668	7,329
Total non-operating expenses	11,346	40,816
Ordinary income	1,603,169	2,072,983
Income before income taxes	1,603,169	2,072,983
Income taxes - current	516,126	757,958
Income taxes - deferred	(78,209)	(105,752)
Total income taxes	437,917	652,206
Net income	1,165,252	1,420,777

**(3) Statement of Changes in Net Assets**

Previous term (from July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at beginning of period	843,750	559,622	13,477	573,099	18,000	2,600,000	3,581,843	6,199,843	(26,712)
Changes of items during period									
Dividends of surplus							(446,813)	(446,813)	
Net income							1,165,252	1,165,252	
Purchase of treasury shares									
Purchase of treasury shares by stock ownership plan trust									
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	-	718,439	718,439	-
Balance at end of period	843,750	559,622	13,477	573,099	18,000	2,600,000	4,300,282	6,918,282	(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 period	7,589,980	449,184	449,184	8,039,164
Changes of items during period				
Dividends of surplus	(446,813)			(446,813)
Net income	1,165,252			1,165,252
Purchase of treasury shares				-
Purchase of treasury shares by stock ownership plan trust				-
Net changes of items other than shareholders' equity		42,038	42,038	42,038
Total changes of items during period	718,439	42,038	42,038	760,477
Balance at end of period	8,308,419	491,222	491,222	8,799,641

Current term (from July 1, 2023 to June 30, 2024)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings	Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at beginning of period	843,750	559,622	13,477	573,099	18,000	2,600,000	4,300,282	6,918,282	(26,712)
Changes of items during period									
Dividends of surplus							(919,797)	(919,797)	
Net income							1,420,777	1,420,777	
Purchase of treasury shares									(31)
Purchase of treasury shares by stock ownership plan trust									(99,825)
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	-	500,979	500,979	(99,857)
Balance at end of period	843,750	559,622	13,477	573,099	18,000	2,600,000	4,801,262	7,419,262	(126,570)

	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 period	8,308,419	491,222	491,222	8,799,641
Changes of items during period				
Dividends of surplus	(919,797)			(919,797)
Net income	1,420,777			1,420,777
Purchase of treasury shares	(31)			(31)
Purchase of treasury shares by stock ownership plan trust	(99,825)			(99,825)
Net changes of items other than shareholders' equity		22,073	22,073	22,073
Total changes of items during period	401,122	22,073	22,073	423,196
Balance at end of period	8,709,542	513,296	513,296	9,222,838

#### (4) Cash Flow Statement

Thousands of yen

	Previous fiscal year (from July 1,2022 to June 30,2023)	Current fiscal year (from July 1,2023 to June 30,2024)
Cash flows from operating activities		
Income before income taxes	1,603,169	2,072,983
Depreciation	970,235	1,142,283
Share-based payment expenses	16,880	-
Increase (decrease) in provision for bonuses	14,616	3,746
Increase (decrease) in provision for directors' bonuses	(4,102)	(12,912)
Increase (decrease) in provision for retirement benefits	53,728	20,843
Increase (decrease) in provision for directors' retirement benefits	(9,590)	(12,975)
Increase (decrease) in provision for share awards	-	4,193
Increase (decrease) in provision for directors' share awards	-	8,920
Insurance claim income	-	(17,503)
Interest and dividend income	(50,179)	(53,985)
Commitment fee	5,239	5,256
Compensation expenses	1,438	28,230
Decrease (increase) in notes and accounts receivable	1,180,398	1,721,991
Decrease (increase) in inventories	65,735	(118,529)
Increase (decrease) in notes and accounts payable	(519,295)	(400,711)
Other	288,498	(77,805)
Subtotal	3,616,773	4,314,026
Interest and dividends received	49,629	53,411
Commitment fee paid	(5,241)	(4,886)
Proceeds from insurance income	-	17,503
Compensation expenses paid	(4,621)	(23,480)
Income taxes paid	(534,427)	(541,168)
Cash flows from operating activities	3,122,112	3,815,405
Cash flows from investing activities		
Purchase of property, plant and equipment	(577,142)	(576,856)
Purchase of intangible assets	(1,415,719)	(2,031,204)
Purchase of investment securities	(202,643)	(102,862)
Proceeds from redemption of securities	300,000	-
Collection of loans receivable	80	-
Cancellation of insurance funds	21,185	29,271
Other	(38,854)	531
Cash flows from investing activities	(1,913,094)	(2,681,120)
Cash flows from financing activities		
Cash dividends paid	(446,355)	(917,238)
Repayments of lease obligations	(2,637)	(1,207)
Purchase of treasury shares	-	(99,857)
Cash flows from financing activities	(448,992)	(1,018,303)
Effect of exchange rate change on cash and cash equivalents	1,949	3,290
Net increase (decrease) in cash and cash equivalents	761,974	119,272
Cash and cash equivalents at beginning of period	3,932,647	4,694,621
Cash and cash equivalents at end of period	4,694,621	4,813,894

(5) 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 inventory valuation

Merchandise, work in process and supplies

Inventories are stated at cost determined by the specific identification method. (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 (five 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 (three 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 bonuses

Allowance for employees' bonuses is provided at an estimated amount to be paid in the current fiscal year.

(3) Provision for directors' bonuses

Accrued bonuses for directors and corporate auditors are provided at an amount calculated based on the estimated amount to be paid in the current fiscal year.

(4) 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.

- |     |   |   |
|-----|---|---|
| i.  | 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.   |
| ii. | Method of amortizing actuarial gains and losses and prior service costs | 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.<br>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. |

(5) Provision for awards

Provision for awards is recorded for the estimated amount of stock compensation obligations at the end of the current fiscal year, in preparation for the distribution of our company's stock to executive officers, in accordance with our internal regulations.

(6) Provision for share awards for directors

In preparation for the distribution of our company's stock to officers, provision for share awards for directors is recorded for the estimated amount of stock compensation obligations at the end of the current fiscal year, in accordance with our internal regulations.

4. Accounting standard for revenues and expenses

Revenues from contracts with clients

We recognize the revenues by applying the following five steps.

Step 1: Identify the contracts with clients

Step 2: Identify performance obligations stemming from the contracts

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize the revenues when (or as) the performance obligations are fulfilled

We develop software and sell products and goods, offer maintenance and other services, and we recognize respective revenues as follows.

Revenues are measured based on the compensation stated in the contract with the client and exclude any sums collected on behalf of third parties. We recognize the revenues once the goods or services have been transferred to the client.

Compensation for the performance obligations is typically received within one year after fulfilling the obligations and does not include any important financial components.

i. Software development

Revenue sources from software development include system development based on entrustment contracts and quasi-mandate contracts.

Regarding transactions based on entrustment contracts, the system, etc. under development may not be set aside for other clients or different purposes and these contracts include enforceable rights for payment upon the completion of work. Consequently, we recognize the revenue over a certain period of time as the system development progresses, employing the cost to cost method (sum corresponding to the ratio of cumulative actual costs to the total estimated cost as of the end of the period). Revenues recognized before billing clients are recognized as contract assets. However, in cases where the construction period is very short and the sum is not significant, the revenue is recognized at the point of receipt and inspection by the client.

With regard to transactions based on quasi-mandate contracts, where a certain level of service is typically provided over the contract period, we consider the performance obligations to be fulfilled over time and recognize the revenue based on a proportional division of the sum promised in the contract with each client

during the service period.

ii. Products and goods

Revenues from the sale of products and goods is generated through software, hardware, etc.

Our performance obligations are fulfilled by adhering to the delivery requirements specified in contracts. This includes handover of the products and goods such as software and hardware to clients and accepting the receipt and inspection. At that point, we recognize the revenue as the sum promised in the contract with the client.

Regarding the sale of software, specifically our in-house security tools, there is no significant difference in the time of shipping and handing over products to clients. As the client has acquired control over the products at the point of shipment, revenue is recognized at that point.

For the sale of goods, in cases where our company acts as an agent, revenue recognition is calculated as the net price. This net price results from deducting the sum paid to another party from the sum received for exchanging the goods provided by said other party. We recognize the revenue once the arrangements for delivering the goods to the client have been completed.

iii. Services

Revenues from the provision of services encompass maintenance, subscriptions, and cloud services.

These transactions involve routine or recurring services, and our performance obligations are fulfilled over time as we provide services to clients based on contracts. Revenue is proportionally allocated based on the amount promised in the contract over the service period. However, in cases where the sum is not significant, we recognize the revenue as one-time revenue in the month the maintenance or service begins.

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

(Change in Presentation)

(Income Statement)

'Foreign exchange losses', which were listed separately under 'Non-operating expenses' in the previous fiscal year, have been included in 'Other' from this fiscal year, as they were less than ten-hundredth of the total non-operating expenses.

To reflect this change in presentation, we are reclassifying the financial statements of the previous fiscal year. "Foreign exchange losses" (¥3,168 thousand in the previous fiscal year) and "Other" (¥1,500 thousand in the previous year), which were listed as "non-operating expenses" in the previous fiscal year, have been included in "Other" from this fiscal year.

(Additional Information)

(Introduction of Board Benefit Trust (BBT))

Based on the resolution of the 40<sup>th</sup> annual general meeting of shareholders held on September 27, 2023, the company has introduced a stock compensation system, Board Benefit Trust (BBT), for our directors (excluding external directors and non-residents of Japan) and executive officers (hereinafter referred to as "Directors, etc.") from the second quarter of the current fiscal period.

(1) Transaction overview

Under the Board Benefit Trust (BBT) stock compensation system, the company acquires its own stock through a trust using company-contributed funds. This stock, or its equivalent value in cash, is then provided to Directors, etc., generally at the time of their retirement, in accordance with our internal regulations.

(2) Company stock remaining in the trust

The company stock remaining in the abovementioned trust is recorded as treasury shares in the net



assets section at book value (excluding incidental expenses). As of the end of the third quarter of the current fiscal period, the book value and the number of such treasury shares are ¥99,825 thousand and 98,200 shares, respectively.

- (3) Book value of borrowings accounted for by application of the gross method  
Not applicable.

(Equity in Earnings of Affiliates, etc.)

1. Affiliates

	(Thousands of yen)	
	Previous term end (as of June 30, 2023)	Current term end (as of June 30, 2024)
Investments in affiliates	24,680	24,680
Investments accounted for using the equity method	151,271	169,178
Equity in earnings of affiliates	11,518	17,431

2. Special purpose companies subject to disclosure

We do not have any special purpose companies subject to disclosure.

(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	
	Previous fiscal year (from July 1, 2022 to June 30, 2023)	Current fiscal year (from July 1, 2023, to June 30, 2024)
Net sales		
Software development	4,846,606	5,554,040
In-house products	305,203	184,001
System services	20,027	13,800
Third-party products	1,645,279	1,166,503
Maintenance	3,173,396	3,465,587
Maintenance of third-party products	725,808	747,982
Own services	2,112,066	2,757,528
Other services	546,549	628,850
Total	13,374,937	14,518,293
Timing of revenue recognition		
Goods and services transferred at a point in time	4,188,089	3,779,761
Goods and services transferred over a period of time	9,186,848	10,738,532
Total	13,374,937	14,518,293

(Earnings per Share)

The amounts of net income per share with the respective bases of calculation are as follows.

Items	Previous fiscal year (from July 1, 2022 to June 30, 2023)	Current fiscal year (from July 1, 2023 to June 30, 2024)
Net assets per share (yen)	334.84	352.26
Net income per share (yen)	44.34	54.19

\*1. No dilutive shares exist, so fully diluted EPS is not represented.

\*2. Net income per share is based on the following information:

Items	Previous term (from July 1, 2022 to June 30, 2023)	Current term (from July 1, 2023 to June 30, 2024)
Net income (thousands of yen)	1,165,252	1,420,777
Non-attributable to common shareholders	—	—
Net income attributable to common stocks (thousands of yen)	1,165,252	1,420,777
Weighted-average number of common stocks outstanding for the period	26,280,612	26,219,449

Note: The company has introduced Board Benefit Trust (BBT) from the current fiscal year, and the shares of the company held by the trust are included in the treasury stock deducted in the calculation of the total number of issued shares at the end of the fiscal year and the average number of shares during the fiscal year for the purposes of determining net assets per share and net income per share.

The total number of such treasury shares deducted in the current fiscal year was 98,200 shares, and the average number of shares during the period was 60,469 shares.

(Significant Subsequent Events)

Not applicable