

May 10, 2019



# **Financial Results for Q3\* FY06/19 (July 1, 2018 to March 31, 2019) [Non-Consolidated]**

\* Unless stated otherwise, Q3 refers to the cumulative nine-month period ended March 31, 2019.

# **Financial and Operating Results**

## **Q3 FY06/19**

# TSE First Section Listing

## Shares transferred from the Second Section to the First Section of the Tokyo Stock Exchange on March 27



## Q3 FY06/19: Overview of results



### Income up significantly

Million yen

	Q3 FY06/18	Q3 FY06/19	Change	Percentage change
Net sales	7,828	7,689	(139)	(1.8)%
Operating income	366	675	309	+84.4%
Ordinary income	373	688	315	+84.5%
Net income	238	466	228	+95.8%

## Top three clients, by sales



## Credit card brand unification projects decreased in line with initial forecasts

Million yen

	Q3 FY06/18	Q3 FY06/19	Change	Main projects
1. DNP	1,597	1,294	(303)	Smartphone payments, payment platforms, security products
2. Credit card issuer	1,639	674	(965)	Credit card brand unification
3. Credit card issuer	246	608	362	Network connectivity

# Q3 FY06/19: Segment summary



Million yen

Financial Systems Solutions						
	Q3 FY06/18		Q3 FY06/19		Change	Percentage change
Sales	7,005		7,068		63	+0.9%
Operating income [OM]	496	[7.1%]	748	[10.6%]	252	+50.8%
Product Solutions						
	Q3 FY06/18		Q3 FY06/19		Change	Percentage change
Sales	823		620		(203)	(24.7)%
Operating income [OM]	(129)	[(15.7)%]	(72)	[(11.6)%]	57	—

Note: "OM" refers to the operating margin.

**Q3 FY06/19**

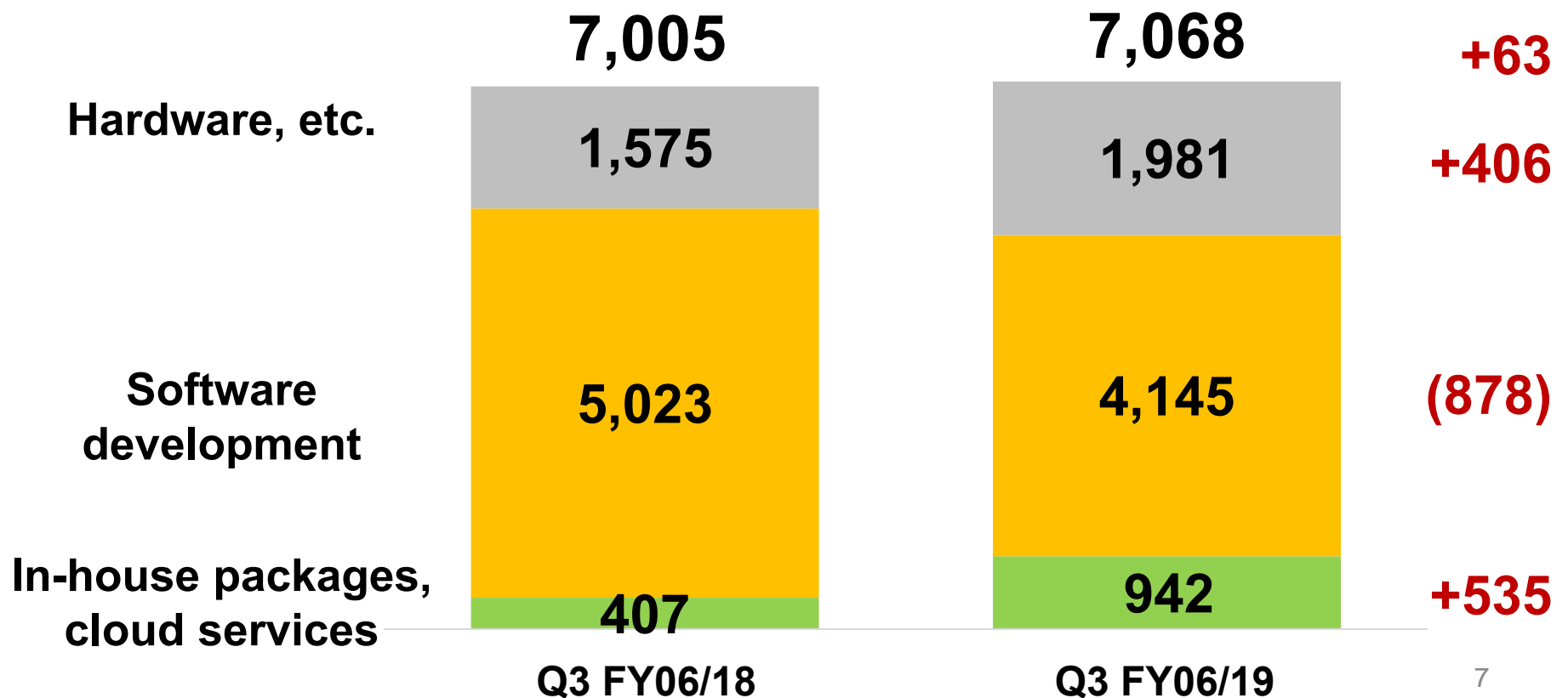
**Financial Systems Solutions: Sales**



**Cloud services and other in-house packages increased  
(including some sales expected in Q4)**

Million yen

**Change**



# Q3 FY06/19

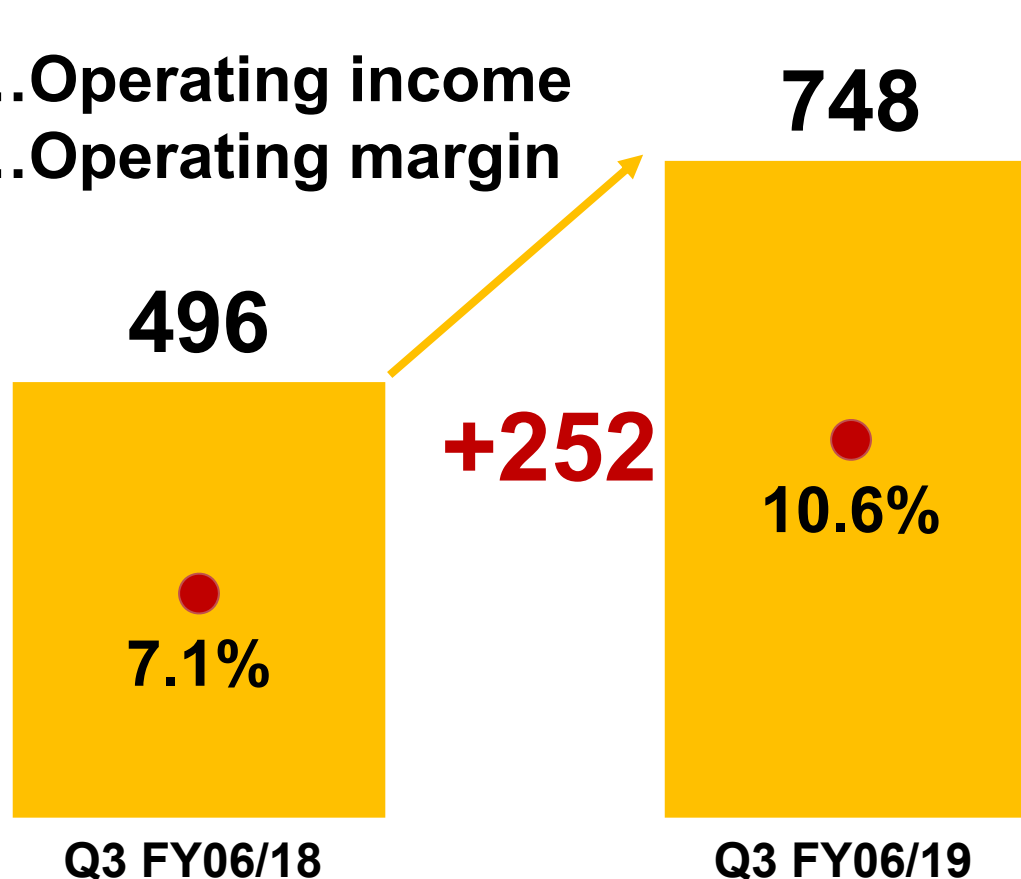


## Financial Systems Solutions: Operating income

Development projects proceeded on track, with no unprofitable projects

In-house packages increased, with income up significantly YoY

- ...Operating income
- ...Operating margin



### Reasons for changes

- Higher sales of in-house packages (++)  
Sales 407→942
- Improved earnings from development projects (+)
- Improved earnings from cloud services (+)
- Rise in SG&A expenses (-)



**Q3 FY06/19**

**Product Solutions: Sales**



**Increased profit thanks to higher in-house product sales**

Million yen

	Q3 FY06/18	Q3 FY06/19	Change
<b>Sales</b>	<b>823</b>	<b>620</b>	<b>(203)</b>
<b>In-house product CWAT®</b>	<b>195</b>	<b>285</b>	<b>90</b>
<b>Third-party products</b>	<b>627</b>	<b>335</b>	<b>(292)</b>
Third-party packages <b>Traps</b> , etc.	343	333	(10)
Others (Hardware, etc.)	283	2	(281)
<b>Operating income</b>	<b>(129)</b>	<b>(72)</b>	<b>57</b>

# Forecasts for FY06/19

# Q3 FY06/19: Overview of results and rate of progress toward full-year forecast



## Performance was steady

Million yen

	Q3 FY06/19	FY06/19 forecast	Rate of progress
Net sales	7,689	10,700	71.9%
Operating income	675	880	76.7%
Ordinary income	688	900	76.4%
Net income	466	620	75.2%

# FY06/19: Forecasts



Million yen

	FY06/18 actual			FY06/19			YoY (full year)
	Q3 (cumulative)	Q4	Full year	Q3 (cumulative)	Q4 forecast (difference)	Full-year forecast	
<b>Net sales</b>	<b>7,828</b>	<b>2,775</b>	<b>10,603</b>	<b>7,689</b>	<b>3,011</b>	<b>10,700</b>	<b>+0.9%</b>
<b>Operating income [OM]</b>	<b>366</b> [4.7%]	<b>181</b> [6.5%]	<b>547</b> [5.2%]	<b>675</b> [8.8%]	<b>205</b> [6.8%]	<b>880</b> [8.2%]	<b>+60.7%</b>
<b>Ordinary income [OM]</b>	<b>373</b> [4.8%]	<b>200</b> [7.2%]	<b>573</b> [5.4%]	<b>688</b> [8.9%]	<b>212</b> [7.0%]	<b>900</b> [8.4%]	<b>+56.9%</b>
<b>Net income [NM]</b>	<b>238</b> [3.0%]	<b>139</b> [5.0%]	<b>377</b> [3.6%]	<b>466</b> [6.1%]	<b>154</b> [5.1%]	<b>620</b> [5.8%]	<b>+64.3%</b>

Notes: “OM” refers to the operating margin or the ordinary margin. “NM” is the net margin.  
 “Difference” is the full-year forecast less Q3 cumulative results.

# FY06/19: Full-year forecasts, by segment



Million yen

## Financial Systems Solutions

	Q4 FY06/18 actual	Q4 FY06/19 forecast (difference*)	FY06/19 full-year forecast	Outlook
Net sales	2,326	2,232	9,300	
Operating income [OM]	102 [4.4%]	92 [4.1%]	840 [9.0%]	

## Product Solutions

	Q4 FY06/18 actual	Q4 FY06/19 forecast (difference*)	FY06/19 full-year forecast	Outlook
Net sales	448	780	1,400	
Operating income [OM]	78 [17.4%]	112 [14.4%]	40 [2.9%]	

Notes: "OM" refers to the operating margin.

"Difference" is the full-year forecast less cumulative Q3 results.

# Key Initiatives in FY06/19

# “Evolving in three dimensions”

## Road to 10B

Maintain sales of more than JPY10.0bn,  
achieve operating income of JPY1.0bn.

## Cultivating the next generation

Become a company good at nurturing people.

## Improving our corporate culture

Be an enterprising and friendly workplace.

Road to 10B

# Financial Systems Solutions

## FY06/19: Sales (progress vs. forecasts)



		Q3 actual	Full year (forecast)
<b>Credit card, other businesses</b>		<b>7,068</b>	<b>9,300</b>
Million yen			
<ul style="list-style-type: none"> <li>• Large projects (card brand unification)</li> <li>• IC card systems</li> <li>• Fraud detection</li> <li>• Brand pre-paid card systems</li> <li>• Brand debit card system</li> </ul>		<b>6,495</b>	<b>8,370</b>
<ul style="list-style-type: none"> <li>• Smartphone payments</li> <li>• Securities business development</li> </ul>		<b>Large projects 674</b>	<b>1,080</b>
Other development projects		<b>5,821</b>	<b>7,290</b>
<b>Cloud service business</b>			
<ul style="list-style-type: none"> <li>• Acquiring business <b>IOASIS</b></li> <li>• Fraud detection <b>IFINDS</b></li> <li>• OnCore Switch <b>IGATES</b></li> </ul>		<b>Service subscriptions 459</b>	<b>650</b>
<b>New projects</b>			
<ul style="list-style-type: none"> <li>• Next-generation NET+1</li> <li>• IoT</li> </ul>		<b>114</b>	<b>280</b>
<ul style="list-style-type: none"> <li>• Next-generation fraud detection</li> <li>• AI</li> </ul>			



**Credit card,  
other businesses**

- **Brand unification projects down YoY**
- **Steady progress in development projects for FEP systems**

**Cloud service  
business**

- **Performance in line with forecasts**

**New projects**

- **Developing next-generation NET+1 and next-generation fraud detection, which are expected to contribute to sales starting in FY06/20**

# Road to 10B

## Financial Systems Solutions

### Cloud service business



Services and customers      Sales **FY06/18 JPY386mn** → **FY06/19 (forecast) JPY650mn**

	FY06/17	FY06/18	FY06/19			
			Q1	Q2	Q3	Q4
2nd customer for <b>IGATES</b>				Started in Q2		
1st customer for <b>IGATES</b>						
3rd customer for <b>IFINDS</b>					Started in Q3	
2nd customer for <b>IFINDS</b>			Started in Q1			
1st customer for <b>IFINDS</b>						
4th customer for <b>IOASIS</b>						
Three customers for <b>IOASIS</b>						

**5th customer for IOASIS in place**, expected to start by year-end

Road to 10B  
Financial Systems Solutions  
New projects



**Next-generation  
NET+1**

- **Realize diverse network connections**
- **Enlarge business domain, aim to acquire new customers**
- **Commercialization planned within the year**

**Next-generation  
fraud detection**

- **Improved processing capacity and detection accuracy using AI**
- **Commercialization planned within the year**

# Financial Systems Solutions

## New projects

### Products for broadcasters

- Supports conversion to IP-compatible broadcasting systems
- In Q3, introduced at one customer on a test basis  
Marketing activities underway
- Have started looking into overseas demand





Road to 10B

## Product Solutions

### FY06/19: Sales (progress vs. forecasts)



Million yen

	FY06/18	Q3 FY06/19	FY06/19 (forecast)	Change (full year)
<b>Sales</b>	<b>1,271</b>	<b>620</b>	<b>1,400</b>	<b>129</b>
<b>In-house product</b> <b>CWAT®</b>	<b>360</b>	<b>285</b>	<b>450</b>	<b>90</b>
<b>Third-party products</b>	<b>911</b>	<b>335</b>	<b>950</b>	<b>39</b>
Third-party packages (From Israel) <b>Traps</b>   <b>SECBI</b> , etc.	<b>545</b>	<b>333</b>	<b>895</b>	<b>350</b>
<b>Others</b> (Hardware, etc.)	<b>365</b>	<b>2</b>	<b>55</b>	<b>(310)</b>

Improving our corporate culture

## New recruits



	FY06/17	FY06/18	Early April, 2019
<b>New recruits</b>	<b>12</b>	<b>38</b>	<b>20</b>
<b>(Women)</b>	<b>2</b>	<b>16</b>	<b>6</b>
<b>(Foreign nationals)</b>	<b>—</b>	<b>6</b>	<b>7</b>
<b>Total employees</b>	<b>339</b>	<b>397</b>	<b>419</b>

Improving our corporate culture

## Creating a worker-friendly environment

## Creating a worker-friendly environment for individual employees in the interest of boosting productivity

### <Response to legislation>

- Limiting overtime hours
- Making it mandatory to take at least five days of annual paid leave

### <Proactive measures>

- Teleworking ● Flexible working hours
- Working-period interval system
- Introduction of a new relaxation space, which we plan to expand in June



## Shareholder returns



# A policy of providing stable and dependable dividends

	FY06/16	FY06/17	FY06/18	FY06/19 (forecasts)
Dividend per share (yen)	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>
Payout ratio	30.8%	33.7%	48.8%	29.7%



# Reference

# FY06/19: Forecasts



Million yen

	FY06/18 actual			FY06/19			YoY (full year)
	Q3 cumulative	Q4	Full year	Q3 cumulative (actual)	Q4 forecast (difference)	Full-year forecast	
Net sales	7,828	2,775	10,603	7,689	3,011	10,700	+0.9%
Operating income [OM]	366 [4.7%]	181 [6.5%]	547 [5.2%]	675 [8.8%]	205 [6.8%]	880 [8.2%]	+60.7%
Ordinary income [OM]	373 [4.8%]	200 [7.2%]	573 [5.4%]	688 [8.9%]	212 [7.0%]	900 [8.4%]	+56.9%
Net income [NM]	238 [3.0%]	139 [5.0%]	377 [3.6%]	466 [6.1%]	154 [5.1%]	620 [5.8%]	+64.3%

Notes: "OM" refers to the operating margin or the ordinary margin. "NM" is the net margin.  
 "Difference" is the full-year forecast less Q3 cumulative results.

# Financial Systems Solutions

## Q3 FY06/19

### Vs. full-year forecast



	Million yen		
	Q3 FY06/19	FY06/19 full-year forecast	Rate of progress
<b>Sales</b>	7,068	9,300	76.0%
<b>Software development</b>	4,145	6,000	69.1%
<b>Maintenance</b>	829	1,080	76.8%
<b>Hardware</b>	989	1,020	97.0%
<b>In-house packages</b>	942	850	110.8%
(Of which, cloud services)	459	650	70.6%
<b>Third-party packages</b>	161	350	46.0%
<b>Operating income</b>	748	840	89.1%

# Financial Systems Solutions

## Cloud services

### Initial forecast for FY06/19

(Service charges)



Million yen

		FY06/18	FY06/19				
		Full year	Q1	Q2	Q3	Q4	Full year
Sales	Forecast		127	162	178	183	650
	Actual	386	126	158	174		
Gross profit	Forecast		(44)	(21)	(11)	(16)	(92)
	Actual	(296)	(59)	(33)	(9)		

Services and customers	■ IGATES	1	1	2	2	2	2
	■ IFINDS	1	2	2	3	3	3
	■ IOASIS	4	4	4	4	4	4

# Product Solutions

## Q3 FY06/19

### Vs. full-year forecast



	Million yen		
	Q3 FY06/19	FY06/19 full-year forecast	Rate of progress
<b>Sales</b>	<b>620</b>	<b>1,400</b>	<b>44.3%</b>
<b>Software development</b>	<b>38</b>	<b>45</b>	<b>84.4%</b>
<b>Maintenance</b>	<b>132</b>	<b>260</b>	<b>50.8%</b>
<b>Hardware</b>	<b>2</b>	<b>55</b>	<b>3.6%</b>
<b>In-house packages</b>	<b>115</b>	<b>145</b>	<b>79.3%</b>
<b>Third-party packages</b>	<b>333</b>	<b>895</b>	<b>37.2%</b>
<b>Operating income</b>	<b>(72)</b>	<b>40</b>	<b>—</b>

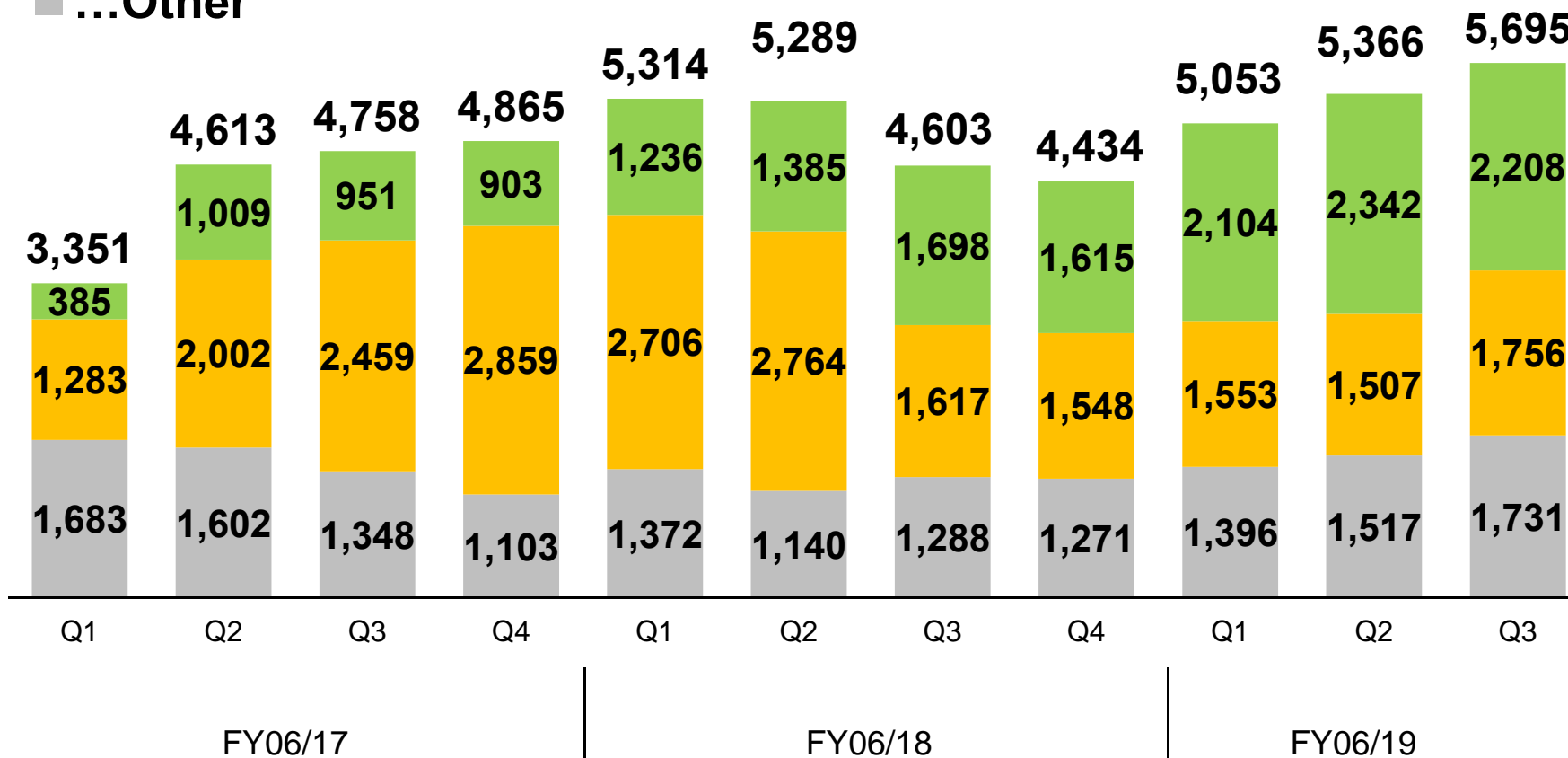
# Orders on hand



## Highest level to date

Million yen

- ...Cloud services business
- ...Software development
- ...Other



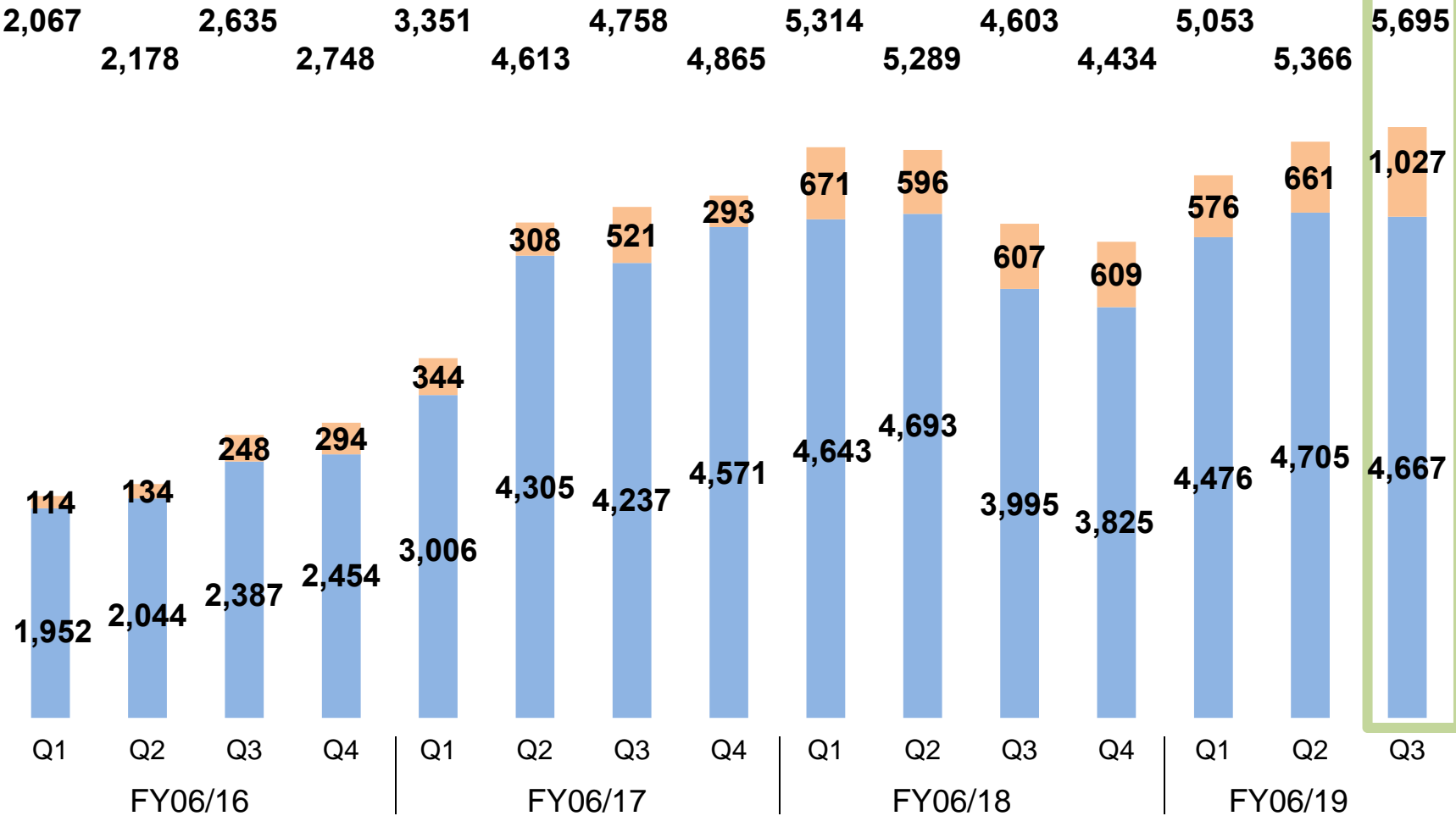
# Orders on hand, by segment (non-consolidated)



■ Financial Systems Solutions

■ Product Solutions

Million yen

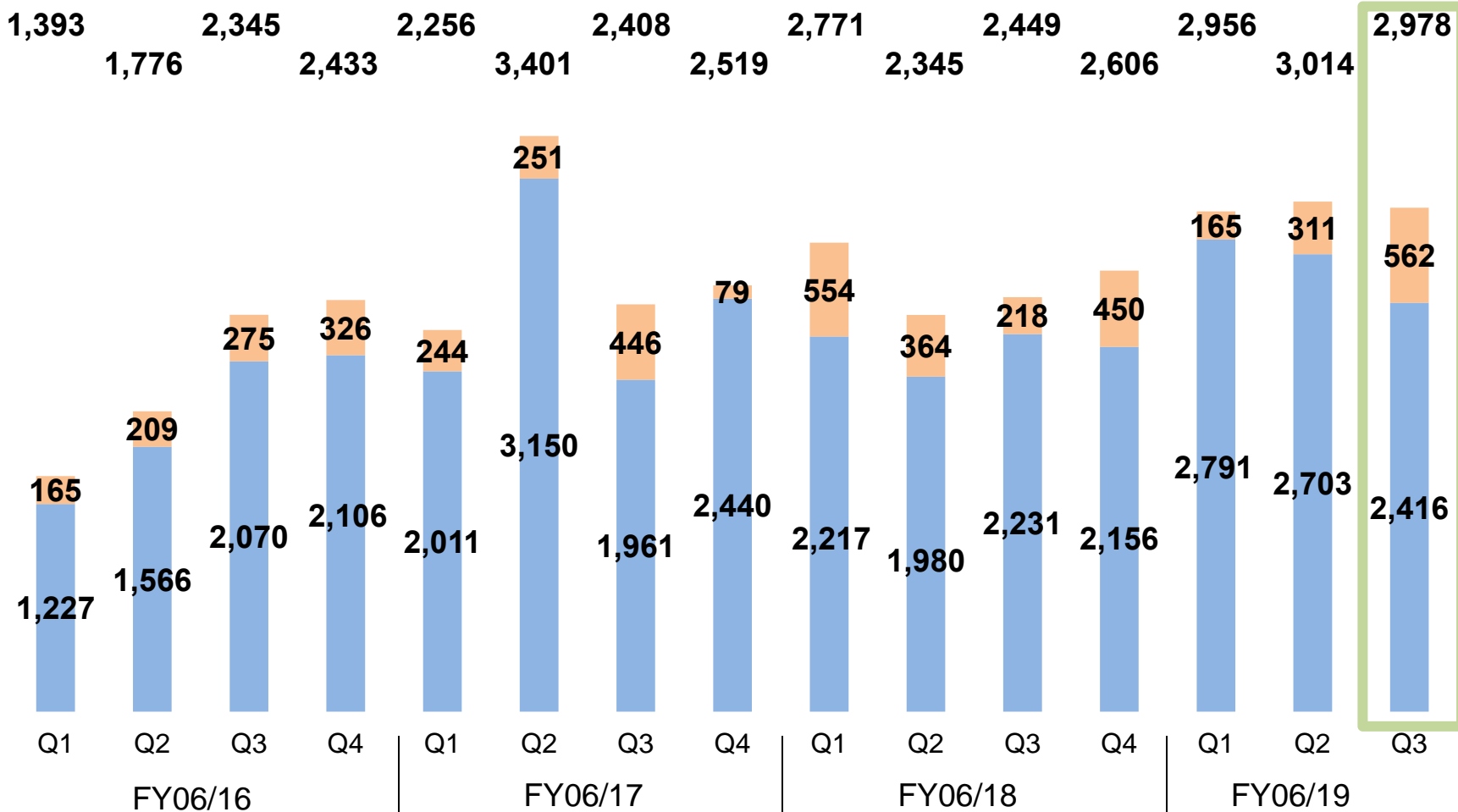


# Amount of orders, by segment (non-consolidated)



■ Financial Systems Solutions  
■ Product Solutions

Million yen





## Q3 FY06/19: Overview of results



### Income up significantly

Million yen

	Q3 FY06/18	Q3 FY06/19	Change	Percentage change
Net sales	7,828	7,689	(139)	(1.8)%
Operating income	366	675	309	+84.4%
Ordinary income	373	688	315	+84.5%
Net income	238	466	228	+95.8%

## Q3 FY06/19

### Financial Systems Solutions: YoY comparison



	Q3 FY06/18	Q3 FY06/19	Change
			Million yen
<b>Sales</b>	<b>7,005</b>	<b>7,068</b>	<b>63</b>
<b>Software development</b>	<b>5,023</b>	<b>4,145</b>	<b>(878)</b>
<b>Maintenance</b>	<b>779</b>	<b>829</b>	<b>50</b>
<b>Hardware</b>	<b>679</b>	<b>989</b>	<b>310</b>
<b>In-house packages</b>	<b>407</b>	<b>942</b>	<b>535</b>
(Of which, cloud services)	<b>277</b>	<b>459</b>	<b>182</b>
<b>Third-party packages</b>	<b>117</b>	<b>161</b>	<b>44</b>
<b>Operating income</b>	<b>496</b>	<b>748</b>	<b>252</b>

# Q3 FY06/19

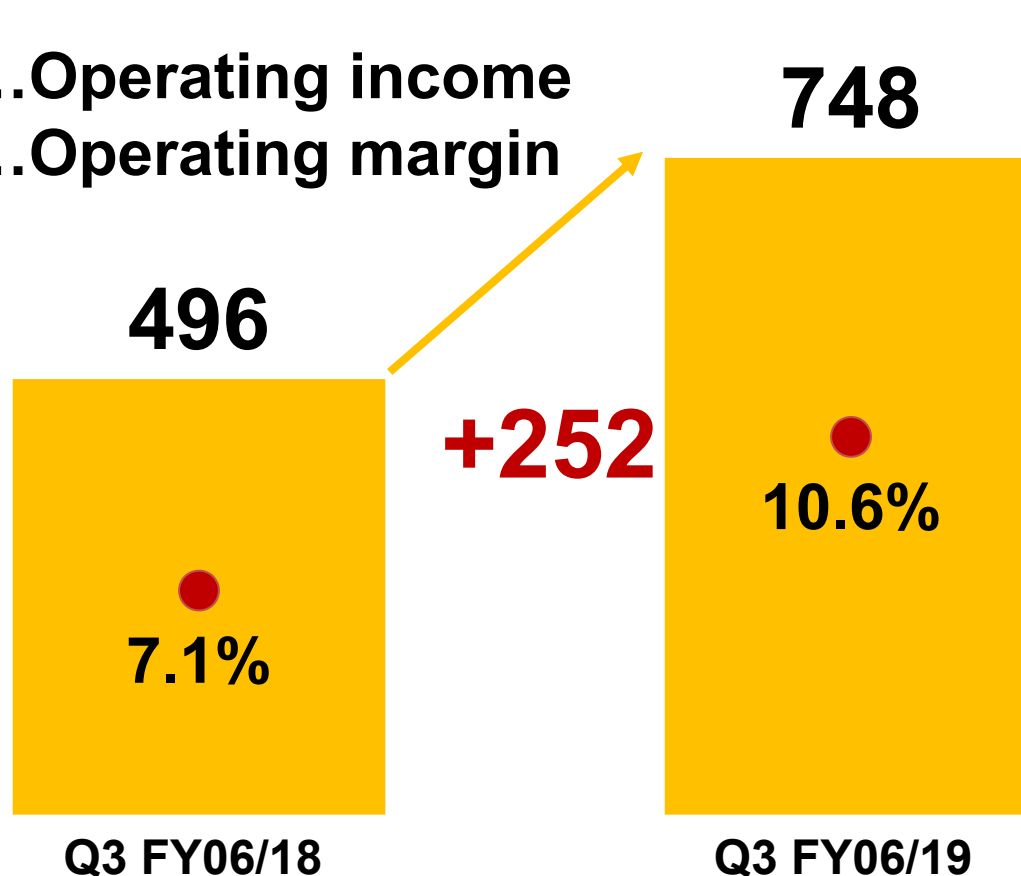


## Financial Systems Solutions: Operating income

Development projects proceeded on track, with no unprofitable projects

In-house packages increased, with income up significantly YoY

- ...Operating income
- ...Operating margin



### Reasons for changes

- Higher sales of in-house packages (++)  
Sales 407→942
- Improved earnings from development projects (+)
- Improved earnings from cloud services (+)
- Rise in SG&A expenses (-)

## Q3 FY06/19

### Product Solutions: YoY comparison

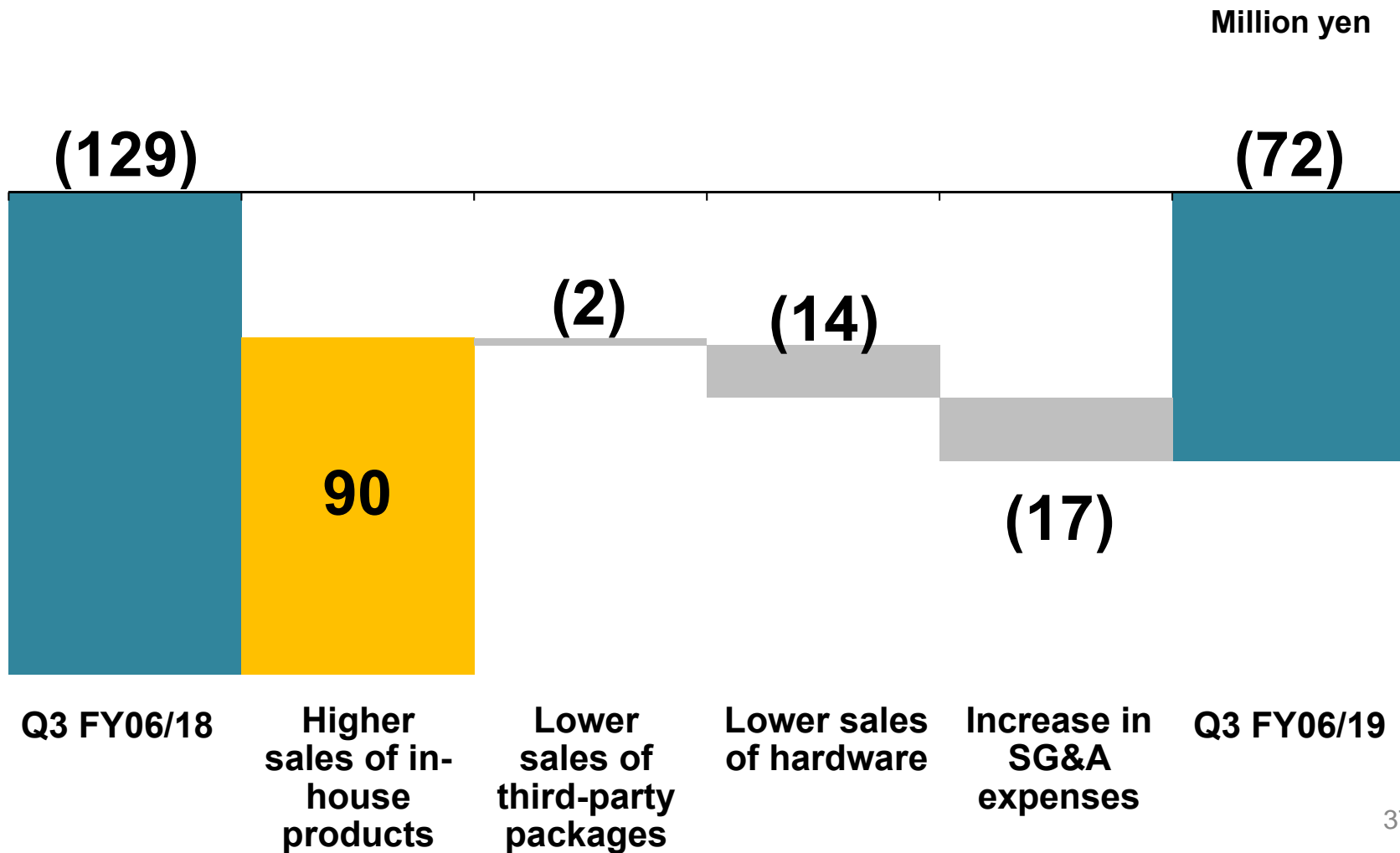


### Higher income thanks to a rise in sales of in-house packages

	Q3 FY06/18	Q3 FY06/19	Change
			Million yen
<b>Sales</b>	<b>823</b>	<b>620</b>	<b>(203)</b>
<b>Software development</b>	<b>67</b>	<b>38</b>	<b>(29)</b>
<b>Maintenance</b>	<b>82</b>	<b>132</b>	<b>50</b>
<b>Hardware</b>	<b>283</b>	<b>2</b>	<b>(281)</b>
<b>In-house packages</b>	<b>45</b>	<b>115</b>	<b>70</b>
<b>Third-party packages</b>	<b>343</b>	<b>333</b>	<b>(10)</b>
<b>Operating income</b>	<b>(129)</b>	<b>(72)</b>	<b>57</b>

**Q3 FY06/19**

**Product Solutions: Operating income**



# Quarterly results, by segment



Million yen

	FY06/18				FY06/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Net sales</b>	<b>2,322</b>	<b>2,370</b>	<b>3,136</b>	<b>2,774</b>	<b>2,337</b>	<b>2,701</b>	<b>2,649</b>
Financial Systems Solutions	2,145	1,931	2,929	2,326	2,140	2,474	2,453
Product Solutions	176	439	207	448	197	227	196
<b>Operating income</b>	<b>128</b>	<b>61</b>	<b>176</b>	<b>180</b>	<b>70</b>	<b>198</b>	<b>406</b>
Financial Systems Solutions	164	107	224	102	104	212	431
Product Solutions	(35)	(45)	(47)	78	(34)	(14)	(24)
<b>Operating margin</b>	<b>5.5%</b>	<b>2.6%</b>	<b>5.6%</b>	<b>6.5%</b>	<b>3.0%</b>	<b>7.3%</b>	<b>15.3%</b>
Financial Systems Solutions	7.6%	5.5%	7.6%	4.4%	4.9%	8.6%	17.6%
Product Solutions	(19.9)%	(10.3)%	(22.7)%	17.4%	(17.3)%	(6.2)%	(12.2)%

# Quarterly sales, by segment category



Million yen

	FY06/18				FY06/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Financial Systems Solutions</b>	<b>2,145</b>	<b>1,931</b>	<b>2,929</b>	<b>2,326</b>	<b>2,140</b>	<b>2,474</b>	<b>2,453</b>
<b>Software development</b>	<b>1,487</b>	<b>1,208</b>	<b>2,327</b>	<b>1,416</b>	<b>1,311</b>	<b>1,479</b>	<b>1,354</b>
<b>Maintenance</b>	<b>239</b>	<b>263</b>	<b>275</b>	<b>262</b>	<b>268</b>	<b>273</b>	<b>287</b>
<b>Hardware</b>	<b>324</b>	<b>225</b>	<b>129</b>	<b>243</b>	<b>265</b>	<b>484</b>	<b>239</b>
<b>In-house packages</b>	<b>84</b>	<b>191</b>	<b>131</b>	<b>221</b>	<b>229</b>	<b>196</b>	<b>516</b>
(Of which, cloud services)	<b>81</b>	<b>95</b>	<b>101</b>	<b>109</b>	<b>126</b>	<b>158</b>	<b>174</b>
<b>Third-party packages</b>	<b>8</b>	<b>42</b>	<b>65</b>	<b>182</b>	<b>64</b>	<b>41</b>	<b>56</b>
<b>Product Solutions</b>	<b>176</b>	<b>439</b>	<b>207</b>	<b>448</b>	<b>197</b>	<b>227</b>	<b>196</b>
<b>Software development</b>	<b>10</b>	<b>10</b>	<b>46</b>	<b>22</b>	<b>15</b>	<b>14</b>	<b>8</b>
<b>Maintenance</b>	<b>23</b>	<b>28</b>	<b>31</b>	<b>129</b>	<b>23</b>	<b>25</b>	<b>84</b>
<b>Hardware</b>	<b>5</b>	<b>248</b>	<b>30</b>	<b>81</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>In-house packages</b>	<b>40</b>	<b>2</b>	<b>2</b>	<b>12</b>	<b>42</b>	<b>71</b>	<b>1</b>
<b>Third-party packages</b>	<b>97</b>	<b>149</b>	<b>97</b>	<b>202</b>	<b>115</b>	<b>115</b>	<b>102</b>

# Q3 FY06/19: Production costs



Thousand yen

	FY06/18				FY06/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Materials cost	8,375	6,956	6,617	9,448	7,516	5,501	5,497
Labor cost	559,687	568,296	594,734	607,443	616,769	609,232	619,518
Expenses	271,552	279,518	282,955	313,453	291,097	311,326	386,922
Subcontracting cost	905,024	937,523	908,085	871,306	816,921	768,881	624,305
Total manufacturing cost	1,744,640	1,792,294	1,792,394	1,801,652	1,732,305	1,694,941	1,636,244
Work in progress (beginning of period)	658,149	774,521	1,250,781	502,477	518,826	627,821	677,435
Work in progress (end of period)	774,521	1,250,781	502,477	518,826	627,821	677,435	747,638
Transfer to other accounts	126,806	77,387	104,685	153,949	117,406	91,812	69,272
Provision for loss on order received	—	143,199	(143,199)	—	—	—	—
Provision for product warranties	—	—	48,000	(33,420)	(14,580)	—	—
Cost of sales	1,501,461	1,381,845	2,340,813	1,597,934	1,491,322	1,553,514	1,496,769



# Q3 FY06/19: SG&A expenses



Thousand yen

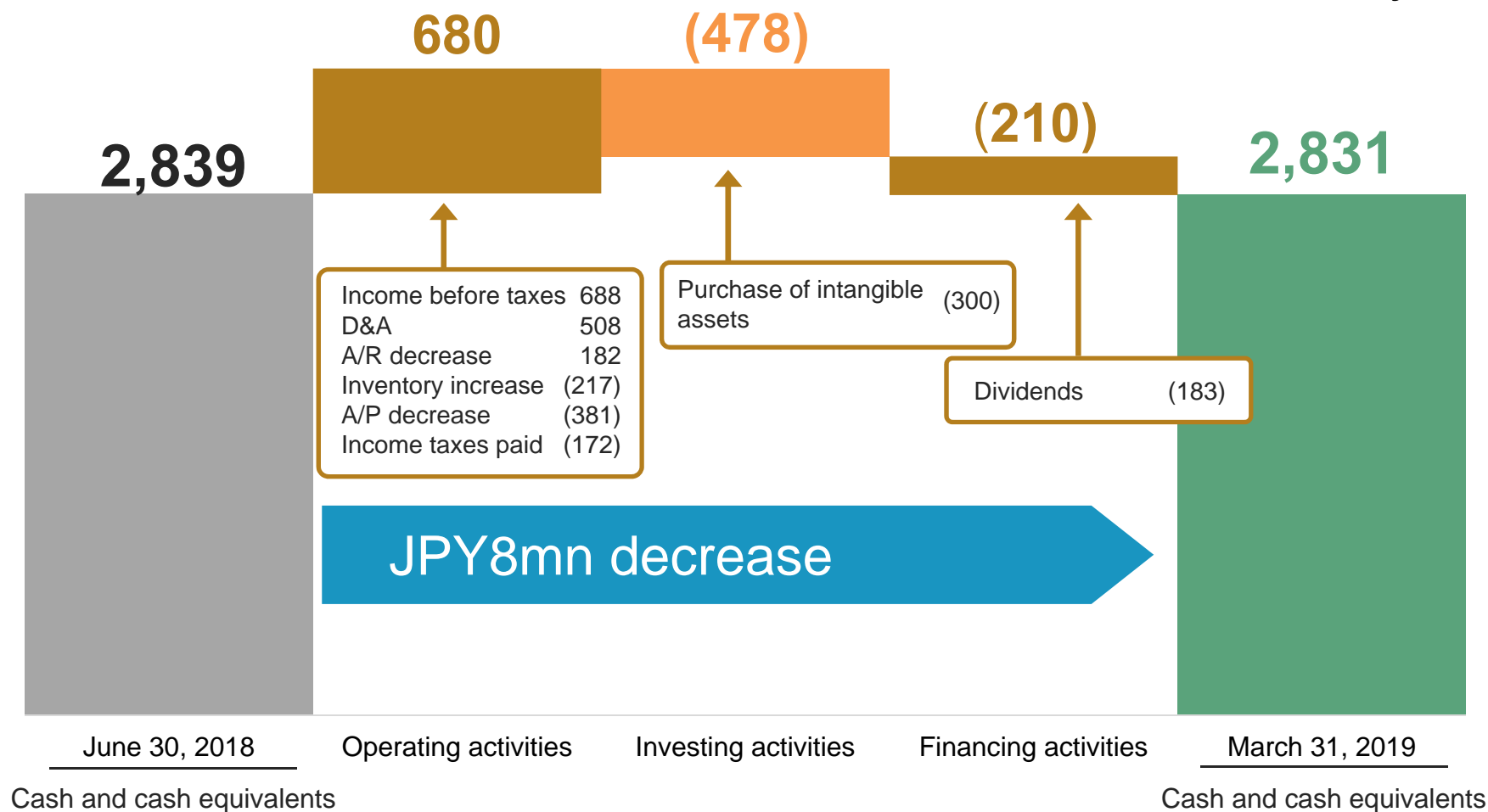
	FY06/18				FY06/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Salaries	252,081	244,652	243,314	273,323	278,760	282,336	313,790
Recruiting and training	11,492	20,124	11,663	16,979	8,152	7,760	12,931
Rent	17,023	15,051	15,317	15,173	16,485	18,007	18,042
Advertising	12,280	9,378	5,153	4,708	7,614	11,962	4,710
R&D	1,279	1,504	3,303	147	11,902	12,471	4,025
Depreciation and amortization	6,671	7,313	7,617	7,587	7,472	7,863	14,428

	Q3 FY06/18	Q3 FY06/19	Change	Million yen
<b>SG&amp;A expenses</b>	1,220	1,406	186	
(Breakdown)		Increase in salaries	134	
		Decrease in advertising	(2)	
		Decrease in recruiting and training	(14)	
		Increase in R&D	22	
		Others	46	

# Q3 FY06/19: Cash flows



Million yen



# Historical performance

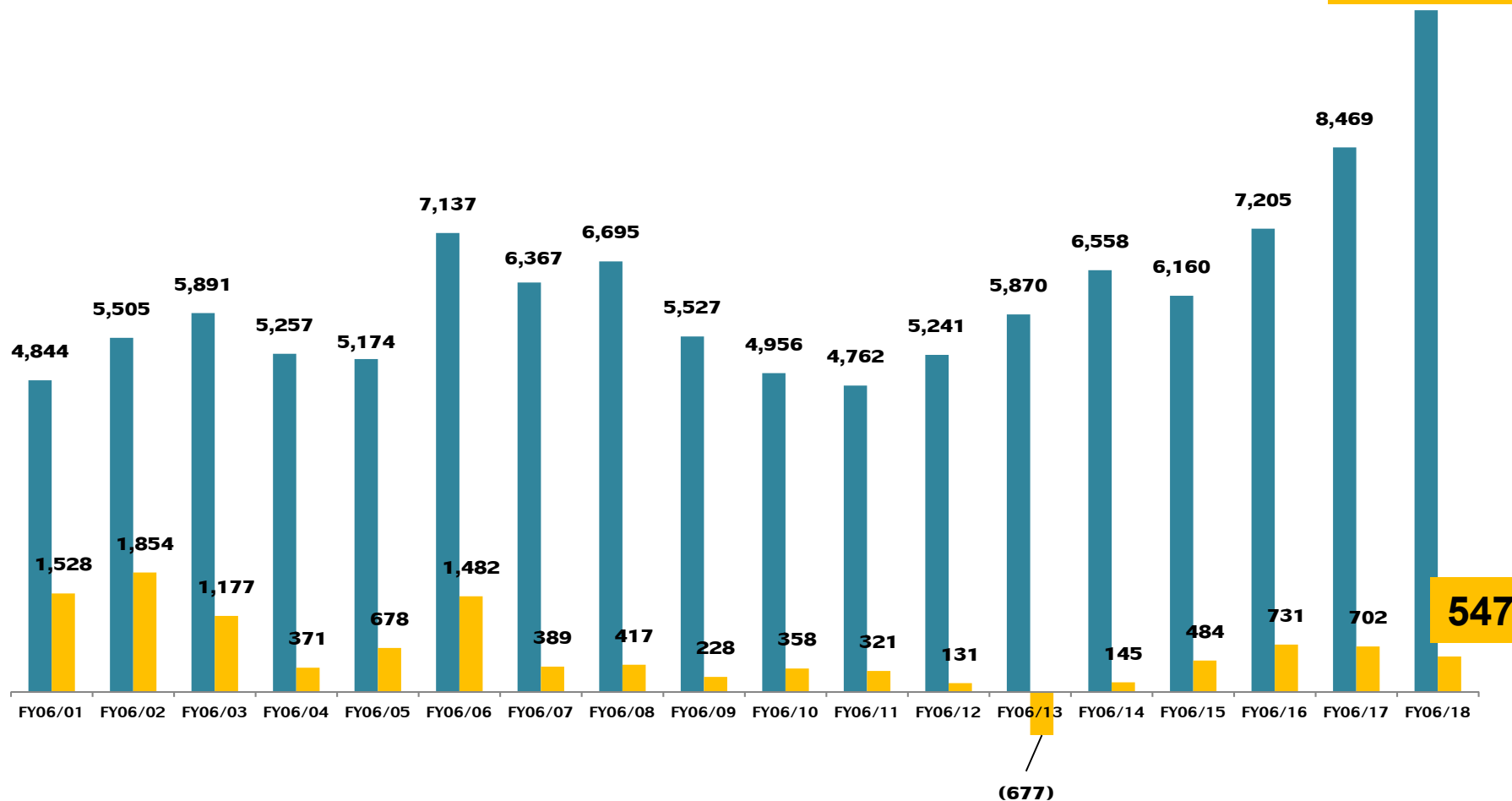


Net sales

Operating income

Million yen

10,603



Note: Consolidated results are shown through FY06/15.

# Company overview



(As of December 31, 2018)

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	396
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)
Capital stock	JPY843.75mn
Shares outstanding	26,340,000
	Shareholders 10,463

	Ownership (%)		% of shareholders
Individuals, others	38.31%	Individuals, others	98.58%
Japanese financial institutions	3.59%	Japanese financial institutions	0.04%
Other Japanese corporations	51.07%	Other Japanese corporations	0.46%
Foreign corporations	4.47%	Foreign corporations	0.57%
Japanese securities firms	2.46%	Japanese securities firms	0.34%
Treasury stock	0.10%	Treasury stock	0.01%