

May 11, 2020



Financial Results for Q3* FY06/20 (July 1, 2019 to March 31, 2020) [Non-Consolidated]

*** Unless stated otherwise, Q3 refers to the cumulative nine-month period ended March 31, 2020.**

Financial and Operating Results

Q3 FY06/20

Q3 FY06/20: Overview of results



Q3 results

- **Financial Systems Solutions:**
Software development and cloud services were steady
- **Product Solutions:**
Sales of in-house products declined YoY

Full-year outlook

No changes to full-year forecasts as performance has been in line with forecasts

Impact of novel coronavirus disease

Provided environment in which all employees can telework

No major impact on development projects or operating activities at present

Q3 FY06/20: Overview of results

YoY comparison



Operating income fell as expected

Million yen

	Q3 FY06/19	Q3 FY06/20	Change	Percentage change
Net sales	7,689	7,805	116	1.5%
Operating income	675	585	(90)	(13.3%)
Ordinary income	688	601	(87)	(12.6%)
Net income	466	398	(68)	(14.6%)

Top three clients, by sales YoY comparison



Million yen

	Q3 FY06/19	Q3 FY06/20	Change	Main projects
	Sales	Sales		
1 . DNP	1,294	1,590	296	Smartphone payments, payment platform
2 . Credit card issuer	533	732	199	Network gateway
3 . System development company	212	693	481	Network gateway

Q3 FY06/20: Segment summary



Million yen

Financial Systems Solutions					
	Q3 FY06/19		Q3 FY06/20		
					Change Percentage change
Net sales	7,068		7,144		76 +1.1%
Operating income [OM]	748	[10.6%]	732	[10.2%]	(16) (2.1%)
Product Solutions					
	Q3 FY06/19		Q3 FY06/20		
					Change Percentage change
Net sales	620		661		41 +6.6%
Operating income [OM]	(72)	[(11.6%)]	(146)	[(22.1%)]	(74) —

Note: “OM” refers to the operating margin.

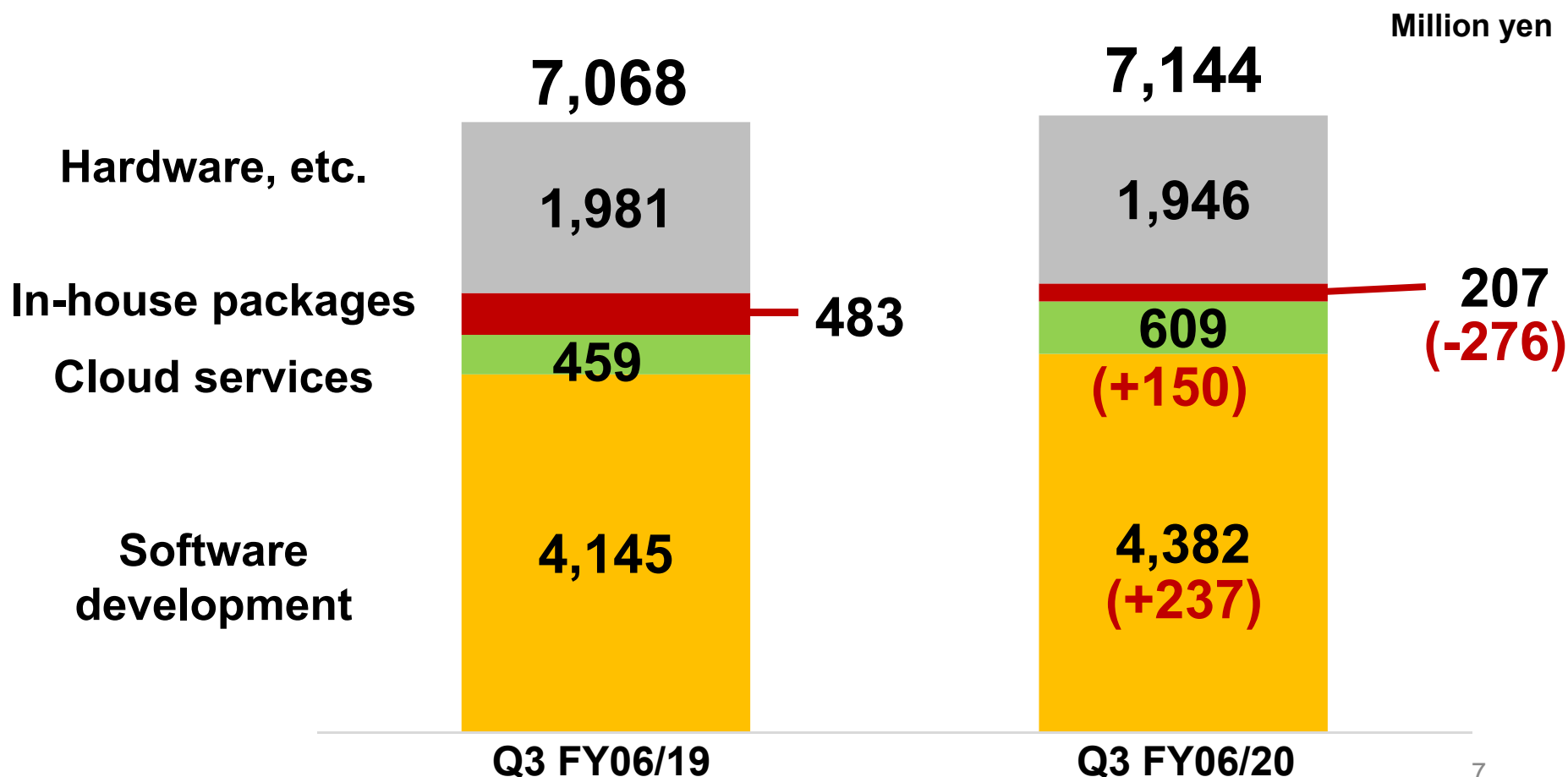
Q3 FY06/20

Financial Systems Solutions: Net sales



(+): Increases in software development and cloud services

(-): Decline in in-house packages



Q3 FY06/20

Financial Systems Solutions: Operating income

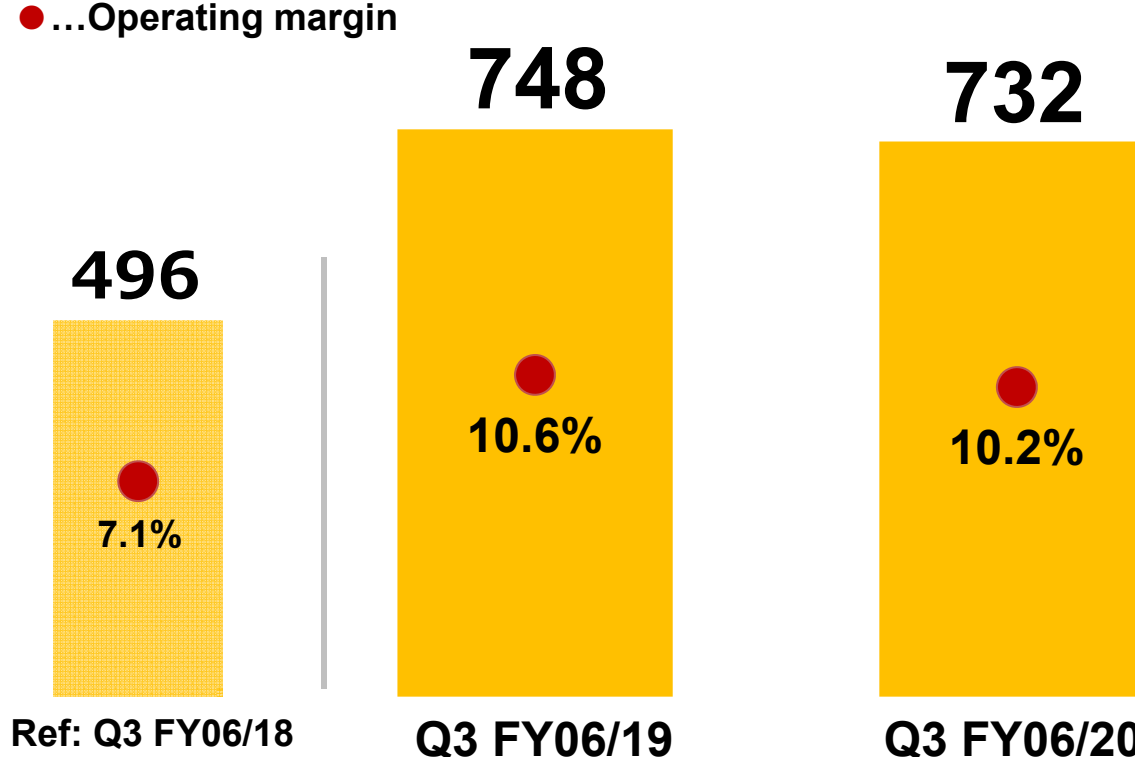


(+): Improvement in earnings from cloud services

(-): Decline in high-margin in-house packages

Million yen

■ ...Operating income
● ...Operating margin



-16
YoY

Reasons for changes

- Improved earnings from cloud services (+)
- Decline in in-house packages (-)
- Decline in margins for some development projects (-)






Q3 FY06/20

Product Solutions: Net sales



Sales of third-party product increased, but sales of high-margin in-house products declined

Million yen

	Q3 FY06/19	Q3 FY06/20	Change
Net sales	620	661	41
In-house products 	285	240	(45)
Third-party products    	335	421	86
Operating income	(72)	(146)	(74)

Forecast for FY06/20

Impact of spread of novel coronavirus disease



(Response to date)

Basic policy: Continue operations

(No suspension of payment systems, which constitute critical social infrastructure)

- **Established telework environment for all employees**
- **Monitoring health of employees**
 - **No employee has tested positive for the virus to date**

(Impact)

Impact on forecasts is negligible

- **Q3: No impact on earnings.**
- **Q4: Depending on customer conditions, the booking of sales for some development projects and products may be pushed to next fiscal year.**

Q3 FY06/20: Overview of results

Progress rate toward full-year forecast



The progress rate through Q3 was low, but the lag is expected to be offset in Q4

	Q3 FY06/20	FY06/20 forecast	Million yen Progress rate
Net sales	7,805	10,600	73.6%
Operating income	585	1,000	58.5%
Ordinary income	601	1,040	57.8%
Net income	398	720	55.3%

FY06/20: Forecast



No changes to full-year forecast

Expect net sales to exceed forecast of JPY10.6bn

Million yen

	FY06/19 actual			FY06/20			
	Q3 (cumulative)	Q4	Full year	Q3 actual (cumulative)	Q4 forecast (difference)	Full-year forecast	YoY (full year)
Net sales	7,689	2,754	10,443	7,805	2,795	10,600	+1.5%
Operating income [OM]	675 [8.8%]	246 [8.9%]	921 [8.8%]	585 [7.5%]	415 [14.8%]	1,000 [9.4%]	+8.6%
Ordinary income [OM]	688 [8.9%]	265 [9.6%]	953 [9.1%]	601 [7.7%]	439 [15.7%]	1,040 [9.8%]	+9.1%
Net income [NM]	466 [6.1%]	217 [7.9%]	683 [6.5%]	398 [5.1%]	322 [11.5%]	720 [6.8%]	+5.4%

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





FY06/20: Forecast Operating income



No change to full-year forecast of JPY1.0 billion

Operating income by segment

Million yen

	Q1 actual	Q2 actual	Q3 actual	Q4 forecast (difference)	Full-year forecast
Financial Systems Solutions	207	286	238	228 	960 
				Expected to exceed projections	
Product Solutions	(66)	(58)	(21)	186 	40 
				Expected to miss projections	

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

FY06/20: Full-year forecast, by segment



Financial Systems Solutions:

Expect net sales and operating income to exceed forecast

Million yen

Financial Systems Solutions						
	Q4 FY06/19 actual	Q4 FY06/20 forecast (difference)		FY06/20 full-year forecast		Outlook
Net sales	2,268	2,256		9,400		
Operating income [OM]	141	[6.2%]	228	[10.1%]	960	[10.2%]

Product Solutions						
	Q4 FY06/19 actual	Q4 FY06/20 forecast (difference)		FY06/20 full-year forecast		Outlook
Net sales	485	539		1,200		
Operating income [OM]	104	[21.4%]	186	[34.5%]	40	[3.3%]

Note: "OM" refers to the operating margin.

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

Key Initiatives In FY06/20

Financial Systems Solutions Cloud Services

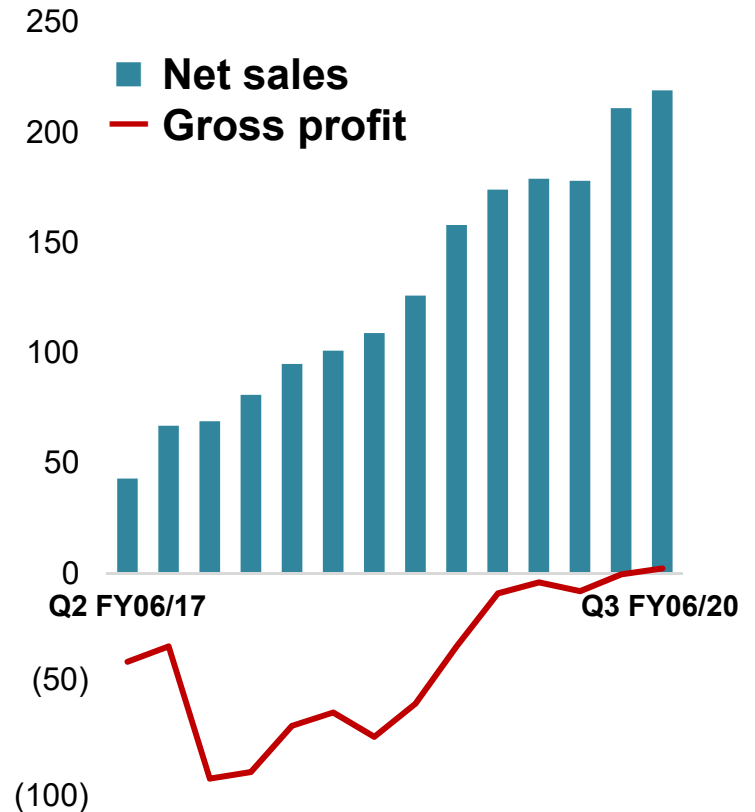


Services and customers

	FY06/18	FY06/19	FY06/20			
			Q1	Q2	Q3	Q4
2nd customer for IGATES						
1st customer for IGATES						
3rd customer for IFINDS						
2nd customer for IFINDS						
1st customer for IFINDS						
5th customer for IOASIS (operations started in Q2)						
1st to 4th customer for IOASIS						

Quarterly performance

Million yen



Net sales: Expected to exceed FY06/20 forecast of JPY800mn

Gross profit: Turned positive for the first time in Q3 (January–March)

Financial Systems Solutions

New products



FARIS

**Next-
generation
fraud
detection**

- Respond to growing e-commerce payments by leveraging AI to boost capacity and detection accuracy
- Planning to use multi-year usage fee based contracts (subscriptions)
- **Informal request from one credit card issuer** (sales to be booked in FY06/21)

Status of PoC projects

- **Underway (or planned): Two companies**

Financial Systems Solutions

New initiatives



Operation of overnight fraud detection service

- Proposing as fraud detection-related service to credit card issuers
- Target start of services from Q4

- Target customers are **small and medium-sized credit card issuers** and **new market entrants**
- By offering operation services alongside in-house fraud detection systems (ACEPlus, IFINDS, FARIS), we can **propose comprehensive fraud detection services**

Product Solutions

Expanding portfolio of Israeli cybersecurity products



Cybersecurity measures	Internal attacks	Cyberattacks from external parties				
Threat Function	Internal data leaks	Intrusions/vulnerability exploits/targeted attacks	Malware (ransomware) defenses	Manual manipulation by attackers, lateral movement, contamination	Threats in large amounts of log data	Attacks on Wi-Fi communications
Detection of attack						
Notification to administrator	Intelligent Wave: CWAT	Palo Alto Networks: Traps		Illusive Networks: Deceptions Everywhere	SecBI: SecBI	WiFiWall: WiFiWall
Report forensics						
Shutdown of operations						
Incident management, external collaboration			Ayehu: ayehu NG			
Incident analysis			Cybear Networks: Cybear			
Comprehensive security monitoring			Cyber Observer: Cyber Observer			
Disabling of attacks		Morphisec: Morphisec				
Content Disarm and Reconstruction (CDR)		ReSeC Technologies: RESEC				
Security operation and monitoring for SMBs		VSO	Pulisec Lab: (Virtual Security Officer)			

Prevention	Vulnerability diagnostic tools		Password management	User management
Details Function	OS/network diagnosis	Web vulnerability diagnosis	Management of privileged accounts	Handwriting authentication
Security management tools	Rapid7: Insight VM Metasploit	Ubsecure: VEX	CyberArk Software: CyberArk PAS	Verifyoo: Verifyoo

Product Solutions

New product



WifiWall Dome System Launched on April 1

wifi wall

- Issued press release on March 30
- Automatically detects and investigates attacks on Wi-Fi communication
- Envisioned customers are corporate offices, factory facilities, commercial facilities, airports, hospitals, and facilities that offer public services such as community centers



New product for the broadcasting industry EoM (IP flow monitoring solution)



- Supports switch to IP-based broadcasting systems for the 4K and 8K era

Overseas:

- Planned exhibitions were canceled due to spread of the novel coronavirus disease

Japan:

- Used in PoC project of commercial broadcaster
Testing terminal unit sold



Reference

FY06/20: Forecast



No changes to full-year forecast

Million yen

	FY06/19 actual			FY06/20			YoY (full year)
	Q3 (cumulative)	Q4	Full year	Q3 actual (cumulative)	Q4 forecast (difference)	Full-year forecast	
Net sales	7,689	2,754	10,443	7,805	2,795	10,600	+1.5%
Operating income [OM]	675 [8.8%]	246 [8.9%]	921 [8.8%]	585 [7.5%]	415 [14.8%]	1,000 [9.4%]	+8.6%
Ordinary income [OM]	688 [8.9%]	265 [9.6%]	953 [9.1%]	601 [7.7%]	439 [15.7%]	1,040 [9.8%]	+9.1%
Net income [NM]	466 [6.1%]	217 [7.9%]	683 [6.5%]	398 [5.1%]	322 [11.5%]	720 [6.8%]	+5.4%

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

Impact of spread of novel coronavirus disease and response



Ensuring employee safety

- Cancelled non-essential and non-urgent meetings, and postponed domestic and overseas business trips
- Made telework arrangements
- Confirmed work and health conditions
- Formulated action plan to be deployed if an employee becomes infected

(System development, operation services)

- Implementing countermeasures based on individual consultation with customers
- Running operations through combination of telework and office commute depending on industry and project

Forecast for FY06/20

- Depending on customer conditions, the booking of sales for some development projects and products may be pushed to next fiscal year
- (Important) Operating income may miss our forecast

Capital status

- Secured JPY2.9bn in lending commitment contracts and other agreements with major financial institutions

Financial Systems Solutions

Cloud Services

FY06/20: Initial targets and actual results



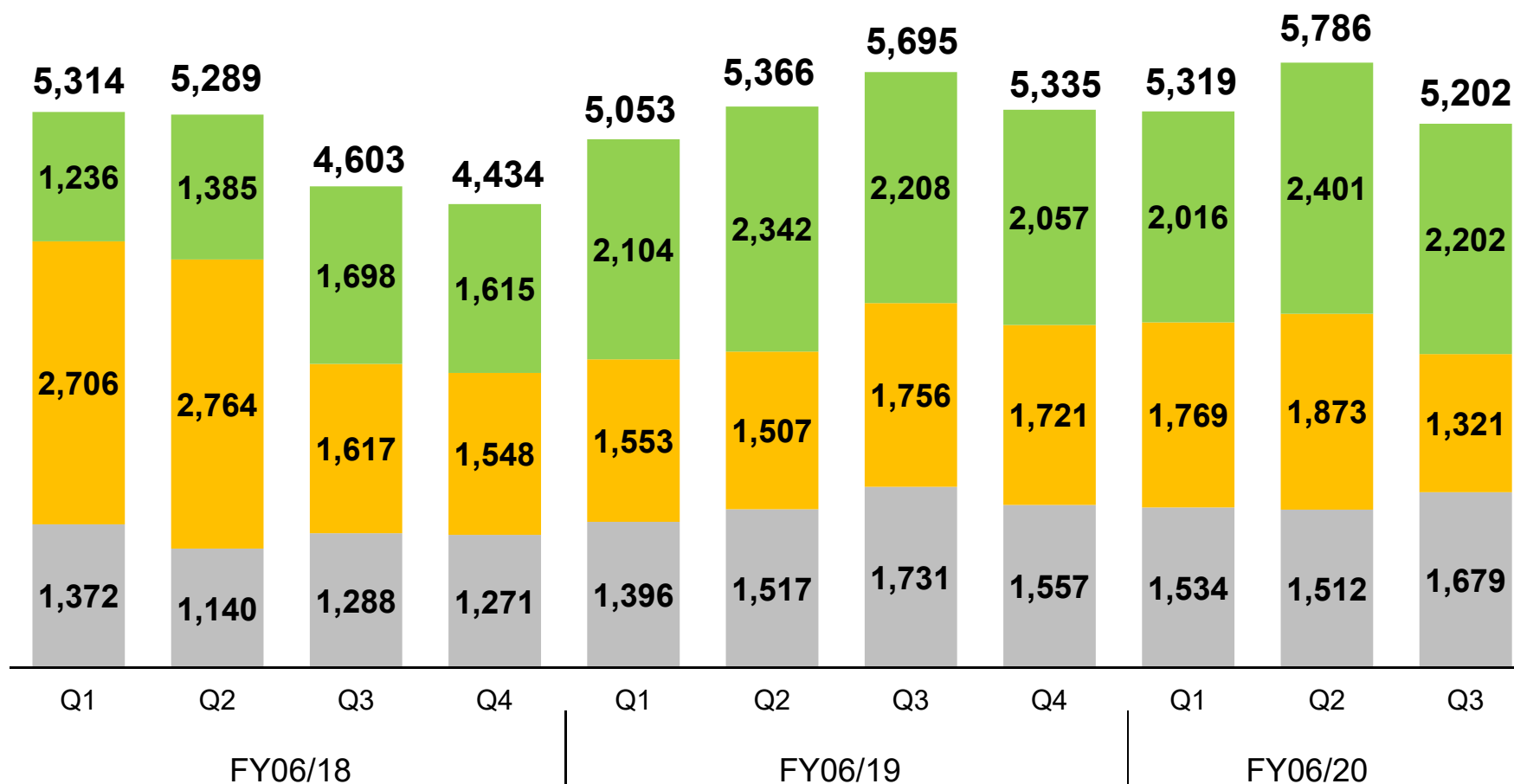
Million yen

		Q1	Q2	Q3	Q4	Full year
Net sales	FY06/19 results	126	158	174	178	637
	FY06/20 forecast	180	205	205	210	800
	FY06/20 results	178	211	219		
Gross profit	FY06/19 results	(59)	(33)	(9)	(2)	(105)
	FY06/20 forecast	(15)	(4)	(4)	(2)	(25)
	FY06/20 results	(8)	(0.4)	2.3		

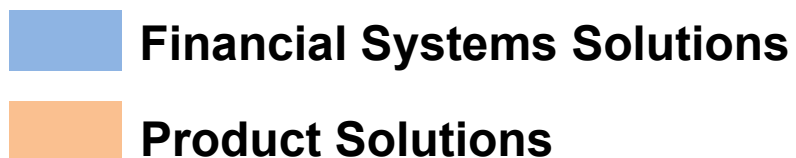
Orders on hand

- Cloud service business
- Software development
- Other

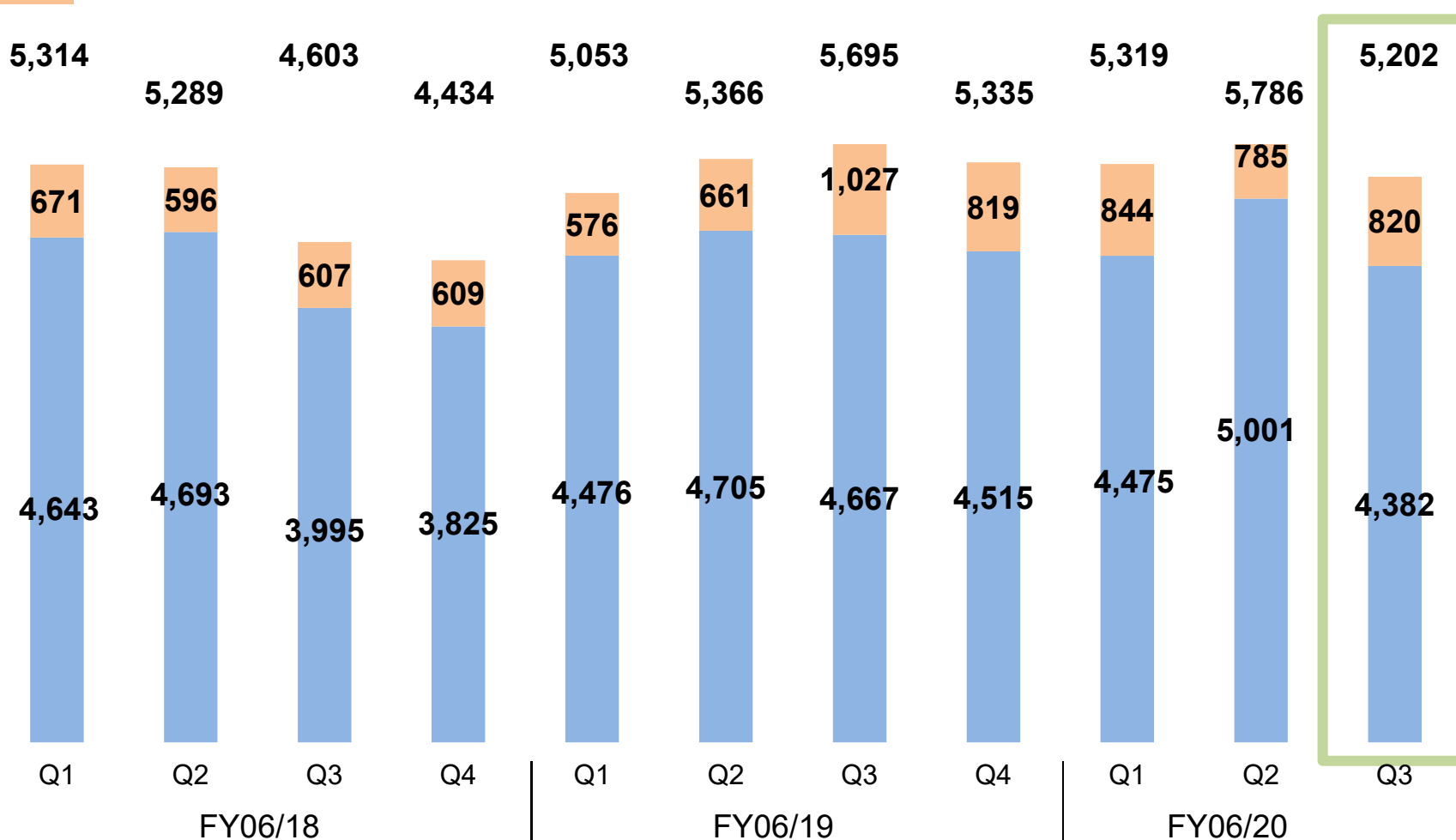
Million yen



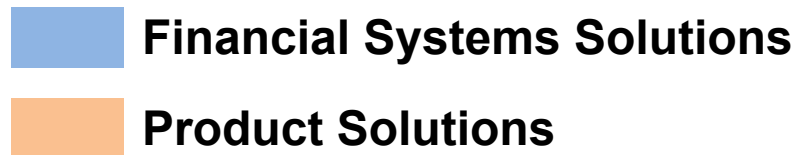
Orders on hand, by segment



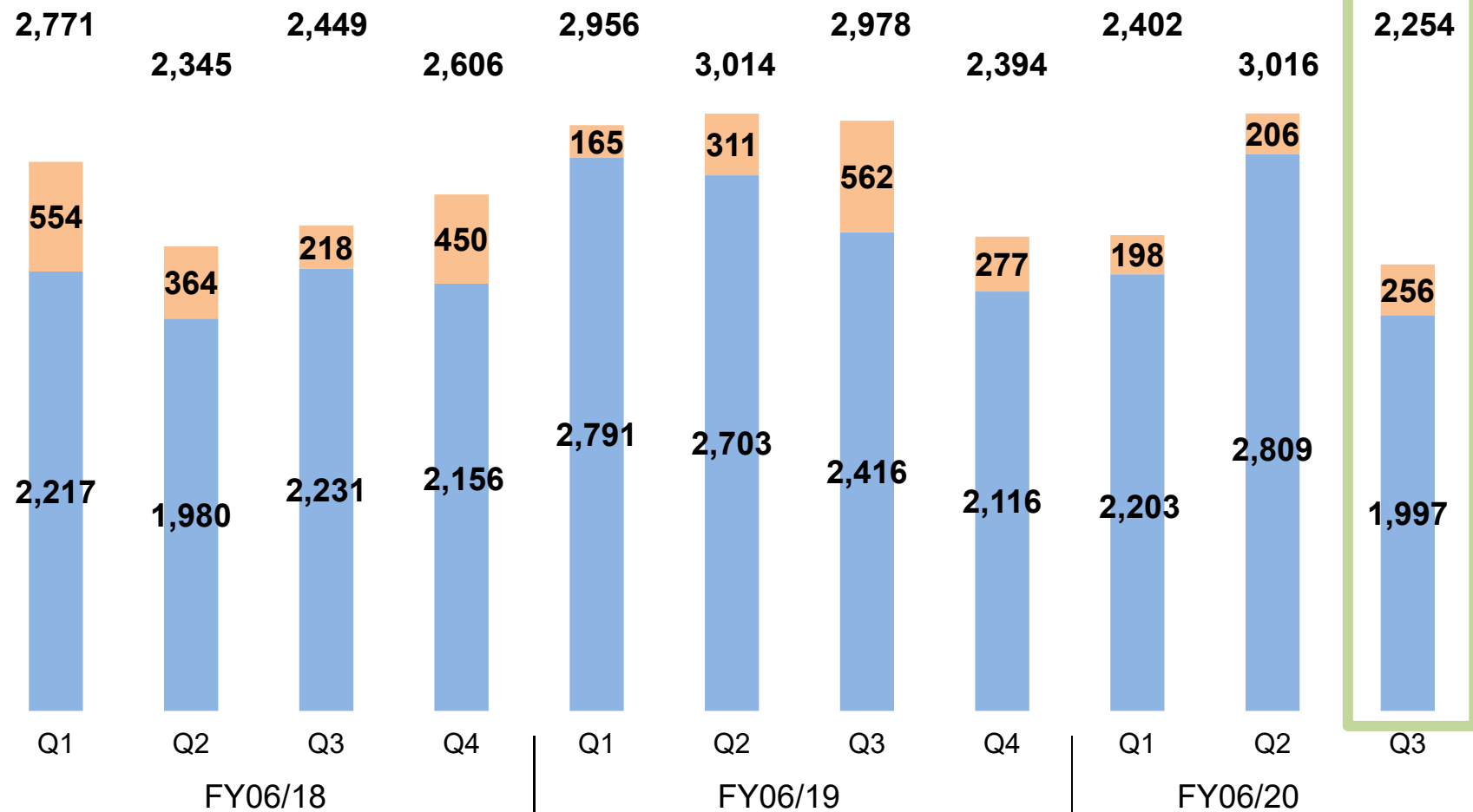
Million yen



Amount of orders, by segment



Million yen



Medium-term business plan



Continue to deliver net sales of more than JPY10.0bn
Target an operating margin of 10% in FY06/22

		Million yen			
	FY06/19 (actual)	FY06/20 (forecast)	FY06/21 (target)	FY06/22 (target)	CAGR
Net sales	10,443	10,600	11,200	12,000	4.7%
Financial Systems Solutions	9,336	9,400	9,900	10,600	4.3%
Product Solutions	1,106	1,200	1,300	1,400	8.2%
Operating income [OM]	921 [8.8%]	1,000 [9.4%]	1,080 [9.6%]	1,200 [10.0%]	9.2%

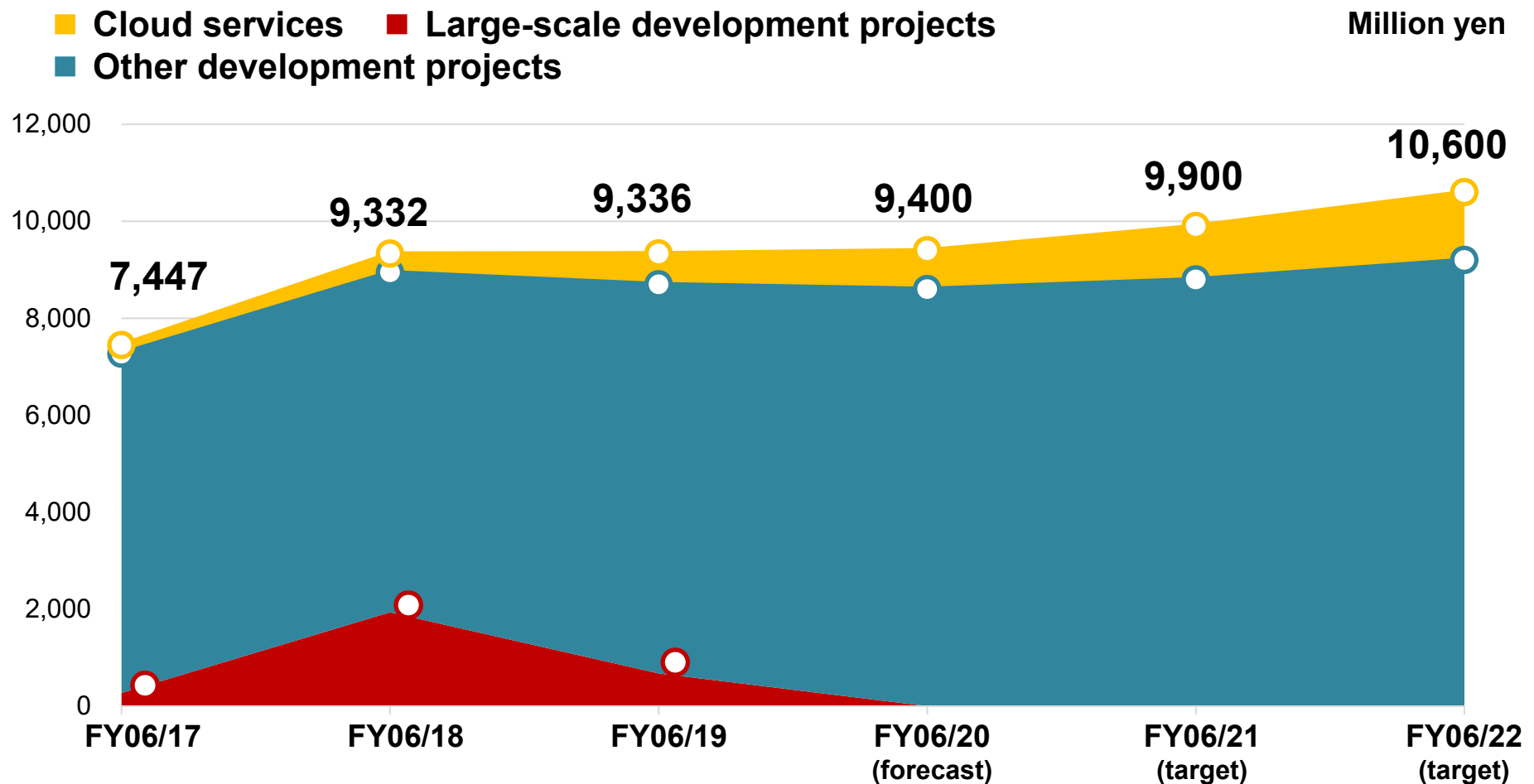
Note: "OM" refers to the operating margin.

Medium-term business plan

Financial Systems Solutions



Cloud services and other development projects expected to grow after large-scale development projects are completed



Q3 FY06/20

Financial Systems Solutions

Progress rate toward full-year forecast



	Million yen		
	FY06/20 Q3	FY06/20 Full-year forecast	Progress rate
Net sales	7,144	9,400	76.0%
Software development	4,382	5,960	73.5%
Maintenance	926	1,220	75.9%
Hardware	869	870	99.9%
In-house package	207	240	86.2%
Cloud services	609	800	76.1%
Third-party packages	148	310	47.7%
Operating income	732	960	76.3%

Q3 FY06/20

Product Solutions

Progress rate toward full-year forecast



	Million yen		
	FY06/20 Q3	FY06/20 Full-year forecast	Progress rate
Net sales	661	1,200	55.1%
Software development	46	60	76.7%
Maintenance	124	290	42.8%
Hardware	1	40	2.5%
In-house packages	69	80	86.3%
Third-party packages	419	730	57.4%
Operating income	(146)	40	—

Q3 FY06/20: Overview of results

YoY comparison



Million yen

	Q3 FY06/19	Q3 FY06/20	Change	Percentage change
Net sales	7,689	7,805	116	1.5%
Operating income	675	585	(90)	(13.3%)
Ordinary income	688	601	(87)	(12.6%)
Net income	466	398	(68)	(14.6%)

Q3 FY06/20

Financial Systems Solutions

YoY comparison



Increases in software development and cloud services sales

	Q3 FY06/19	Q3 FY06/20	Change
			Million yen
Net sales	7,068	7,144	76
Software development	4,145	4,382	237
Maintenance	829	926	97
Hardware	989	869	(120)
In-house packages	483	207	(276)
Cloud services	459	609	150
Third-party packages	161	148	(13)
Operating income	748	732	(16)

Q3 FY06/20

Financial Systems Solutions

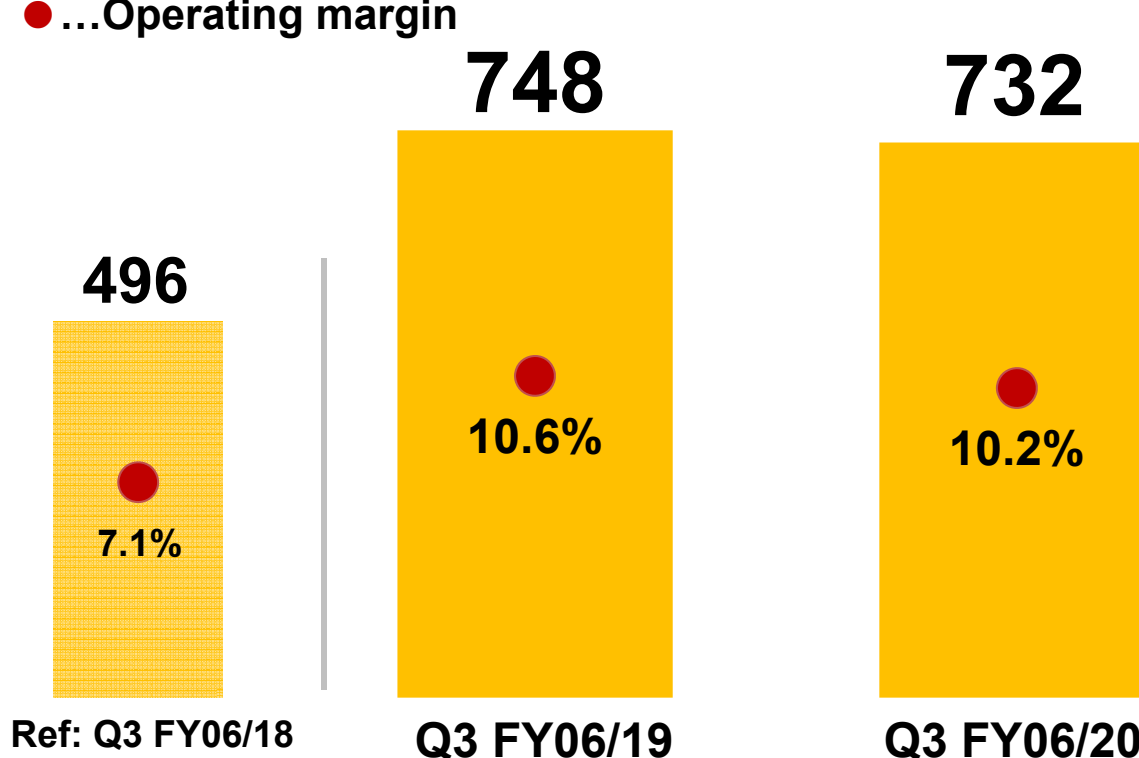
Operating income



(+): Improvement in earnings of cloud services
(-): Decline in high-margin in-house packages

Million yen

■ ...Operating income
● ...Operating margin



-16
YoY

Reasons for changes

- Improved earnings from cloud services (+)
- Decline in in-house packages (-)
- Decline in margins for some development projects (-)

Q3 FY06/20

Products Solutions

YoY comparison



Sales of third-party products rose, but sales of high-margin in-house products fell

	Q3 FY06/19	Q3 FY06/20	Change
			Million yen
Net sales	620	661	41
Software development	38	46	8
Maintenance	132	124	(8)
Hardware	2	1	(1)
In-house package	115	69	(46)
Third-party packages	333	419	86
Operating income	(72)	(146)	(74)

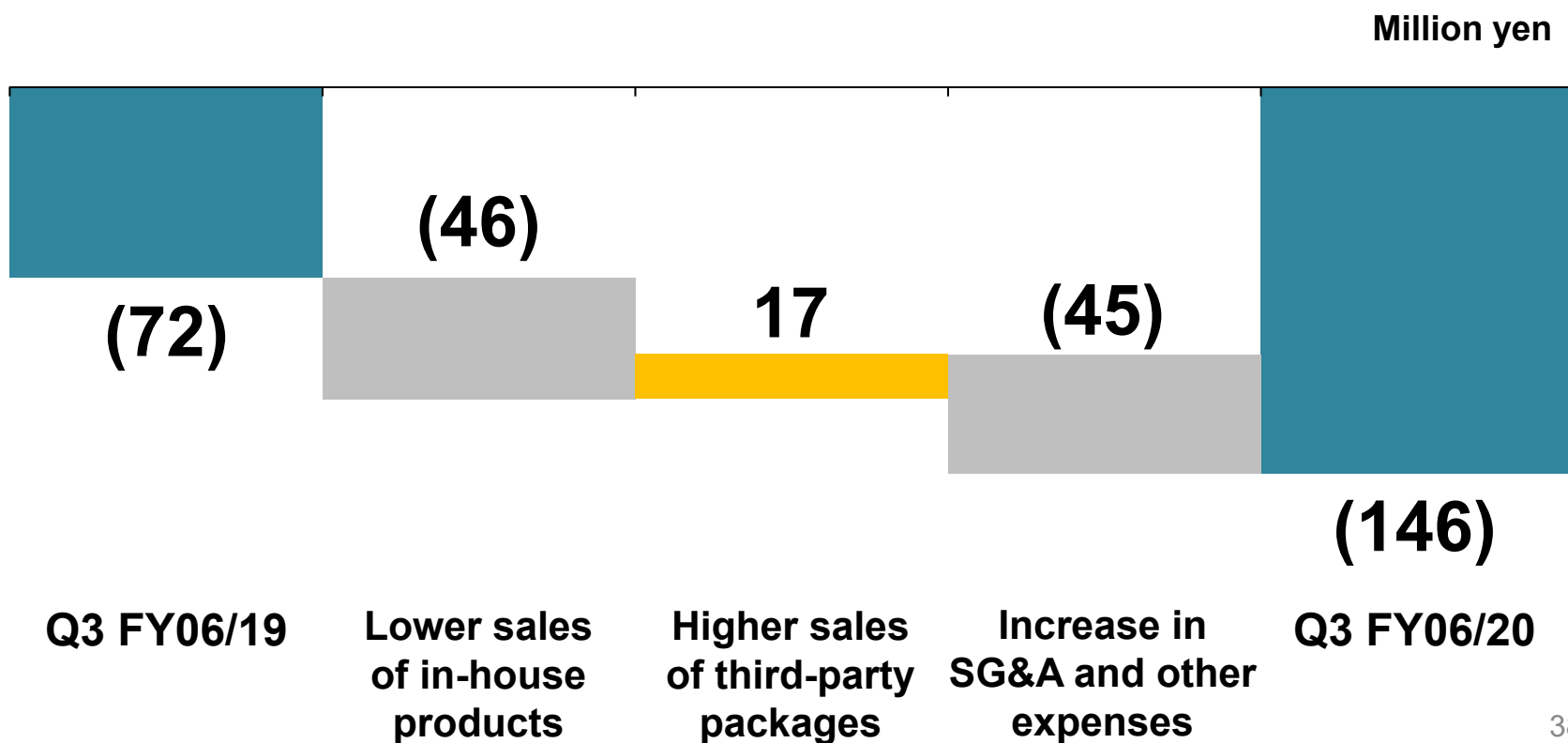
Q3 FY06/20

Product Solutions

Operating income



Income fell due to lower sales of in-house products and higher SG&A and other expenses



Quarterly results, by segment



Million yen

	FY06/19				FY06/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	2,337	2,701	2,649	2,754	2,417	2,549	2,838
Financial Systems Solutions	2,140	2,474	2,453	2,268	2,243	2,283	2,617
Product Solutions	197	227	196	485	173	266	221
Operating income	70	198	406	246	141	227	216
Financial Systems Solutions	104	212	431	141	207	286	238
Product Solutions	(34)	(14)	(24)	104	(66)	(58)	(21)
Operating margin	3.0%	7.3%	15.3%	8.9%	5.8%	8.9%	7.6%
Financial Systems Solutions	4.9%	8.6%	17.6%	6.2%	9.2%	12.5%	9.1%
Product Solutions	(17.3%)	(6.2%)	(12.2%)	21.4%	(38.2%)	(21.8%)	(9.5%)

Quarterly net sales, by segment category



Million yen

	FY06/19				FY06/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Financial Systems Solutions	2,140	2,474	2,453	2,268	2,243	2,283	2,617
Software development	1,311	1,479	1,354	1,522	1,251	1,322	1,808
Maintenance	268	273	287	295	301	305	319
Hardware	265	484	239	150	353	327	188
In-house packages	103	38	342	29	98	82	28
Cloud services	126	158	174	178	178	211	219
Third-party packages	64	41	56	92	61	34	53
Product Solutions	197	227	196	485	173	266	221
Software development	15	14	8	34	5	23	17
Maintenance	23	25	84	150	17	26	80
Hardware	1	0	0	80	1	0	0
In-house packages	42	71	1	17	49	12	6
Third-party packages	115	115	102	201	100	202	116

Q3 FY06/20: Production costs



Thousand yen

	FY06/19				FY06/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Materials costs	7,516	5,501	5,497	4,711	13,473	15,597	10,163
Labor costs	616,769	609,232	619,518	656,916	669,478	677,925	676,878
Expenses	291,097	311,326	386,922	374,934	322,071	324,894	324,855
Subcontracting costs	816,921	768,881	624,305	604,941	636,415	679,101	640,094
Total manufacturing costs	1,732,305	1,694,941	1,636,244	1,641,504	1,641,439	1,697,518	1,651,991
Work in progress (beginning of period)	518,826	627,821	677,435	747,638	626,309	741,783	839,812
Work in progress (end of period)	627,821	677,435	747,638	626,309	741,783	839,812	460,178
Transfer to other accounts	117,406	91,812	69,272	111,394	166,499	136,522	150,296
Provision for loss on orders received	—	—	—	—	—	—	—
Provision for reserve for product warranties	(14,580)	—	—	—	—	—	—
Cost of sales	1,491,322	1,553,514	1,496,769	1,651,439	1,359,465	1,462,967	1,881,328

Q3 FY06/20: SG&A expenses



Thousand yen

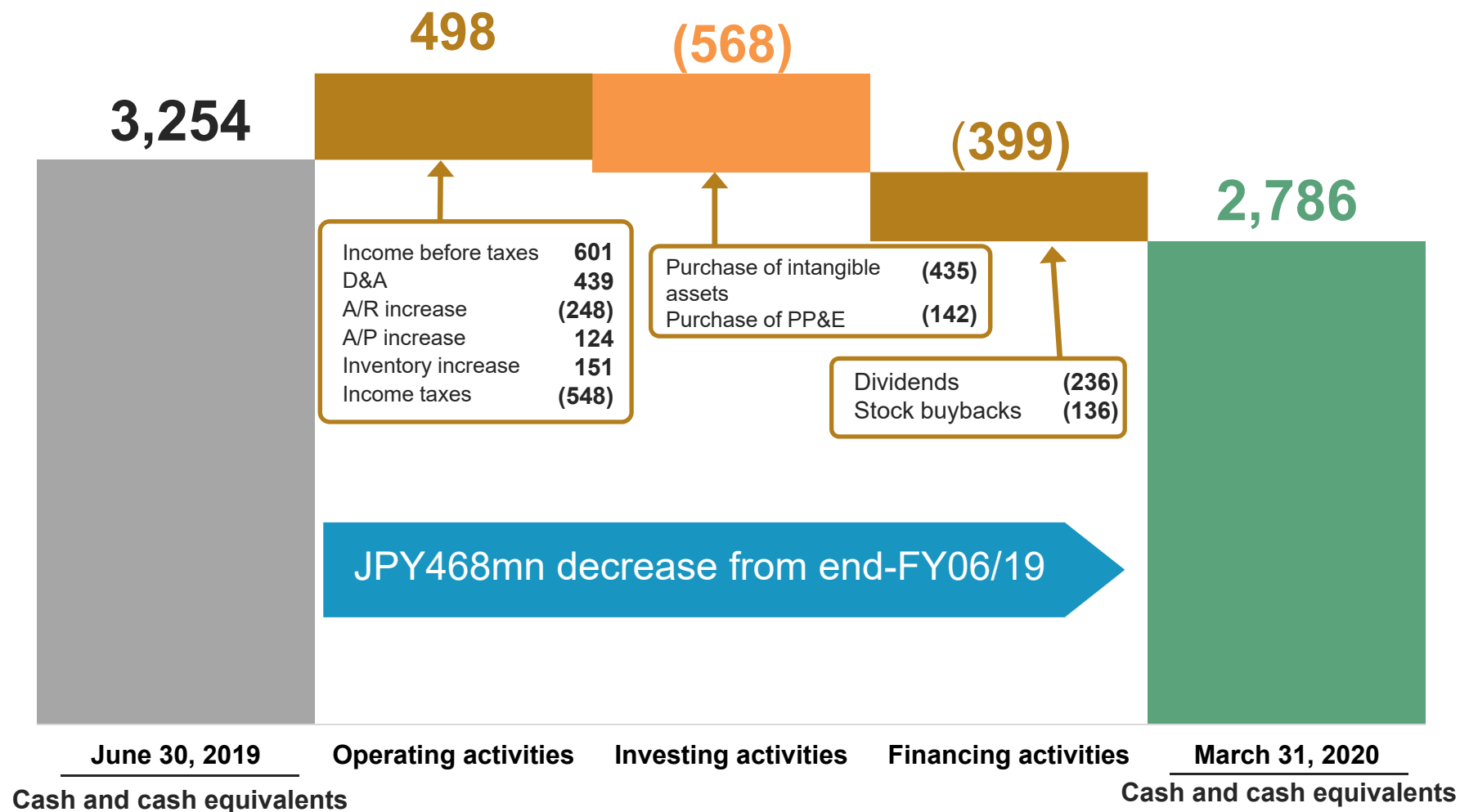
	FY06/19				FY06/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Salaries	278,760	282,336	313,790	289,932	302,437	294,538	295,482
Recruiting and training	8,152	7,760	12,931	20,165	13,243	18,471	18,739
Rent	16,485	18,007	18,042	26,436	21,204	17,334	17,849
Advertising	7,614	11,962	4,710	4,840	9,917	8,219	2,088
R&D	11,902	12,471	4,025	3,849	4,914	6,344	13,371
Depreciation and amortization	7,472	7,863	14,428	1,972	8,826	9,148	9,969

	Q3 FY06/19	Q3 FY06/20	Change	Million yen
SG&A expenses	1,406	1,436	30	
(Breakdown)		Salaries	18	
		Recruiting and training	22	
		Other	(10)	

Q3 FY06/20: Cash flows



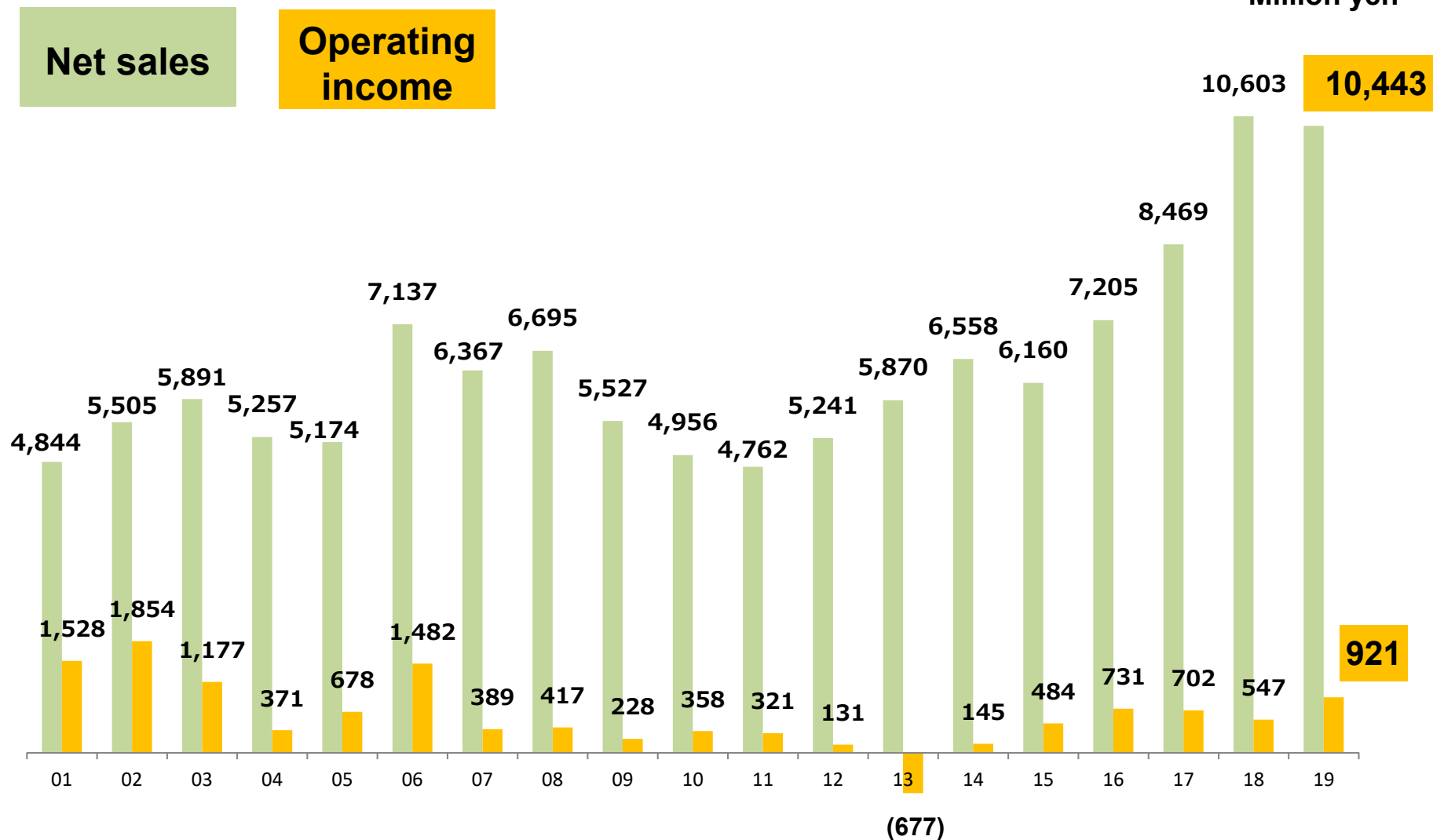
Million yen



Historical performance

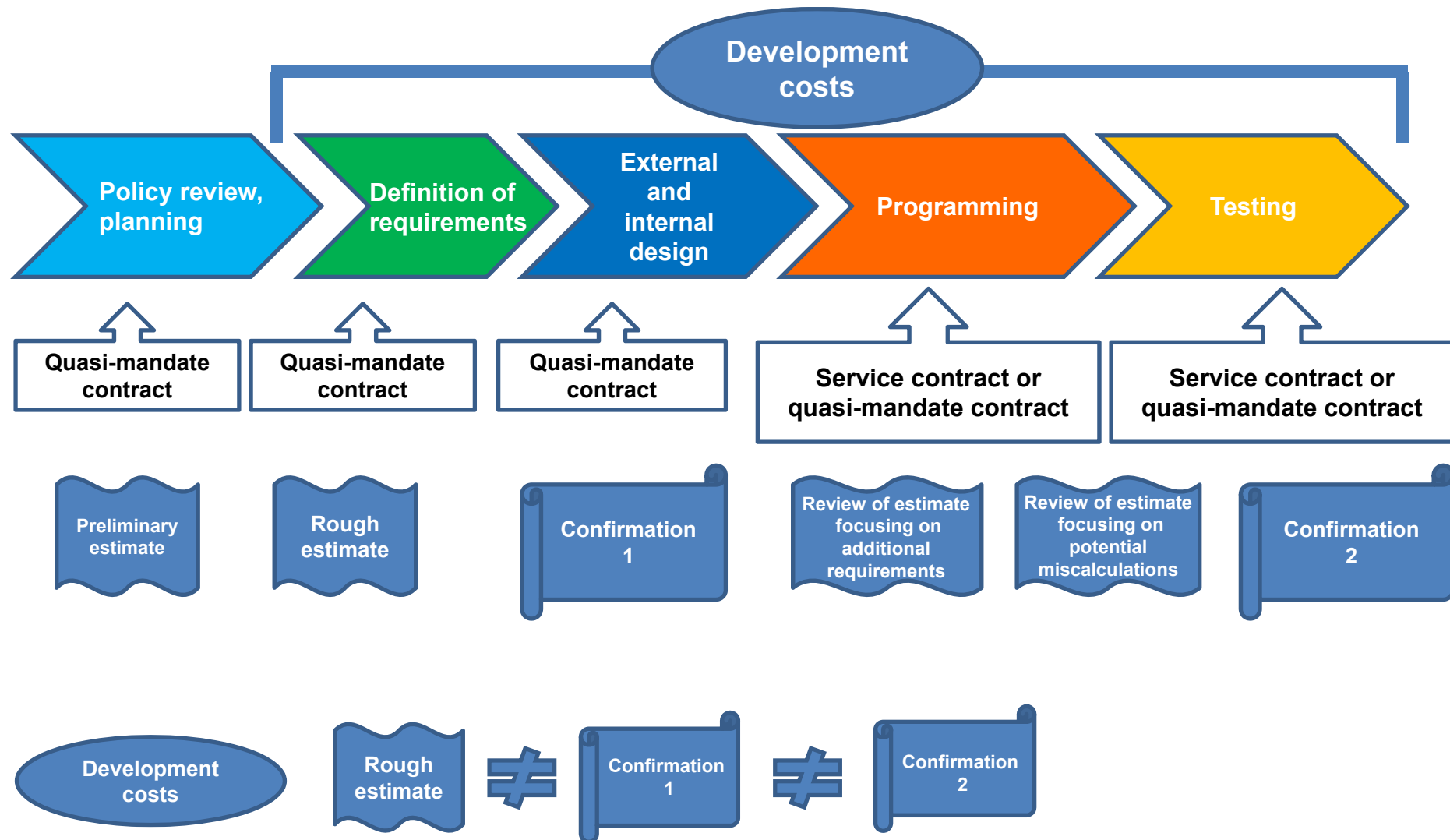


Million yen



Note: Consolidated results are shown through FY06/15

(Reference) System development process, contract types, and accuracy of estimates



Company overview



(As of December 31, 2019)

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	414
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)
Capital stock	JPY843.75mn
Shares outstanding	26,340,000
	Shareholders 12,375

Ownership (%)		% of shareholders	
Individuals, others	39.39%	Individuals, others	98.56%
Japanese financial institutions	5.08%	Japanese financial institutions	0.12%
Other Japanese corporations	51.13%	Other Japanese corporations	0.38%
Foreign corporations	2.24%	Foreign corporations	0.61%
Japanese securities firms	2.02%	Japanese securities firms	0.32%
Treasury stock	0.14%	Treasury stock	0.01%

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