

Financial Results for Q3* FY06/18 (July 1, 2017 to March 31, 2018) [Non-Consolidated]

*** Unless stated otherwise, Q3 refers to the cumulative nine-month period ended March 31, 2018.**



Financial and Operating Results

Q3 FY06/18

"Q3" refers to the cumulative nine-month period ended March 31, 2018.

Q3 FY06/18: Overview of Results and Rate of Progress toward Full-Year Forecast



Performance was steady

Million yen

	Q3 FY06/18	FY06/18 forecast	Rate of progress
Net sales	7,828	9,700	80.7%
Operating income	366	480	76.3%
Ordinary income	373	500	74.6%
Net income	238	340	70.0%

Q3 FY06/18: Overview, YoY Comparison



			Million yen	
	Q3 FY06/17	Q3 FY06/18	Change	Percentage change
Net sales	6,056	7,828	1,772	29.3%
Operating income	522	366	(156)	(29.9)%
Ordinary income	563	373	(190)	(33.7)%
Net income	406	238	(168)	(41.4)%

Top three clients, by sales



Favorable overall, increase in development
related to credit cards

Million yen

	Q3 FY06/17	Q3 FY06/18	Change	Main projects
1. Credit card issuer	756	2,037	1,281	Credit card brand unification
2. DNP	1,207	1,596	389	Smartphone payments, 389 payment platforms, security products
3. Credit card issuer	205	598	393	Network gateway

Q3 FY06/18: Segment summary



Million yen

Financial Systems Solutions					
	Q3 FY06/17	Q3 FY06/18	Change	Percentage change	
Net sales	5,341	7,005	1,664	31.2%	
Operating income [OM]	520 [9.7%]	496 [7.1%]	(24)	(4.6)%	

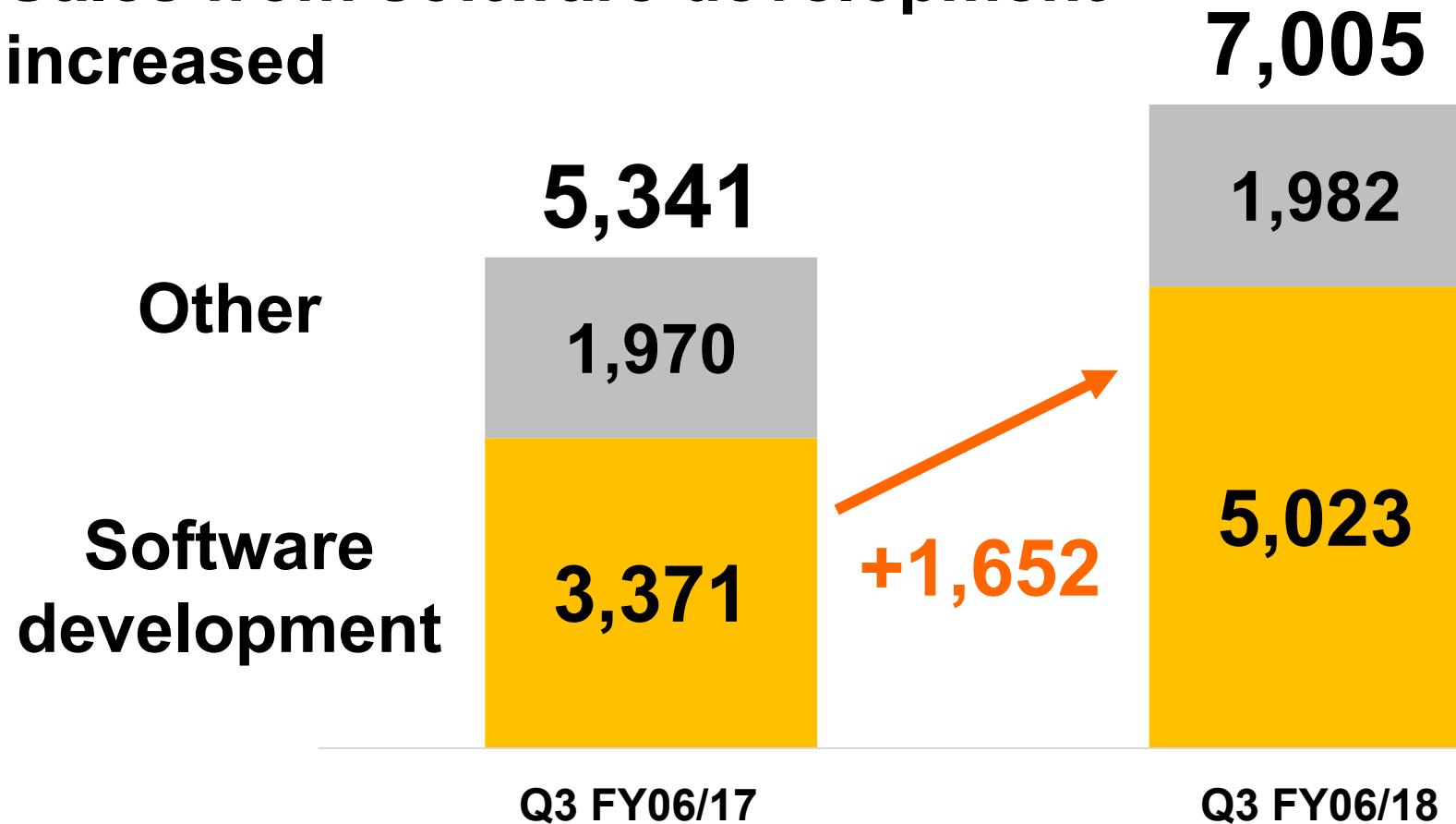
Product Solutions					
	Q3 FY06/17	Q3 FY06/18	Change	Percentage change	
Net sales	715	823	108	15.1%	
Operating income [OM]	2 [0.3%]	(129) [(15.7)%]	(131)	—	

Note: "OM" refers to the operating margin.

Financial Systems Solutions: Sales

Million yen

Sales from software development increased



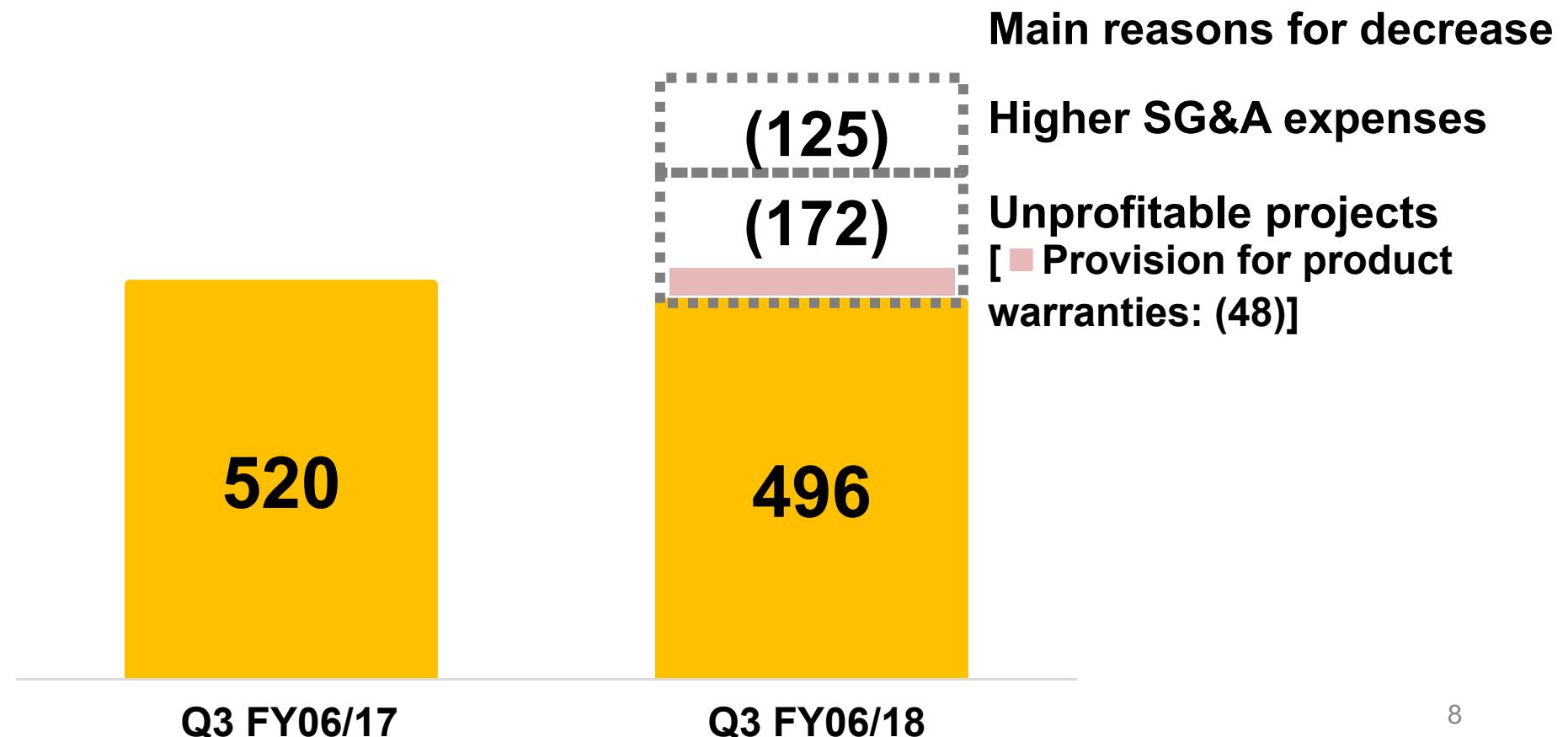
Q3 FY06/18

Financial Systems Solutions: Operating income



Income down due to certain unprofitable projects
This impact to be erased by year-end

Million yen



Q3 FY06/18



Product Solutions: Sales

**Sales down for highly profitable in-house products,
higher sales of low-margin hardware**

	Q3 FY06/17	Q3 FY06/18	Change
Sales	715	823	108
In-house product CWAT®	280	195	(85)
Third-party products	434	627	193
Third-party packages Traps , etc.	388	343	(45)
Others (Hardware, etc.)	46	283	237

Forecast for FY06/18

FY06/18: Forecast



	FY06/17			FY06/18			YoY (full year)
	Q3 cum.	Q4	Full year	Q3 cum. (actual)	Q4 forecast (difference*)	Full-year forecast	
Net sales	6,056	2,412	8,469	7,828	1,872	9,700	14.5%
Operating income [OM]	522 [8.6%]	179 [7.4%]	702 [8.3%]	366 [4.7%]	114 [6.1%]	480 [4.9%]	(31.6)%
Ordinary income [OM]	563 [9.3%]	203 [8.4%]	766 [9.0%]	373 [4.8%]	127 [6.8%]	500 [5.2%]	(34.7)%
Net income [NM]	406 [6.7%]	141 [5.8%]	547 [6.5%]	238 [3.0%]	102 [5.4%]	340 [3.5%]	(37.8)%

* Full-year forecast minus cumulative Q3 results

Note: "OM" refers to the operating margin. "NM" is the net margin.

FY06/18

Full-year forecast by segment



Financial Systems Solutions					Million yen
	Q4 FY06/17	Q4 FY06/18 forecast (difference*)	FY06/18 full- year forecast	Outlook	
Net sales	2,105	1,495	8,500		
Operating income [OM]	131 [6.2%]	(26) [(1.7%)]	470 [5.5%]		

Product Solutions					
	Q4 FY06/17	Q4 FY06/18 forecast (difference*)	FY06/18 full- year forecast	Outlook	
Net sales	306	377	1,200		
Operating income [OM]	48 [15.7%]	139 [36.9%]	10 [0.8%]		

* Full-year forecast minus 1H results

Note: "OM" refers to the operating margin.

Key initiatives in FY06/18

“Evolving in three dimensions”

Road to 10B

Targeting sales of JPY10bn by FY06/19

Cultivating the next generation

Foster the next generation of employees

Improve productivity by standardizing operations

Improving our corporate culture

Encourage employees to work efficiently

Enhance communications

Medium-term business plan



FY06/20:

Targeting net sales of JPY10.5bn, operating income of JPY1.0bn

	FY06/17 (Actual)	FY06/18 (Revised forecast)	FY06/19 (Target)	FY06/20 (Target)	Million yen
					CAGR
Net sales	8,469	9,700	10,000	10,500	7.4%
Of which, Financial Systems Solutions	7,447	8,500	8,550	8,900	6.1%
Of which, Product Solutions	1,022	1,200	1,450	1,600	16.1%
Operating income [OM]	702	480	950	1,000	12.5%
	[8.3%]	[4.9%]	[9.5%]	[9.5%]	

Note: "OM" refers to the operating margin.

Financial Systems Solutions

FY06/18: Sales

Q3

Full-year forecast
(Revised on January 31)

Credit card business	Million yen	7,005	8,500
<ul style="list-style-type: none"> • Credit card brand unification • Branded prepaid card systems • Branded debit card systems • Fraud detection systems • IC card systems 		5,259	6,450 
Cloud service business			
<ul style="list-style-type: none"> • Acquiring business • Fraud detection • OnCore Switch 	Service charges Initial charges	376 277 98	460 377 83
Securities business			
<ul style="list-style-type: none"> • Financial info gateways • Trading tools • Network supervision 		996	1,150 
AI, Fintech			
<ul style="list-style-type: none"> • OpAI • ApAI • Electronic money • Smartphone payments 		373	440

Financial Systems Solutions

Cloud service business Business strategy

Acquiring business **IOASIS**

- Promote sales to regional financial institutions throughout Japan
- Offer clients a reduction in initial configuration costs

Fraud detection **IFINDS**

- Transfer from existing Visa fraud detection
- Provide to ASP companies

OnCore Switch **IGATES**

- Provide a cloud version of FEP
- Perform switching to new networks

New services

- Provide payment services using QR codes
- Offer services utilizing AI

Financial Systems Solutions

Cloud Service business Services and customers

FY06/18 sales
JPY460mn



FY06/20 sales
JPY800mn

	FY06/17	FY06/18				FY06/19
		Q1	Q2	Q3	Q4	
3rd customer for fraud detection					Approaching potential customers	
2nd customer for OnCore Switch				Unofficial announcement		
1st customer for OnCore Switch					Started in March	
2nd customer for fraud detection						
1st customer for fraud detection						
4th customer for Acquiring business						
Three customers for Acquiring business						

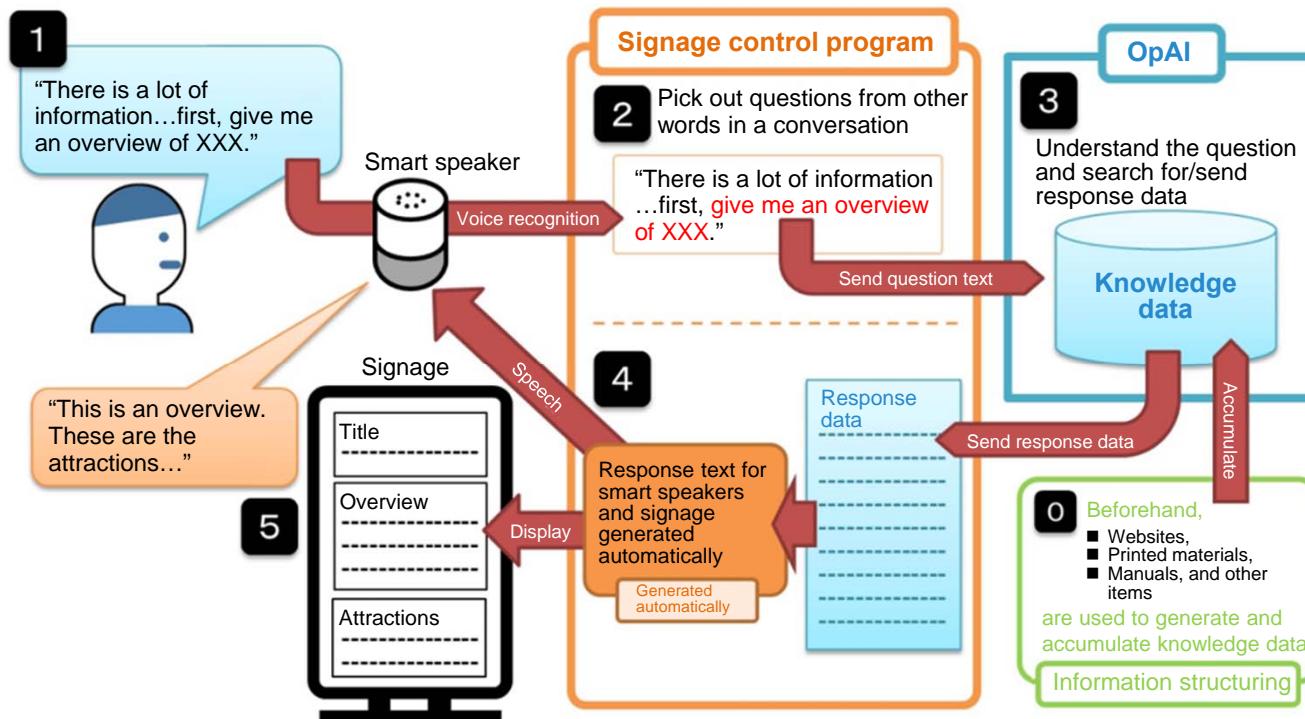
Financial Systems Solutions

AI-related

OpAI

Process natural language and increase precision of search and information processing

- **Digital signage using AI**
(Developed jointly with Dai Nippon Printing Co., Ltd.)



Product Solutions

FY06/18: Sales

Million yen

Change
(full year)

	FY06/17	Q3 FY06/18	FY06/18 full-year forecast	Change (full year)
Sales	1,022	823	1,200	178
Third-party packages				
Traps * - illusive	537	343	560	23
ayehu, etc.				
In-house product				
CWAT®	438	195	355	(83)
Others (Hardware)	46	283	285	239

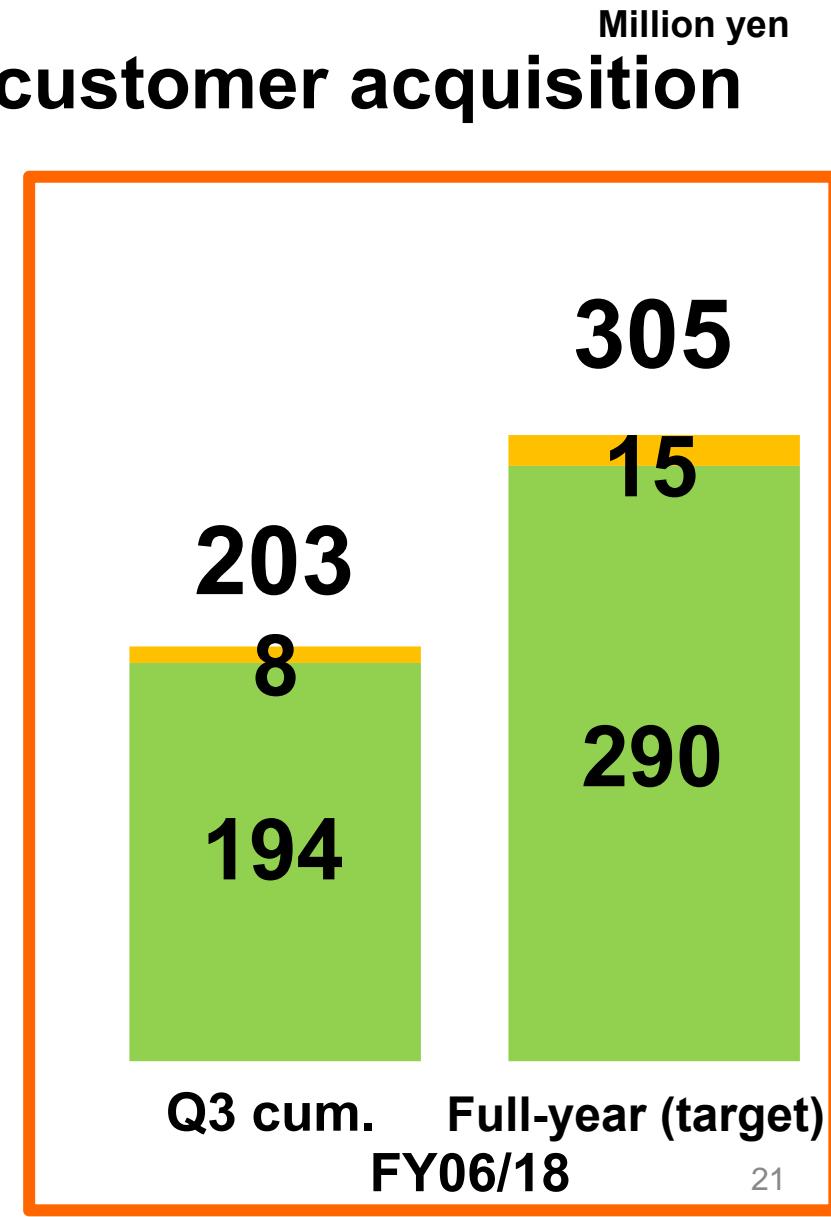
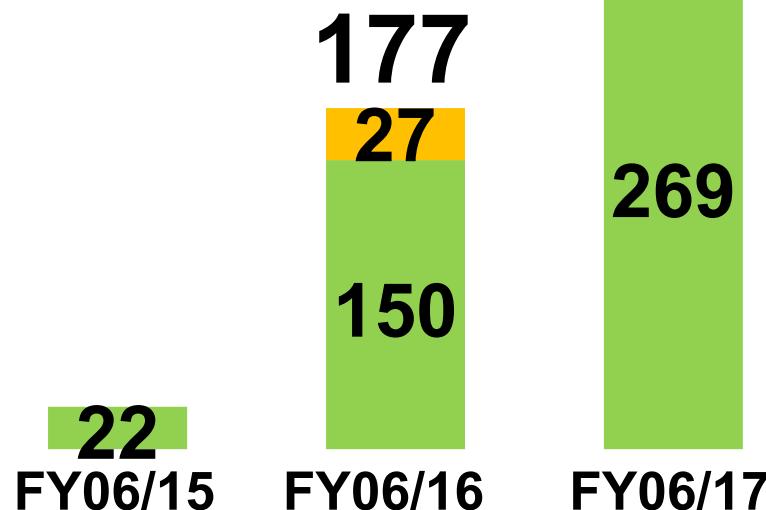
Road to 10B
Product Solutions



Traps Slowdown in customer acquisition

Traps sales

- Subscriptions
- Initial charges for new customers



Road to 10B

Product Solutions

Security solutions mapping



Countering attacks	Internal	External cyberattacks			
Threat Function	Leaks of internal information	Invasions Vulnerability attacks Targeted attacks	Ransomware, other malware	Manual attacks, horizontal expansion/contamination	Threats hidden in masses of log data
Detect threat	CWAT In-house product: CWAT	 		 illusive networks: Deceptions Everywhere	 SecBI: SecBI
Notify manager			Palo Alto Networks: Traps Add stronger products		
Report forensics	Enhanced function				
Halt behavior					
Incident response, external liaison			ayehu: eyeShare		

We plan to expand consulting and monitoring services.

Hiring plans (overall company)

Increase to 400 people during FY06/18

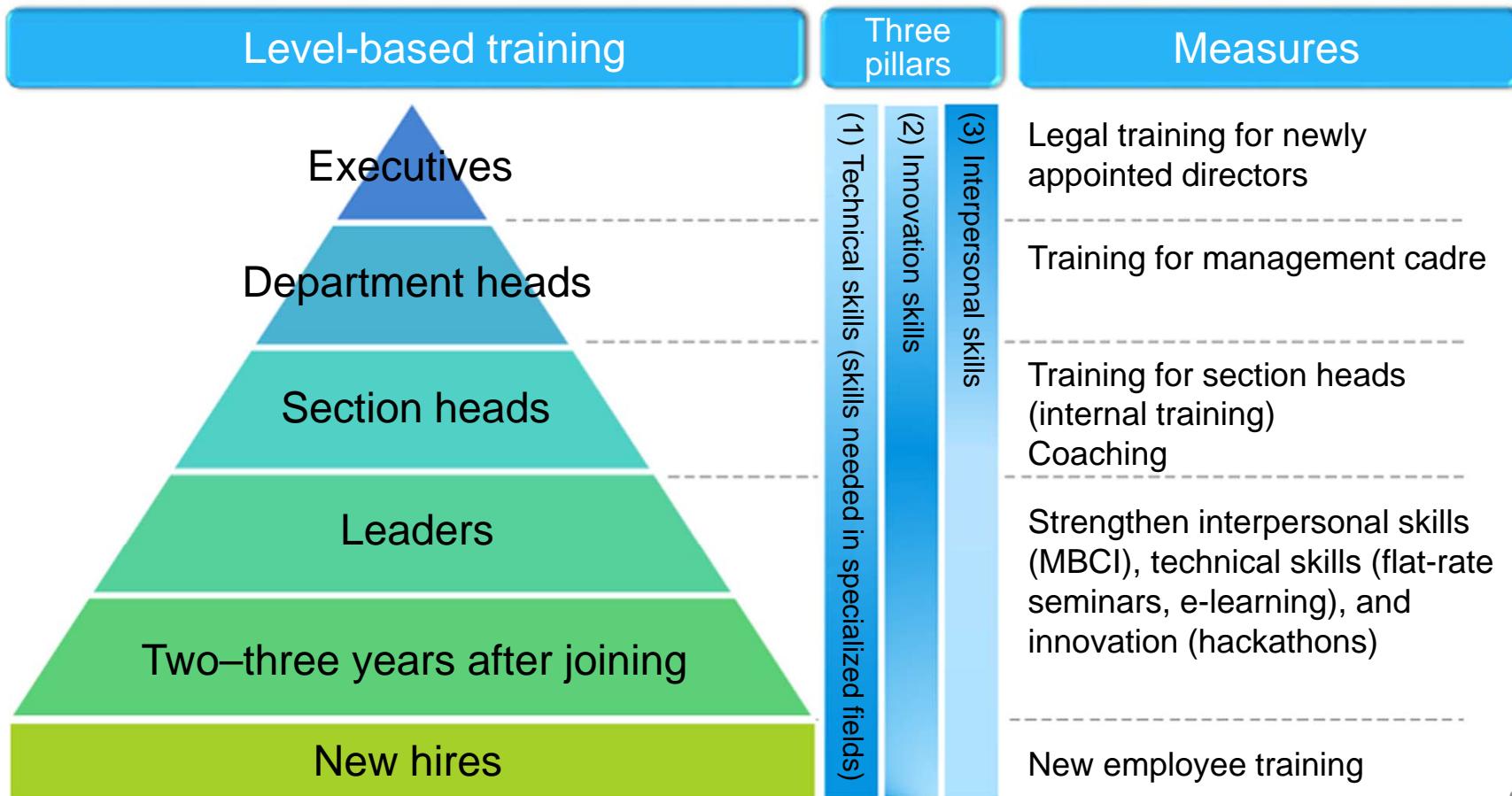
	FY06/17	Dec. 31, 2017	Apr. 30, 2018	No. of people Jun. 30, 2018 (target)
New-graduate hires	12	—	38	—
Mid-career hires	30	18	8	3
Total employees*	339	354	397	400

* Excludes people leaving the company

Cultivating the next generation

Foster the next generation of employees

Strengthen HR training so we can become
“a company good at nurturing people”



Shareholder returns



Policy of stable profit distribution

	FY06/15	FY06/16	FY06/17	FY06/18 (forecast)
Dividend per share	¥5	¥6	¥7	¥7
Payout ratio	28.0%	30.8%	33.7%	54.2%

Treasury stock acquisition status

Sep. 28	Acquired 187,800 shares of treasury stock
Oct. 27	Distributed 3,500 shares to seven directors as restricted stock (RS) compensation
Dec. 8	Distributed 174,500 shares to 349 employees as RS compensation

Note: The payout ratio for FY06/15 is based on consolidated figures.

Reference

Financial Systems Solutions

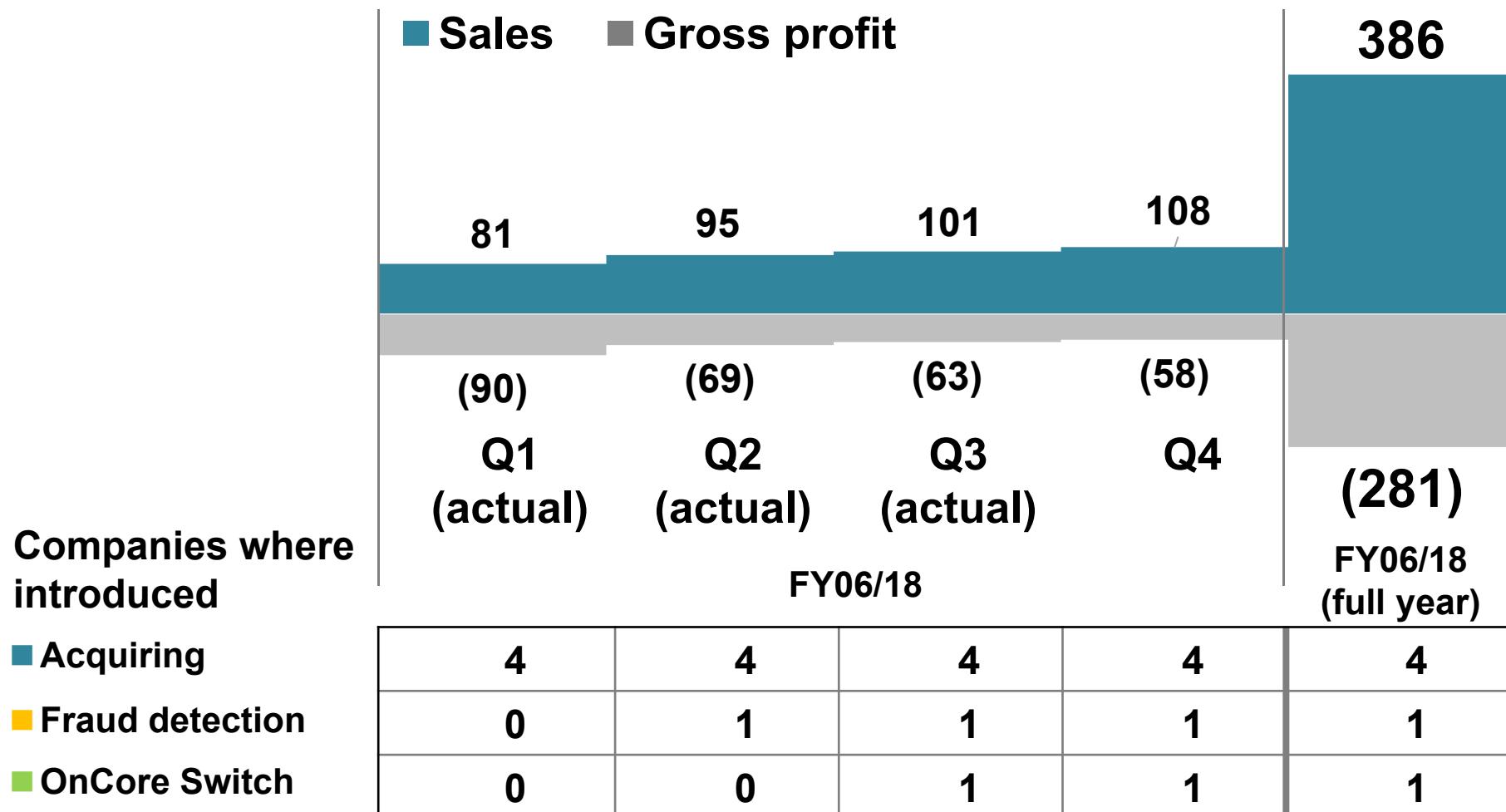
Cloud service business

FY06/18 earnings forecast

(Service charges)



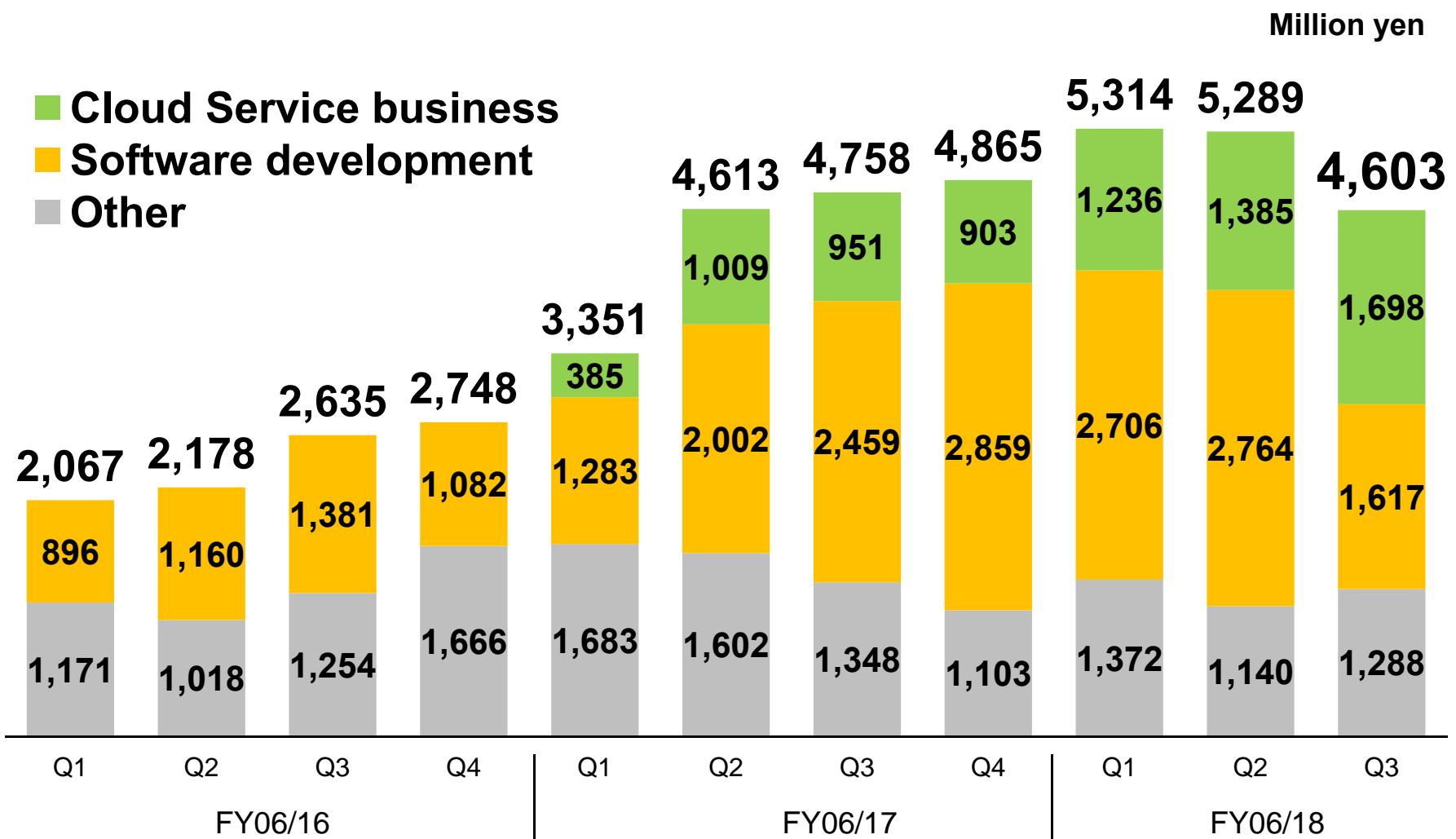
Million yen



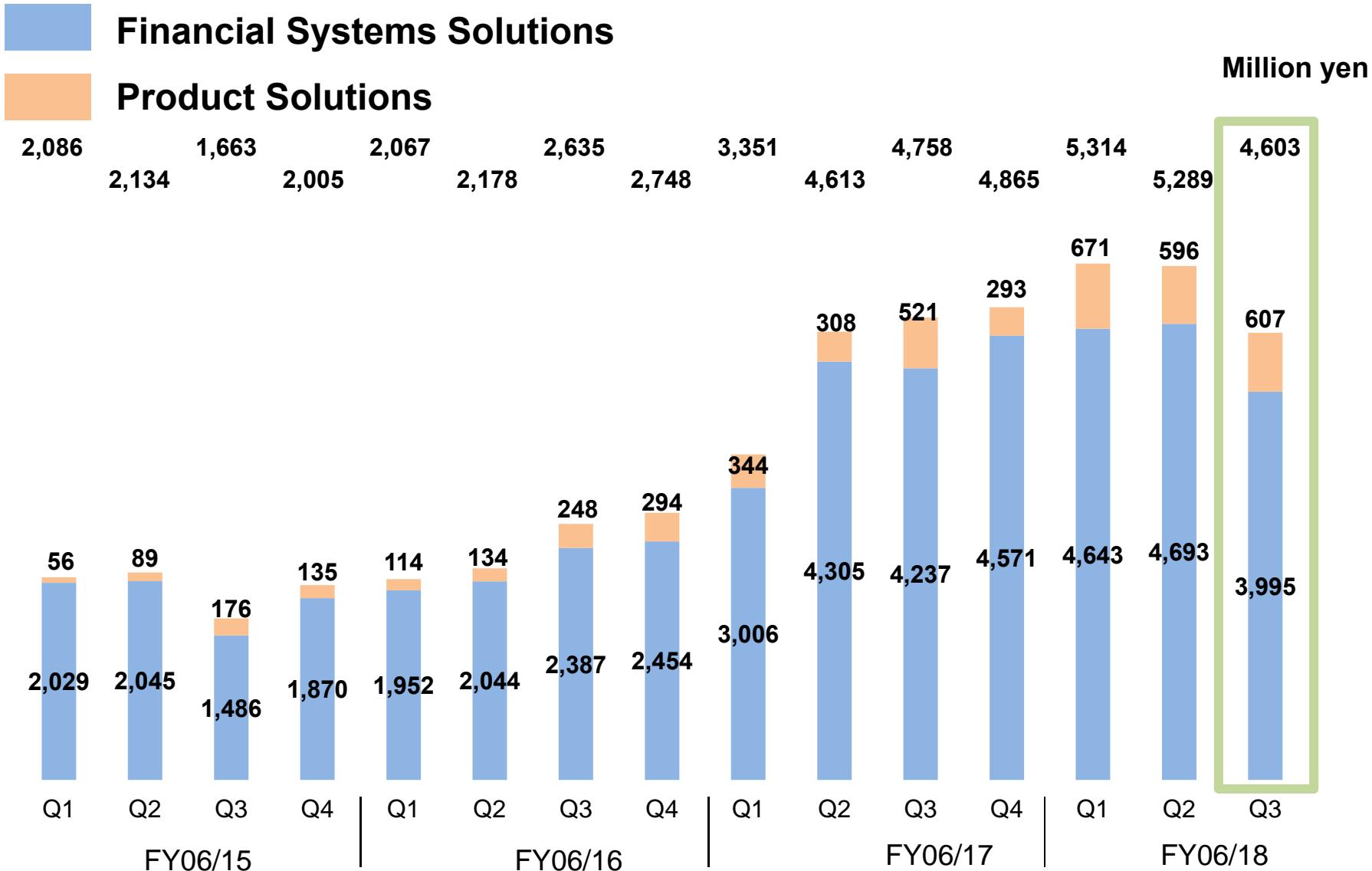
Orders on hand



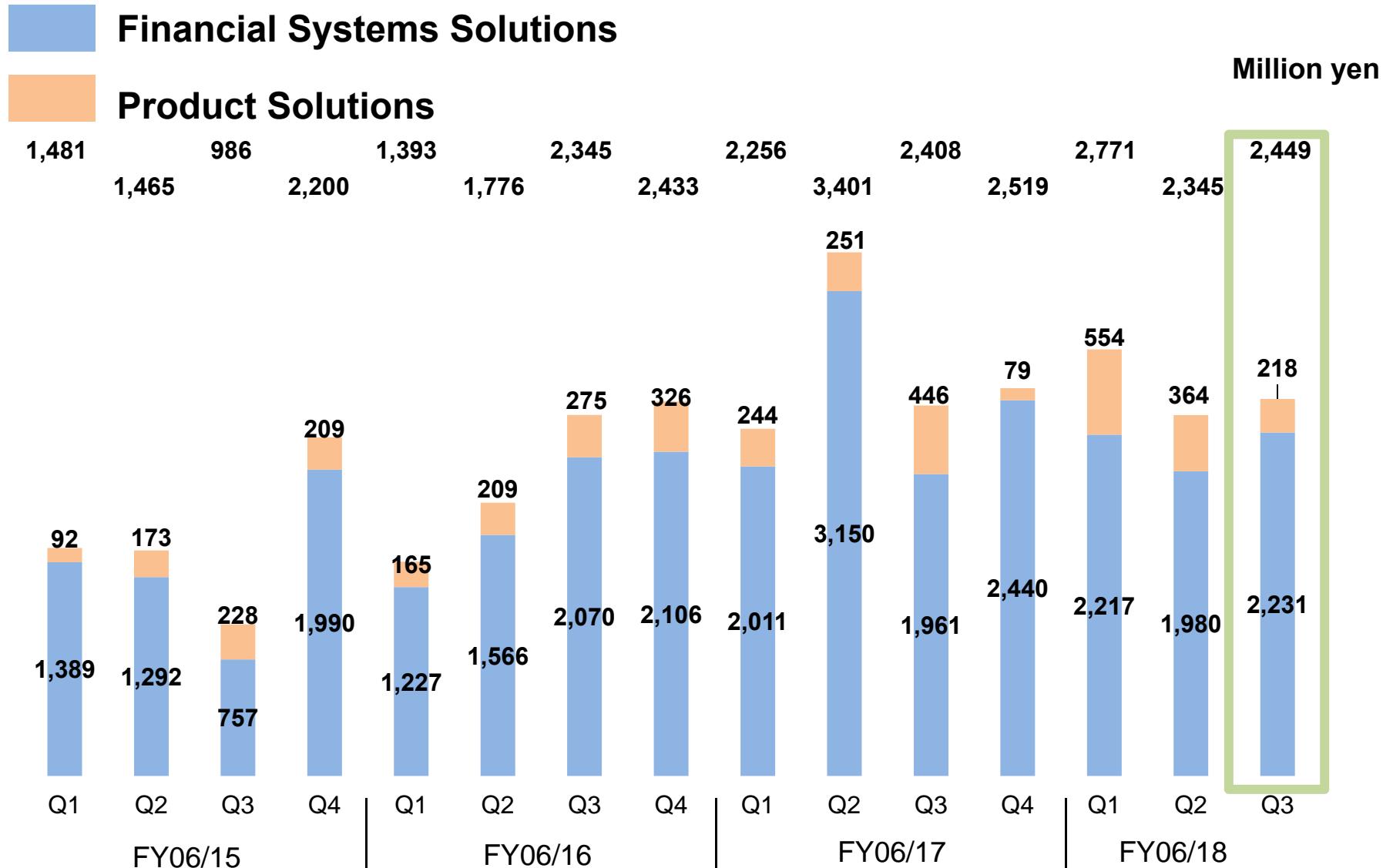
Rise in orders in Cloud Service business



Orders on hand, by segment (non-consolidated)



Amount of orders, by segment (non-consolidated)



Q3 FY06/18

Financial Systems Solutions: Sales



Sales from software development increased

	Q3 FY06/17	Q3 FY06/18	Change
Sales	5,341	7,005	1,664
Software development	3,371	5,023	1,652
Maintenance	681	779	98
Hardware	835	679	(156)
In-house packages	293	407	114
(Of which, cloud services)	111	277	166
Third-party packages	160	117	(43)

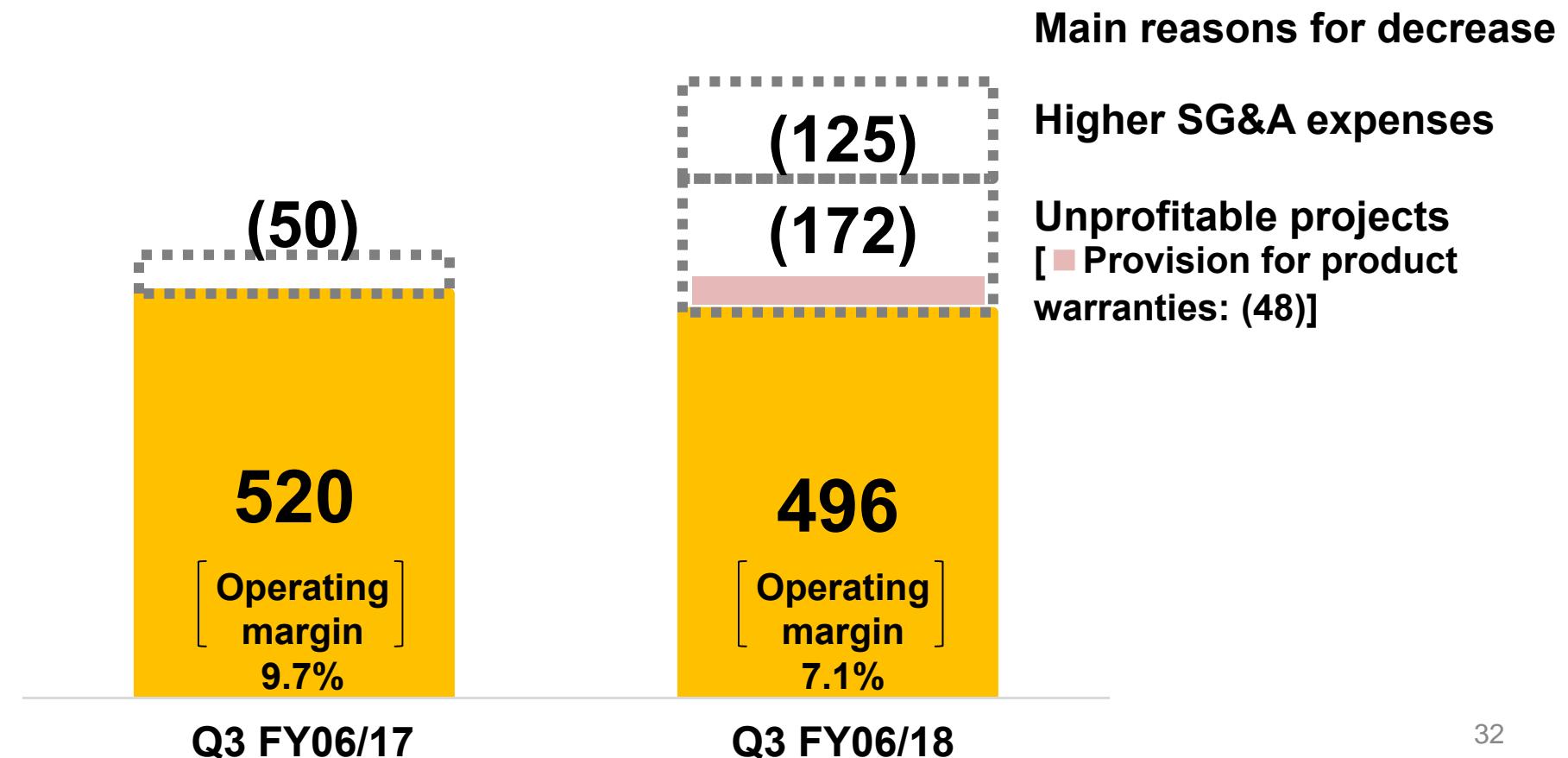
Q3 FY06/18



Financial Systems Solutions: Operating income

Income down due to certain unprofitable projects
This impact to be erased by year-end

Million yen



Q3 FY06/18

Product Solutions: Sales



Sales of in-house packages down, hardware up

	Q3 FY06/17	Q3 FY06/18	Change
Sales	715	823	108
Software development	55	67	12
Maintenance	114	82	(32)
Hardware	46	283	237
In-house packages	110	45	(65)
Third-party packages	388	343	(45)

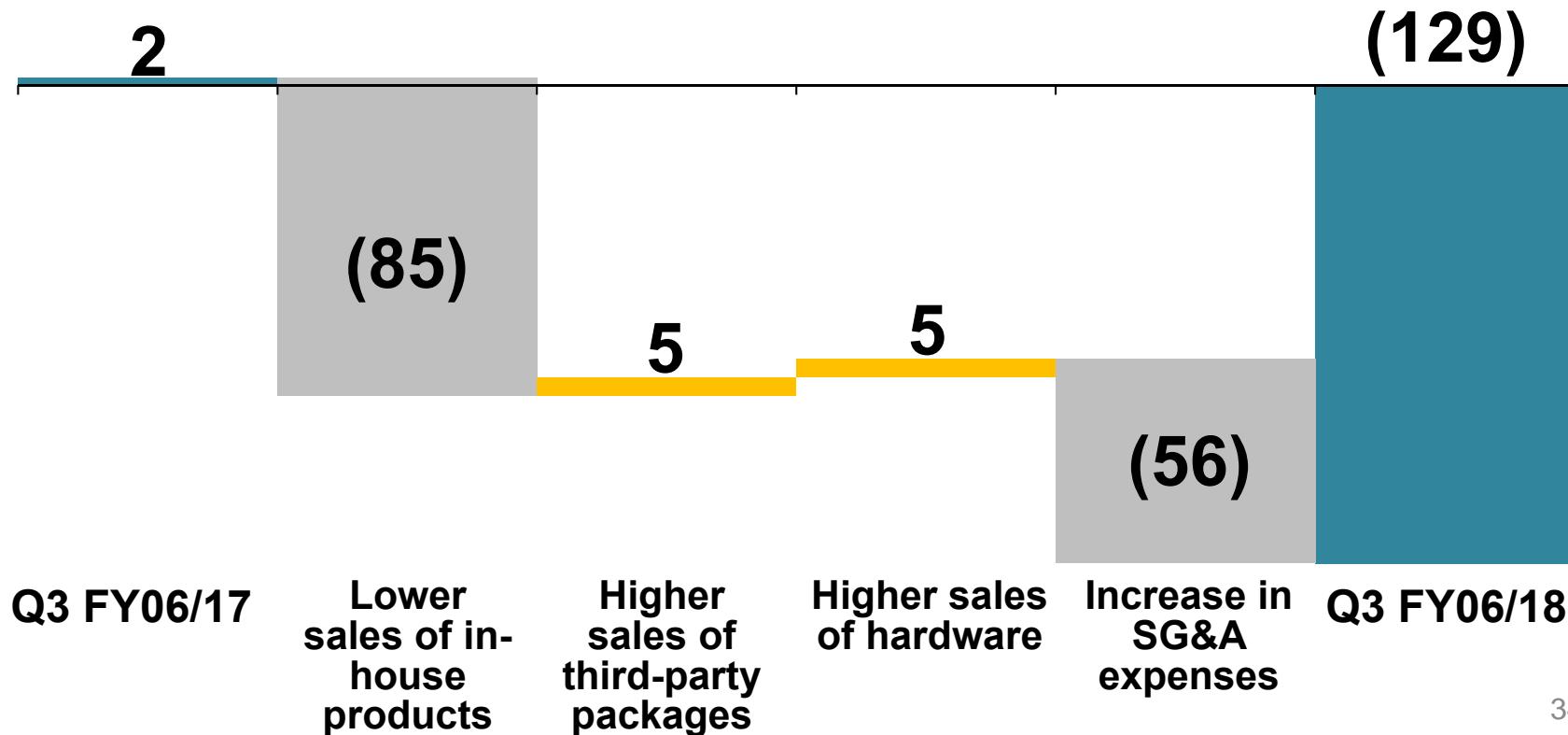
Q3 FY06/18

Product Solutions: Operating income



Million yen

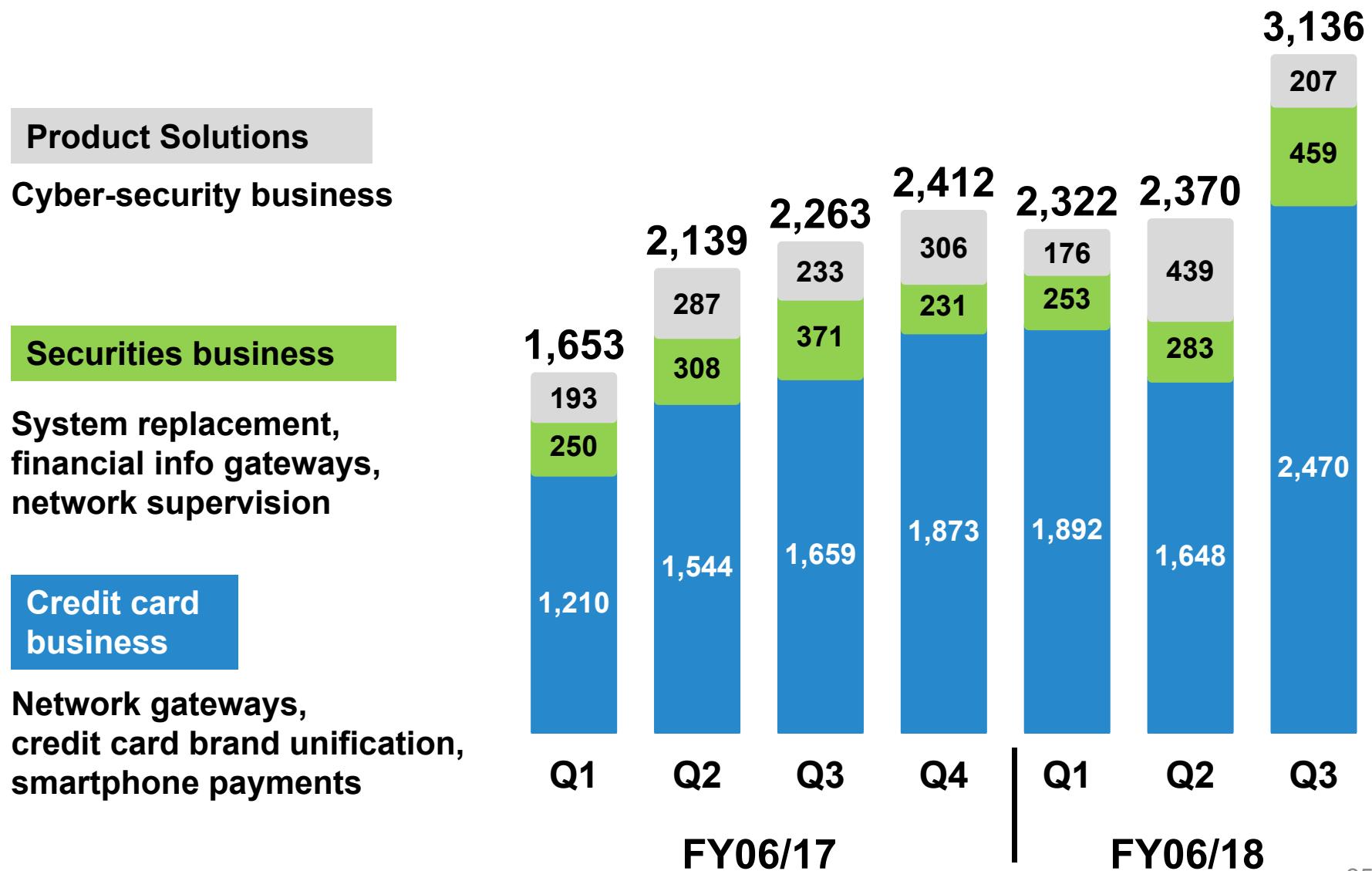
In-house products down



Net sales composition



Million yen



Quarterly results, by segment



	Million yen						
	FY06/17				FY06/18		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	1,653	2,139	2,263	2,412	2,322	2,370	3,136
Financial Systems Solutions	1,460	1,851	2,029	2,105	2,145	1,931	2,929
Product Solutions	193	287	233	306	176	439	207
Operating income	37	209	274	179	128	61	176
Financial Systems Solutions	52	163	303	131	164	107	224
Product Solutions	(14)	46	(28)	48	(35)	(45)	(47)
Operating margin	2.2%	9.8%	12.1%	7.4%	5.5%	2.6%	5.6%
Financial Systems Solutions	3.6%	8.8%	14.9%	6.2%	7.6%	5.5%	7.6%
Product Solutions	(7.3)%	16.0%	(12.0)%	15.7%	(19.9)%	(10.3)%	(22.7)%

Quarterly sales, by segment category



Million yen

	FY06/17				FY06/18		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Financial Systems Solutions	1,460	1,851	2,029	2,105	2,145	1,931	2,929
Software development	1,036	1,119	1,215	1,463	1,487	1,208	2,327
Maintenance	218	224	238	237	239	263	275
Hardware	87	364	383	139	324	225	129
In-house packages	78	92	121	147	84	191	131
(Of which, cloud services)	0	43	67	67	81	95	101
Third-party packages	39	51	69	116	8	42	65
Product Solutions	193	287	233	306	176	439	207
Software development	21	16	17	6	10	10	46
Maintenance	26	40	47	139	23	28	31
Hardware	3	0	42	0	5	248	30
In-house packages	20	67	22	11	40	2	2
Third-party packages	122	162	103	149	97	149	97

Forecast for FY06/18

Current vs. initial forecast



	FY06/17		FY06/18	Million yen
	Actual	Initial forecast	Revised forecast	Vs. initial full-year forecast
Net sales	8,469	9,000	9,700	7.8%
Operating income [OM]	702 [8.3%]	850 [9.4%]	480 [4.9%]	(43.5)%
Ordinary income [OM]	766 [9.0%]	870 [9.7%]	500 [5.2%]	(42.5)%
Net income [NM]	547 [6.5%]	600 [6.7%]	340 [3.5%]	(43.3)%

Note: "OM" refers to the operating margin. "NM" is the net margin.

Forecast by segment for FY06/18

Current vs. initial forecast



	FY06/17		FY06/18	Million yen
	Actual	Initial forecast	Revised forecast	Vs. initial full-year forecast
Net sales	8,469	9,000	9,700	7.8%
Financial Systems Solutions	7,447	7,700	8,500	10.4%
Product Solutions	1,022	1,300	1,200	(7.7)%
Operating income [OM]	702 [8.3%]	850 [9.4%]	480 [4.9%]	(43.5)%
Financial Systems Solutions	651 [8.7%]	780 [10.1%]	470 [5.5%]	(39.7)%
Product Solutions	51 [5.0%]	70 [5.4%]	10 [0.8%]	(85.7)%

Note: "OM" refers to the operating margin.

Financial Systems Solutions



Q3 FY06/18 Vs. full-year forecast

	Q3 FY06/18	FY06/18 full-year forecast	Rate of progress
Sales	7,005	8,500	82.4%
Software development	5,023	5,797	86.6%
Maintenance	779	1,056	73.8%
Hardware	679	786	86.4%
In-house packages	407	577	70.5%
(Of which, cloud services)	277	377	73.5%
Third-party packages	117	284	41.2%
Operating income	496	470	105.5%

Product Solutions

Q3 FY06/18

Vs. full-year forecast



	Q3 FY06/18	FY06/18 full-year forecast	Rate of progress
Sales	823	1,200	68.6%
Software development	67	84	79.8%
Maintenance	82	214	38.3%
Hardware	283	285	99.3%
In-house packages	45	57	78.9%
Third-party packages	343	560	61.3%
Operating income	(129)	10	—

Q3 FY06/18 production costs



Thousand yen

	FY06/17				FY06/18		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Materials cost	18,496	11,735	11,662	9,810	8,375	6,956	6,617
Labor cost	558,206	557,536	552,892	556,078	559,687	568,296	594,734
Expenses	190,521	222,620	251,167	254,436	271,552	279,518	282,955
Subcontracting cost	733,832	757,140	833,293	934,022	905,024	937,523	908,085
Total manufacturing cost	1,501,057	1,549,031	1,649,015	1,754,348	1,744,640	1,792,294	1,792,394
Work in progress (beginning of period)	249,591	317,358	431,250	633,098	658,149	774,521	1,250,781
Work in progress (end of period)	317,358	431,250	633,098	658,149	774,521	1,250,781	502,477
Transfer to other accounts	305,247	252,039	245,151	187,880	126,806	77,387	104,685
Provision for loss on order received	—	6,561	5,189	(11,751)	—	143,199	(143,199)
Provision for reserve for product warranties	—	—	—	—	—	—	48,000
Cost of sales	1,128,043	1,189,661	1,207,205	1,529,665	1,501,461	1,381,845	2,340,813

Q3 FY06/18 SG&A expenses

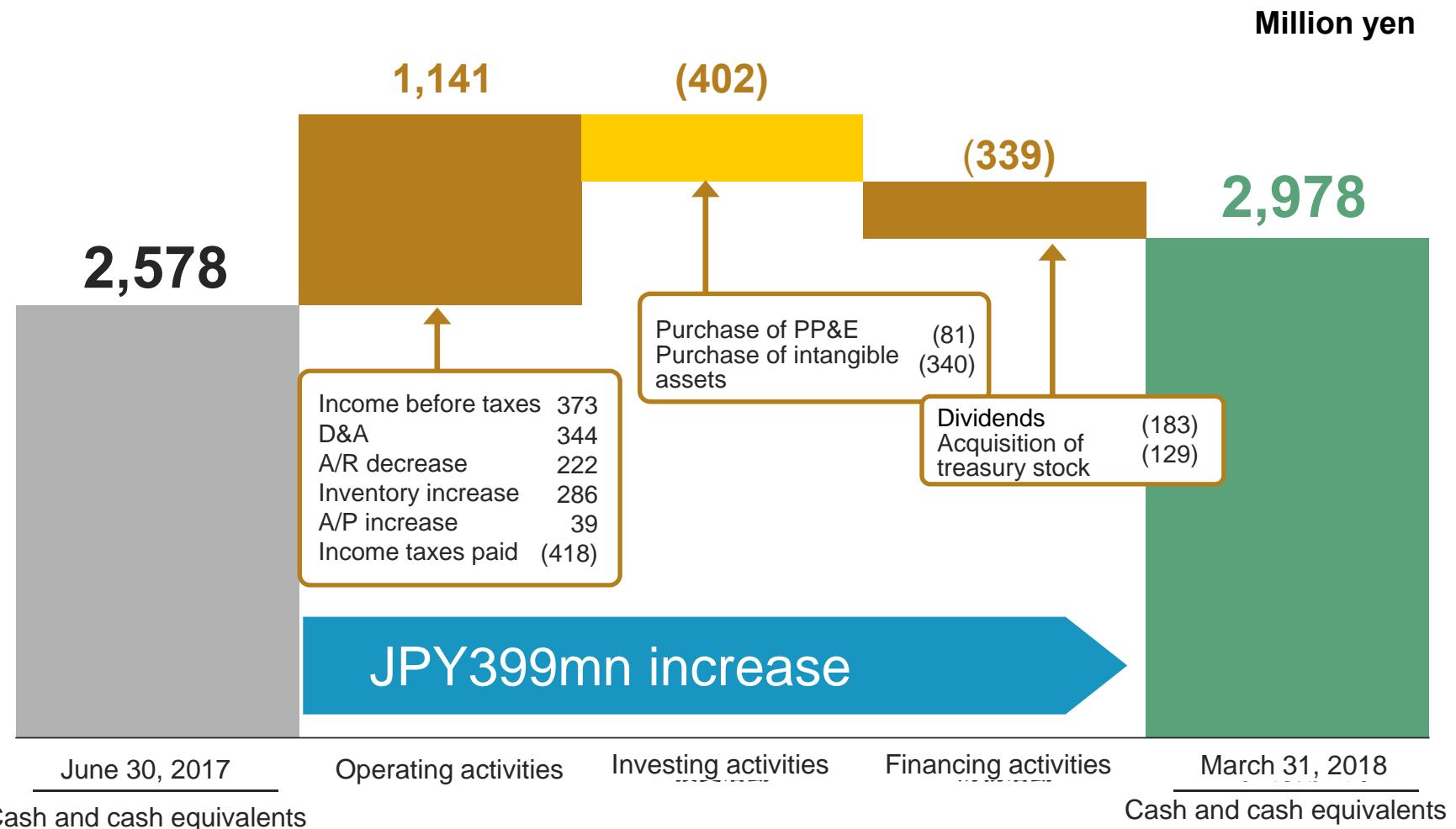


Thousand yen

	FY06/17				FY06/18		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Salaries	184,067	222,439	240,126	235,796	252,081	244,652	243,314
Recruiting and training	9,278	11,427	9,179	22,767	11,492	20,124	11,663
Rent	15,716	16,988	15,628	20,762	17,023	15,051	15,317
Advertising expense	6,857	3,910	6,379	3,378	12,280	9,378	5,153
R&D expense	1,788	1,059	1,367	632	1,279	1,504	3,303
Depreciation and amortization	3,718	3,836	4,096	4,621	6,671	7,313	7,617

	Q3 FY06/17	Q3 FY06/18	Change	Million yen
SG&A expenses	1,046	1,220	174	
(Breakdown)		Increase in salaries	94	
		Increase in recruiting expense	14	
		Increase in advertising expense	9	
		Others	57	

Q3 FY06/18 cash flows



Shareholder returns



Policy of stable profit distribution

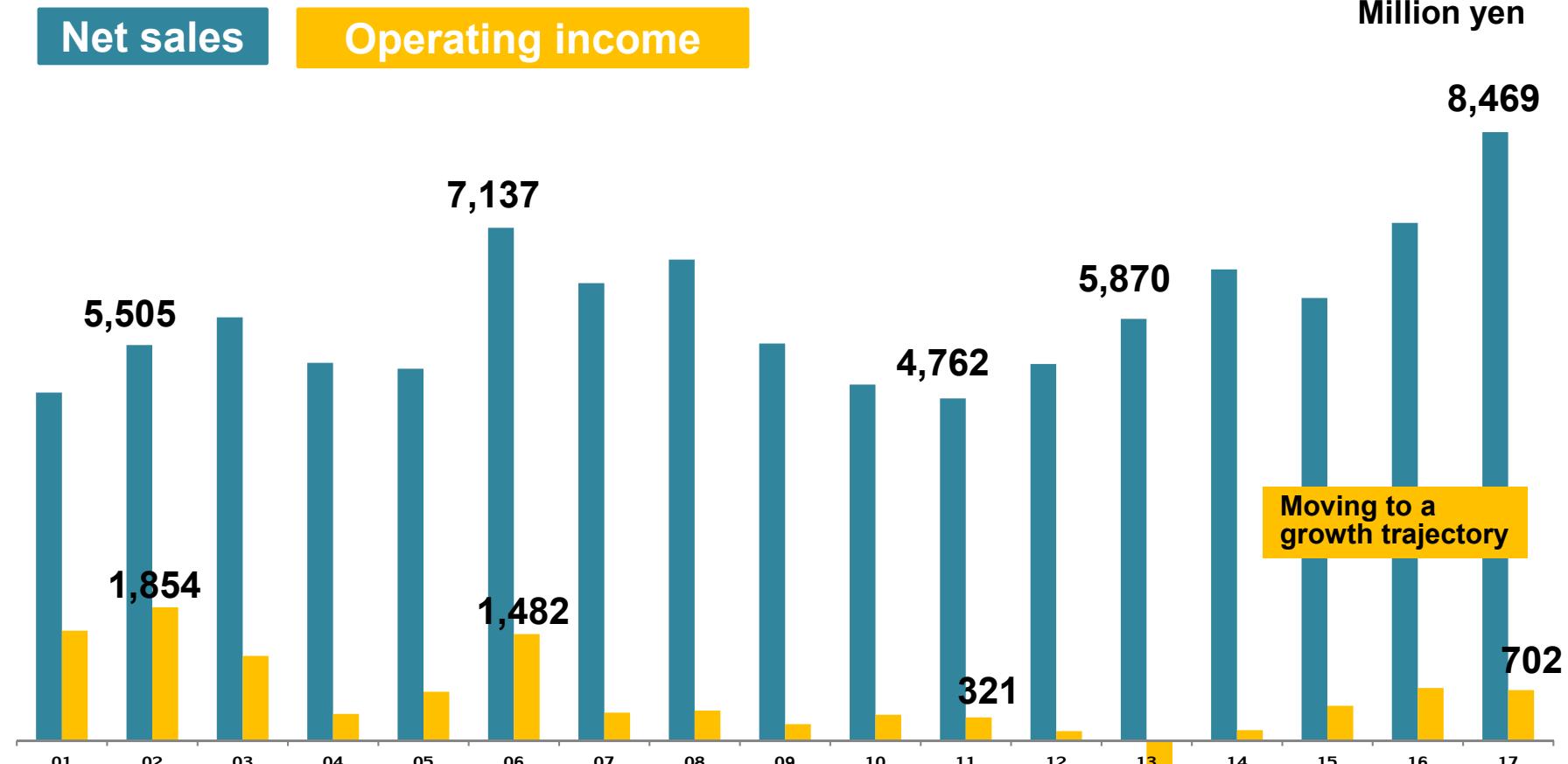
	FY06/15	FY06/16	FY06/17	FY06/18 (forecast)
Dividend per share	¥5	¥6	¥7	¥7
Payout ratio	28.0%	30.8%	33.7%	54.2%

Treasury stock acquisition status

Sep. 28	Acquired 187,800 shares of treasury stock
Oct. 27	Distributed 3,500 shares to seven directors as restricted stock (RS) compensation
Dec. 8	Distributed 174,500 shares to 349 employees as RS compensation

Note: The payout ratio for FY06/15 is based on consolidated figures.

Historical performance



Expansion in VISA connections

Leveraged **NET+1**
Increase in new customers
High profitability

Extraordinary hardware demand

CWAT sales at record high in FY06/07 and down in FY06/08
Security business continued operating in the red

Adverse conditions in the credit card industry

Sales trending downward
Profitability falling

Moving to a growth trajectory

Full-fledged business recovery

Security business moved into the black

Note: Consolidated results through FY06/15

Company overview



(As of December 31, 2017)

Established	December 27, 1984		
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo		
Employees	354		
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)		
Capital stock	JPY843.75mn		
Shares outstanding	26,340,000	Shareholders	9,927

	Ownership (%)		% of shareholders
Individuals, others	40.34	Individuals, others	98.75%
Japanese financial institutions	3.20	Japanese financial institutions	0.07%
Other Japanese corporations	51.15	Other Japanese corporations	0.51%
Foreign corporations	1.79	Foreign corporations	0.33%
Japanese securities firms	3.44	Japanese securities firms	0.33%
Treasury stock	0.08	Treasury stock	0.01%