

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Fiscal year ended June 30, 2022	Yen —	Yen 25.00	Yen —	Yen 35.00	Yen 60.00
Fiscal year ended June 30, 2023	—	35.00			
Fiscal year ending June 30, 2023 (forecast)			—	40.00	75.00

(Note) Revisions to the most recently announced dividend forecast during the period: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(Percentages indicate YoY change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	48,000	2.0	10,300	4.6	10,700	(1.4)	8,000	3.4	168.92

(Note) Revisions to the most recently announced financial forecast during the period: None

*Notes

- (1) Changes in significant subsidiaries during the period under review: None
(Transfers of specified subsidiaries associated with changes in the Company's scope of consolidation)
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies and accounting estimates and retrospective restatements
- | | |
|--|------|
| 1. Accounting policy changes due to accounting standard revisions, etc.: | Yes |
| 2. Other accounting policy changes: | None |
| 3. Changes in accounting estimates: | None |
| 4. Retrospective restatements: | None |

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury shares) at the end of the period	As of March 31, 2023	56,590,410	As of June 30, 2022	56,590,410
2. Treasury shares outstanding at the end of the period	As of March 31, 2023	9,230,187	As of June 30, 2022	9,229,915
3. Average number of shares outstanding during the period	Nine months ended March 31, 2023	47,360,301	Nine months ended March 31, 2022	47,358,932

*Summaries of quarterly financial statements are not subject to audit through certified public accountants or auditing corporations.

*Appropriate use of earnings forecast and other special notes

(Notes on forward-looking statements, etc.)

The forward-looking statements including the forecasts for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results forecasts and notes on the use of such forecasts, please refer to "1. Qualitative Analysis of Quarterly Financial Results, (3) Consolidated Financial Forecasts and Other Forward-Looking Statements on page 2 of the Accompanying Materials.

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1. Qualitative Analysis of Quarterly Financial Results

(1) Explanation of Operating Results

During the first nine months of the fiscal year ending June 30, 2023, while Japan's economy continued to recover moderately from the COVID-19 pandemic, the outlook remained uncertain due to factors such as surges in global energy and food prices and concerns about a global economic recession stemming from monetary tightening in Europe and the US.

In this economic environment, the Group reacted quickly and flexibly to changes in the business environment, strengthened and improved its internal systems with an eye toward efficiency and profitability, and promoted profit-oriented management.

As a result, for the first nine months of the fiscal year ending June 30, 2023, net sales were 35,828 million yen (+2.1% YoY), operating profit was 7,536 million yen (0.1% YoY), ordinary profit was 7,983 million yen (-1.6% YoY), and profit attributable to owners of parent was 5,791 million yen (-0.7% YoY).

Segment results were as follows.

1. Security Equipment

In the Security Equipment business, net sales amounted to 10,792 million yen (+6.1% YoY) and segment profit was 4,516 million yen (+6.1% YoY), due to steady renewal of agreements for use of the Company's security systems and new orders for condominium, as well as robust sales to corporate clients.

2. Card Equipment and Other Office Equipment

In the Card Equipment and Other Office Equipment business, sales activities to hospitals and financial institutions, the main customers for card equipment, remained strong. Segment results, however, were impacted by the Company's sale of shares of two group companies to Matica Fintec; in June 2022, the Company sold the shares of Card Technology Corporation, a US sub-subsidiary, and NBS Technologies Limited, a UK sub-subsidiary, to Matica Fintec. As a result, net sales were 2,370 million yen (-20.9% YoY) and segment profit was 635 million yen (-5.8% YoY).

3. Peripheral Computer Equipment

In the Peripheral Computer Equipment business, both sales and profits were affected by difficulties in procuring semiconductor components and other electronic components, as well as the economic slowdown in Europe and in the US, the primary sales destinations for small cutting machines. As a result, net sales were 12,018 million yen (-9.8% YoY) and segment profit was 1,583 million yen (-23.1% YoY).

4. Design

In the Design business, the Company shifted its revenue focus from seismic diagnosis to structural design. As a result, net sales totaled 3,829 million yen (+3.3% YoY) and segment profit was 333 million yen (+4.7% YoY).

(2) Explanation of Financial Position

Total assets as of March 31, 2023 were 76,373 million yen, an increase of 955 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 1,718 million yen in merchandise and finished goods, 1,792 million yen in notes and accounts receivable-trade, and contract assets, and 1,673 million yen in investment securities under non-current assets, partially offset by decreases of 2,631 million yen in cash and deposits under current assets and 2,053 million yen in accounts receivable-other included in other. These changes mainly reflect an increase in inventory at Graphtec and receipt of shares as consideration for M&A projects.

Total liabilities amounted to 12,671 million yen, a decrease of 1,409 million yen from the end of the previous consolidated fiscal year. This was primarily due to a decrease of 1,774 million yen in income taxes payable under current liabilities and an increase of 360 million yen in provision for bonuses. These changes mainly reflect the payment of income taxes.

Net assets totaled 63,701 million yen, an increase of 2,364 million yen from the end of the previous consolidated fiscal year. This was chiefly due to the recording 5,791 million yen in profit attributable to owners of parent and 3,315 million yen in dividends paid. As a result, the equity ratio rose to 83.1%, up from 81.2% at the end of the previous consolidated fiscal year.

(3) Consolidated Financial Forecasts and Other Forward-Looking Statements

The Company has made no change to its consolidated earnings forecast announced in Consolidated Financial Results for the Fiscal Year Ended June 30, 2022, dated August 19, 2022. Should any revisions be made to the earnings

forecast, the Company will promptly disclose such revisions.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended June 30, 2022 (as of June 30, 2022)	Nine months ended March 31, 2023 (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	36,483	33,851
Notes and accounts receivable - trade, and contract assets	7,049	8,842
Investments in leases	846	836
Merchandise and finished goods	5,651	7,370
Work in process	99	116
Costs on uncompleted construction contracts	62	39
Raw materials and supplies	631	1,096
Other	4,829	1,987
Allowance for doubtful accounts	(140)	(21)
Total current assets	55,513	54,118
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,754	1,685
Land	6,052	6,052
Other	1,772	1,737
Total property, plant and equipment	9,579	9,475
Intangible assets		
Goodwill	1,566	1,651
Other	285	248
Total intangible assets	1,852	1,899
Investments and other assets		
Investment securities	1,685	3,358
Shares of subsidiaries and associates	5,034	5,438
Other	1,839	2,169
Allowance for doubtful accounts	(86)	(86)
Total investments and other assets	8,473	10,879
Total non-current assets	19,905	22,255
Total assets	75,418	76,373

(Millions of yen)

	Fiscal year ended June 30, 2022 (as of June 30, 2022)	Nine months ended March 31, 2023 (as of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,951	3,990
Lease liabilities	446	437
Income taxes payable	1,842	67
Provision for bonuses	174	535
Provision for product warranties	12	11
Provision for loss on orders received	1	5
Liabilities related to paid supply transactions	166	293
Other	3,861	3,925
Total current liabilities	10,457	9,266
Non-current liabilities		
Lease liabilities	986	933
Net defined benefit liability	1,385	1,386
Other	1,251	1,085
Total non-current liabilities	3,623	3,405
Total liabilities	14,081	12,671
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	9,048	9,065
Retained earnings	49,927	52,221
Treasury shares	(4,704)	(4,705)
Total shareholders' equity	59,270	61,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	210	99
Foreign currency translation adjustment	1,761	1,754
Remeasurements of defined benefit plans	12	14
Total accumulated other comprehensive income	1,984	1,868
Non-controlling interests	81	251
Total net assets	61,337	63,701
Total liabilities and net assets	75,418	76,373

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Nine Months Ended March 31, 2023)

(Millions of yen)

	Nine months ended March 31, 2022 (from July 1, 2021 to March 31, 2022)	Nine months ended March 31, 2023 (from July 1, 2022 to March 31, 2023)
Net sales	35,083	35,828
Cost of sales	18,322	18,366
Gross profit	16,761	17,461
Selling, general and administrative expenses		
Director's compensations	256	307
Payroll and allowance	3,066	3,213
Bonuses	449	457
Provision for bonuses	382	401
Defined benefit expenses	175	144
Other	4,901	5,401
Total selling, general and administrative expenses	9,232	9,925
Operating profit	7,528	7,536
Non-operating income		
Interest income	17	66
Dividend income	1	9
Share of profit of entities accounted for using equity method	300	344
Foreign exchange gains	327	—
Other	17	68
Total non-operating income	664	488
Non-operating expenses		
Interest expenses	2	1
Foreign exchange losses	—	4
Customs duties for prior periods	30	—
Commission expenses	34	31
Other	15	3
Total non-operating expenses	81	40
Ordinary profit	8,110	7,983
Extraordinary income		
Gain on sale of investment securities	59	0
Gain on sale of non-current assets	—	1
Gain on sale of shares of subsidiaries	—	4
Reversal of allowance for doubtful accounts	—	66
Gain on bad debts recovered	—	98
Total extraordinary income	59	170
Extraordinary losses		
Loss on retirement of non-current assets	0	17
Business restructuring expenses	38	—
Loss on disaster	3	2
Total extraordinary losses	43	19
Profit before income taxes	8,126	8,134
Income taxes – current	2,330	2,615
Income taxes – deferred	(45)	(277)
Total income taxes	2,284	2,337
Profit	5,842	5,797
Profit attributable to non-controlling interests	8	6
Profit attributable to owners of parent	5,833	5,791

Quarterly Consolidated Statement of Comprehensive Income
(Nine Months Ended March 31, 2023)

(Millions of yen)

	Nine months ended March 31, 2022 (from July 1, 2021 to March 31, 2022)	Nine months ended March 31, 2023 (from July 1, 2022 to March 31, 2023)
Profit	5,842	5,797
Other comprehensive income		
Valuation difference on available-for-sale securities	(120)	(97)
Foreign currency translation adjustment	969	(162)
Remeasurements of defined benefit plans, net of tax	2	1
Share of other comprehensive income of entities accounted for using equity method	119	143
Total other comprehensive income	971	(116)
Comprehensive income	6,813	5,680
(Breakdown)		
Comprehensive income attributable to owners of parent	6,804	5,674
Comprehensive income attributable to non-controlling interests	8	6

(3) Primary Notes on Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Changes in scope of consolidation and application of the equity method)

(1) Significant changes in scope of consolidation

Effective from the first quarter of the current fiscal year, Winglet Systems Inc., and Social Area Networks Co., Ltd., are included in scope of consolidation due to their increased importance.

(2) Significant changes in scope of application of the equity method

None to be reported.

(Significant changes in the amount of shareholders' equity)

None to be reported.

(Application of special accounting methods for preparation of quarterly consolidated financial statements)

None to be reported.

(Changes in accounting policies)

(Application of Revised Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company adopted the Revised Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the current fiscal year under review. The new accounting policy prescribed by the Guidance on Accounting Standard for Fair Value Measurement is applied prospectively in accordance with the transitional treatment prescribed in Section 27-2. This change had no impact on results recorded in the quarterly consolidated financial statements.

(Changes in accounting estimates)

None to be reported.

(Additional information)

(1) Impact of COVID-19 pandemic on the application of accounting estimates

No significant changes were made to the accounting estimates and assumptions underlying such estimates used in the Company's securities report for the previous fiscal year, specifically in the management's discussion and analysis of financial position, operating results, and cash flows.

(2) Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

Effective from the first quarter of the current fiscal year, the Company and some of its subsidiaries transitioned from a consolidated taxation system to a group tax sharing system. Consequently, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting has been implemented in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021). Furthermore, in accordance with Paragraph 32 (1) of the PITF No. 42, the Company has deemed that there is no impact on financial results reported in the period under review from the change in accounting policy resulting from the application of the PITF No. 42.

(Segment Information, etc.)

[Segment Information]

I Nine months ended March 31, 2022 (from July 1, 2021 to March 31, 2022)

1. Sales, profit or loss for each reportable segment

(Millions of yen)

	Reportable segments					Other*1	Adjustments*2	Amount recorded in consolidated financial statements*3
	Security Equipment	Card Equipment and Other Office Equipment	Peripheral Computer Equipment	Design	Total			
Sales								
Sales generated through external customers	10,169	2,997	13,328	3,706	30,201	4,882	—	35,083
Intersegment sales and transfers	93	43	12	1	150	69	△220	—
Total	10,262	3,040	13,340	3,707	30,352	4,951	△220	35,083
Segment profit (or loss)	4,256	674	2,061	318	7,309	279	△60	7,528

Notes: 1. "Other" is a business segment not included in the reportable segments and includes the manufacture and sale of card readers and automatic wet hand towel dispensers; development and sale of software; maintenance services for security equipment, card equipment, etc.; lease and installment sales business; development, manufacture and sale of measuring equipment and metal testing equipment; and others.

2. In "Segment profit(loss)", (60million yen) includes intersegment eliminations of (6million yen) and company-wide amount of (54million yen) that is not allocated to each reportable segment.

3. "Segment profit" is adjusted based on operating profit in the quarterly consolidated statement of income.

2. Information regarding impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss associated with non-current assets)

None to be reported.

(Significant changes in amount of goodwill)

None to be reported.

(Significant gains on negative goodwill)

None to be reported.

II Nine months ended March 31, 2023 (from July 1, 2022 to March 31, 2023)

1. Sales, profit or loss for each reportable segment

	Reportable segments					Other*1	Adjustments*2	Amount recorded in consolidated financial statements*3
	Security Equipment	Card Equipment and Other Office Equipment	Peripheral Computer Equipment	Design	Total			
Sales								
Sales generated through external customers	10,792	2,370	12,018	3,829	29,011	6,817	—	35,828
Intersegment sales and transfers	88	31	12	1	133	79	△213	—
Total	10,880	2,402	12,030	3,831	29,144	6,896	△213	35,828
Segment profit	4,516	635	1,583	333	7,068	409	58	7,536

Notes: 1. "Other" is a business segment not included in the reportable segments and includes the development, manufacture, and sale of power and energy saving systems; manufacture and sale of card readers and automatic wet hand towel dispensers; development and sale of software; maintenance services for security equipment, card equipment, etc.; lease and installment sales business; development, manufacture, and sale of measuring equipment; and others.

2. "Segment profit" totaling 58 million yen include intersegment eliminations of 31 million yen and company-wide amount of 89 million yen that is not allocated to each reportable segment.

3. "Segment profit" is adjusted based on operating profit in the quarterly consolidated statement of income.

2. Information regarding impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss associated with non-current assets)

None to be reported.

(Significant changes in amount of goodwill)

None to be reported.

(Significant gains on negative goodwill)

None to be reported.