

August 3, 2018



Financial Results for FY06/18 (July 1, 2017 to June 30, 2018) [Non-Consolidated]

Financial and Operating Results FY06/18

Change in market listing

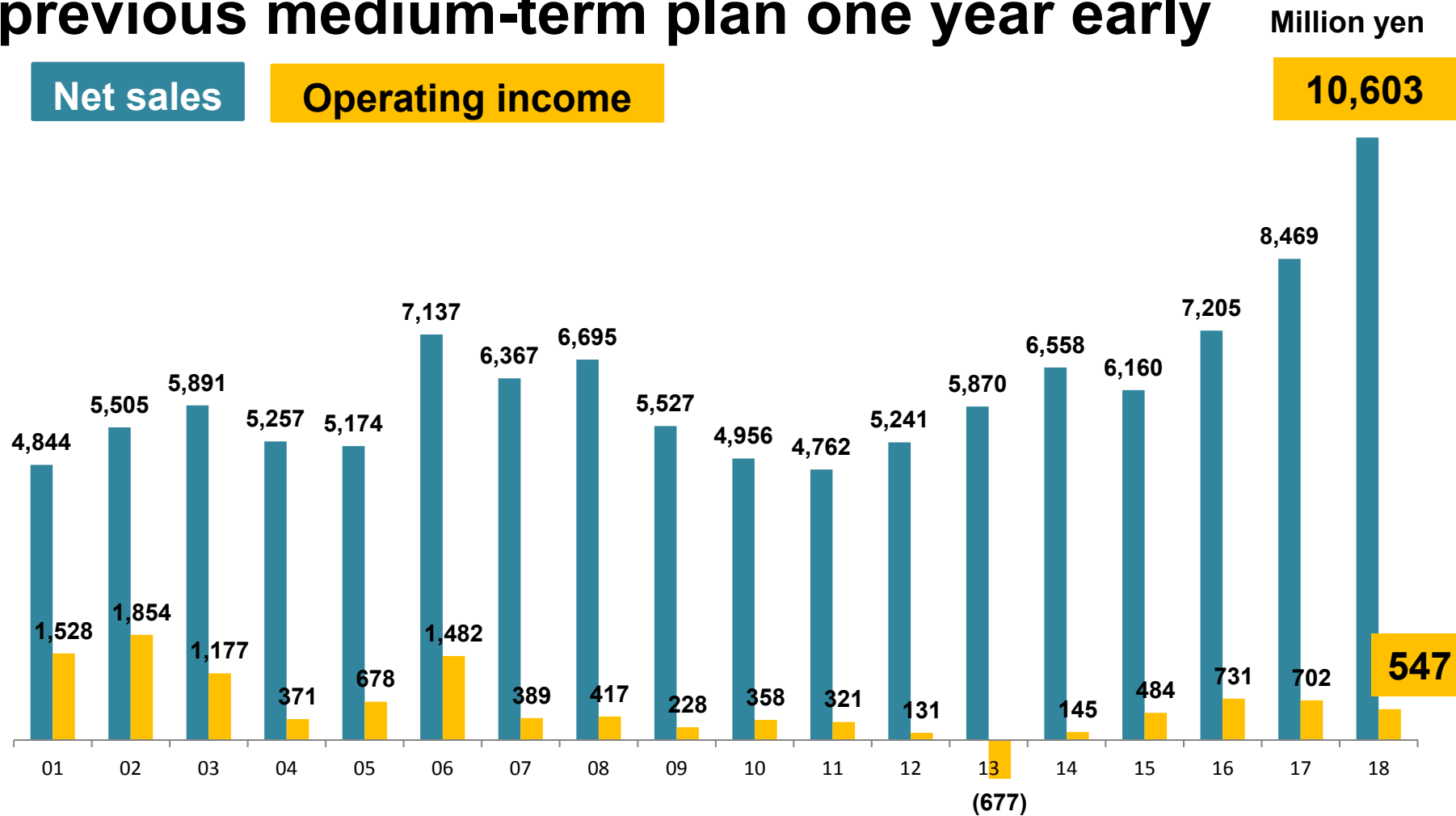
On June 27, market listing changed from JASDAQ to Second Section of Tokyo Stock Exchange



Performance in FY06/18



Net sales reached JPY10.0bn, hitting target of previous medium-term plan one year early



Note: Consolidated results through FY06/15

Revised medium-term business plan



**Continue to deliver net sales of more than JPY10.0bn,
target operating income of JPY1.0bn in FY06/21**

		Million yen		
	FY06/18 (Actual)	FY06/19 (Forecast)	FY06/20 (Target)	FY06/21 (Target)
Net sales	10,603	10,700	11,000	11,200
Operating income [OM]	547 [5.2%]	880 [8.2%]	930 [8.5%]	1,000 [8.9%]

Note: "OM" refers to the operating margin.

Shareholder returns



- Year-end dividend of JPY7 per share
- FY06/19 forecast of JPY7 per share

	FY06/15	FY06/16	FY06/17	FY06/18	FY06/19 (Forecast)
Dividend per share	¥5	¥6	¥7	¥7	¥7
Payout ratio	28.0%	30.8%	33.7%	48.8%	29.7%

Treasury stock acquisition status (2017)

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.

Financial Results FY06/18

FY06/18: Overview of results and progress vs. revised forecast



Performance exceeded revised forecast

	FY06/18 revised forecast (announced Jan. 31)	FY06/18 actual	Million yen Vs. forecast
Net sales	9,700	10,603	+9.3%
Operating income	480	547	+14.0%
Ordinary income	500	573	+14.6%
Net income	340	377	+10.9%

FY06/18: Overview, YoY comparison



Million yen

	FY06/17	FY06/18	Change	Percentage change
Net sales	8,469	10,603	2,134	+25.2%
Operating income	702	547	(155)	(22.0)%
Ordinary income	766	573	(193)	(25.1)%
Net income	547	377	(170)	(31.0)%

Top three clients, by sales



Favorable overall, increase in development related to credit cards

				Million yen
	FY06/17	FY06/18	Change	Main projects
1. DNP	1,818	2,115	297	Smartphone payments, payment platforms, security products
2. Credit card issuer	268	1,935	1,667	Credit card brand unification
3. Credit card issuer	377	647	270	Network gateway

FY06/18: Segment summary



Million yen

Financial Systems Solutions					
	FY06/17		FY06/18		
					Change Percentage change
Net sales	7,447		9,332		1,885 +25.3%
Operating income [OM]	651	[8.7%]	598	[6.4%]	(53) (8.1)%
Product Solutions					
	FY06/17		FY06/18		
					Change Percentage change
Net sales	1,022		1,271		249 +24.4%
Operating income [OM]	51	[5.0%]	(51)	[(4.0)%]	(102) —

Note: "OM" refers to the operating margin.

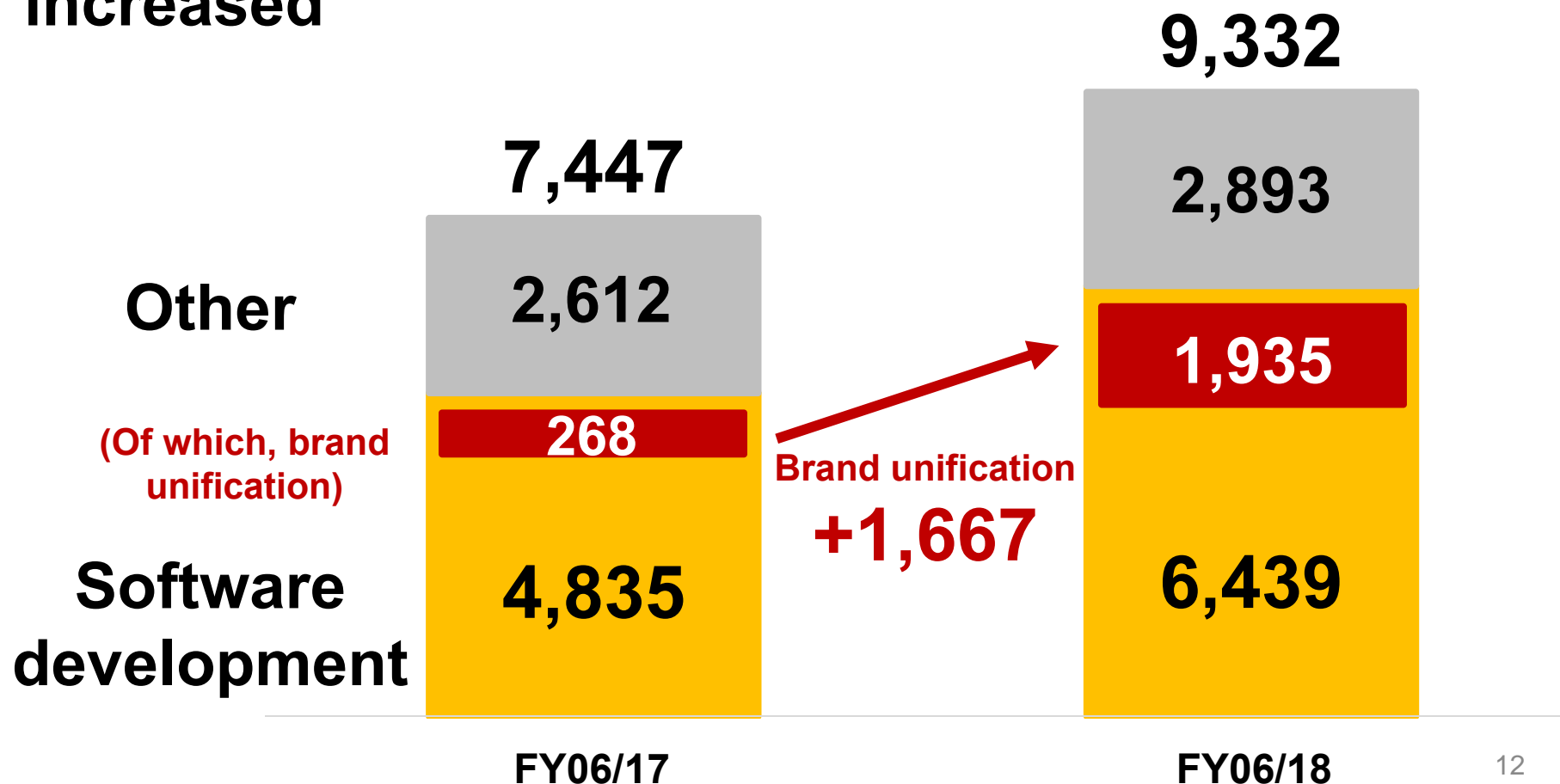
FY06/18

Financial Systems Solutions: Sales



Sales from software development increased

Million yen



FY06/18

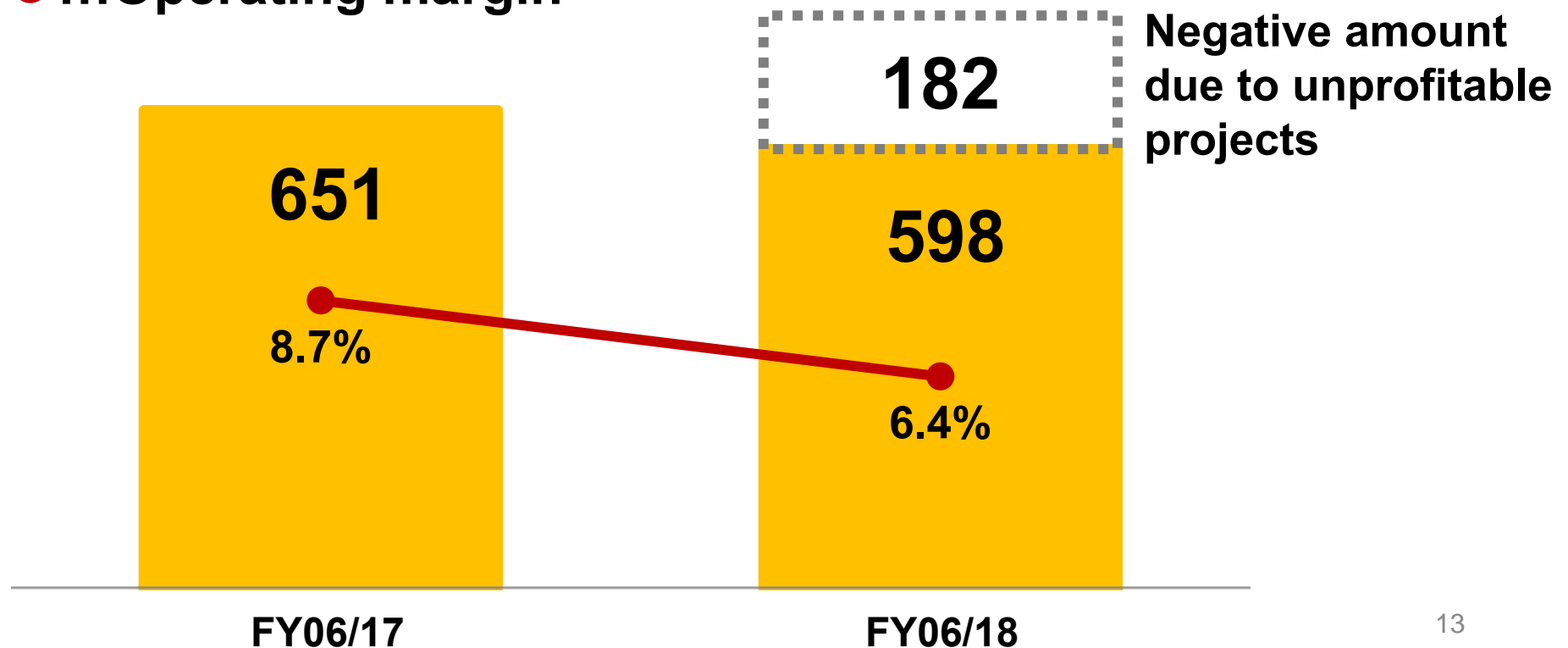
Financial Systems Solutions: Operating income



Income down due to certain unprofitable projects

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

Million yen



FY06/18

Product Solutions: Sales



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

	Million yen		
	FY06/17	FY06/18	Change
Sales	1,022	1,271	249
In-house product CWAT [®]	438	360	(78)
Third-party products	583	911	328
Third-party packages Traps , etc.	537	545	8
Others (Hardware, etc.)	46	365	319

FY06/18

Product Solutions: Sales



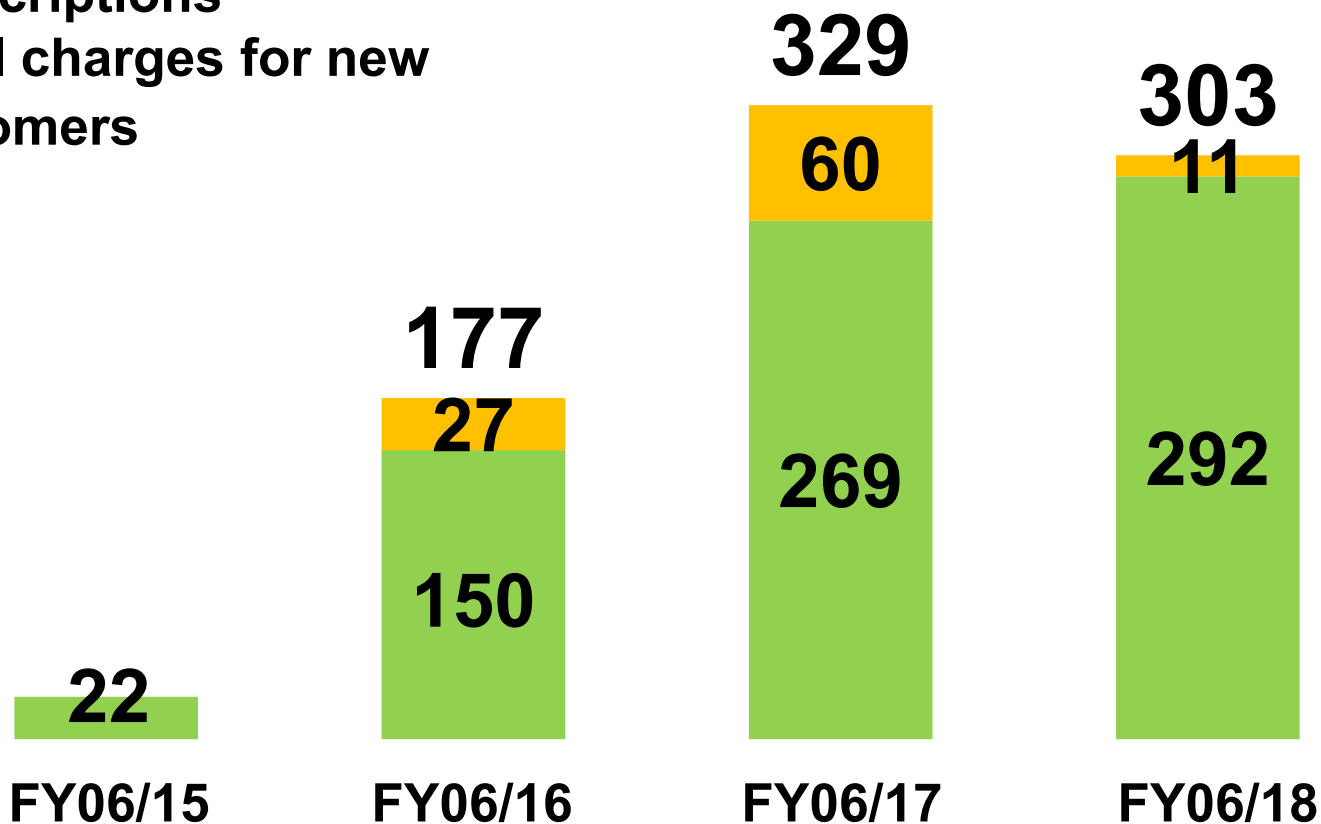
Traps Slowdown in customer acquisition

Traps sales

■ Subscriptions

■ Initial charges for new customers

Million yen



Medium-Term Business Plan FY06/19–FY06/21

“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

Medium-term business plan



**Maintain net sales above JPY10.0bn,
target operating income of JPY1.0bn in FY06/21**

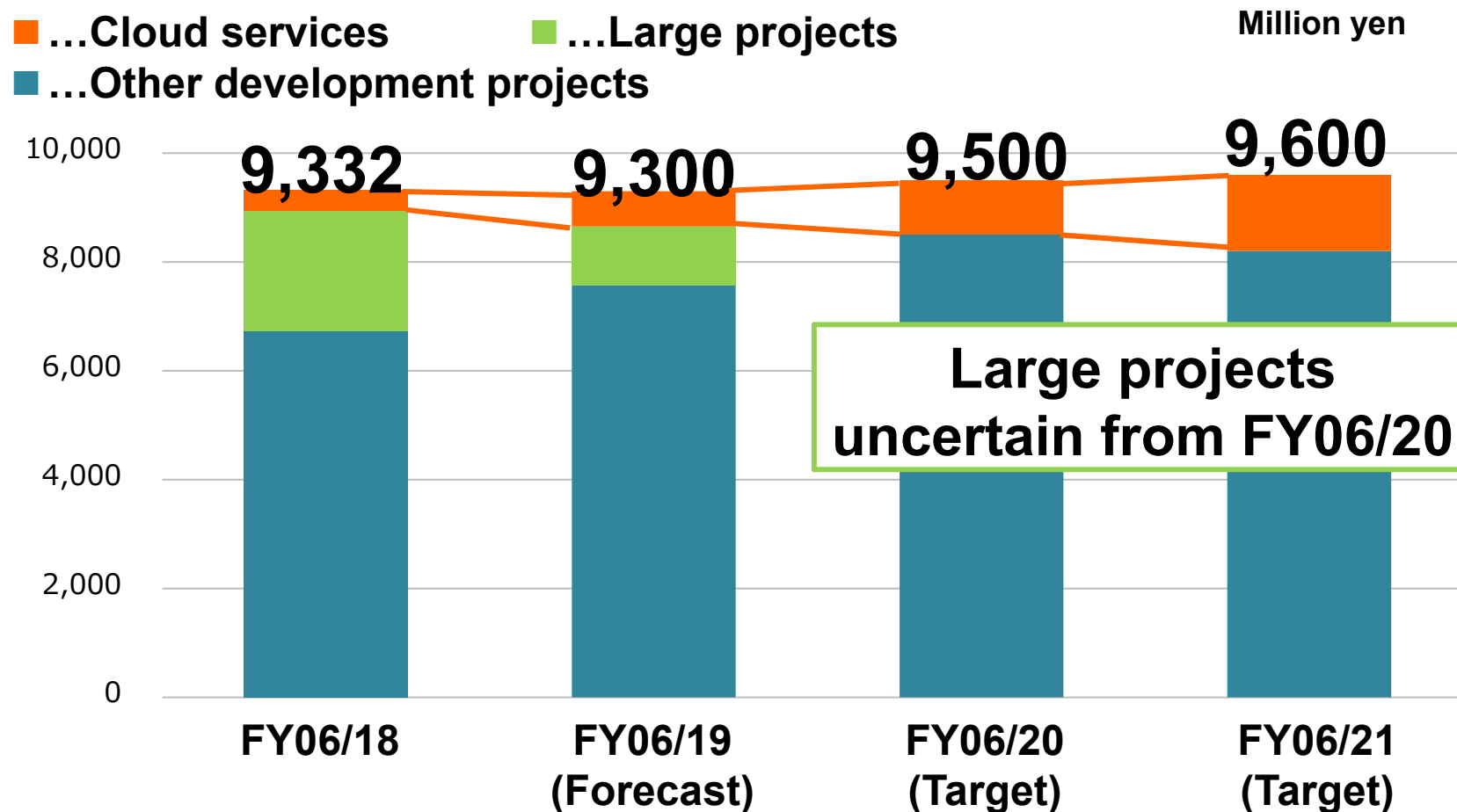
	Million yen				
	FY06/18 (Actual)	FY06/19 (Forecast)	FY06/20 (Target)	FY06/21 (Target)	CAGR
Net sales	10,603	10,700	11,000	11,200	1.8%
Of which, Financial Systems Solutions	9,332	9,300	9,500	9,600	0.9%
Of which, Product Solutions	1,271	1,400	1,500	1,600	8.0%
Operating income [OM]	547 [5.2%]	880 [8.2%]	930 [8.5%]	1,000 [8.9%]	22.3%

Note: "OM" refers to the operating margin.

Medium-term business plan Financial Systems Solutions



Maintain development projects at the JPY8.0bn level, driven by cloud services

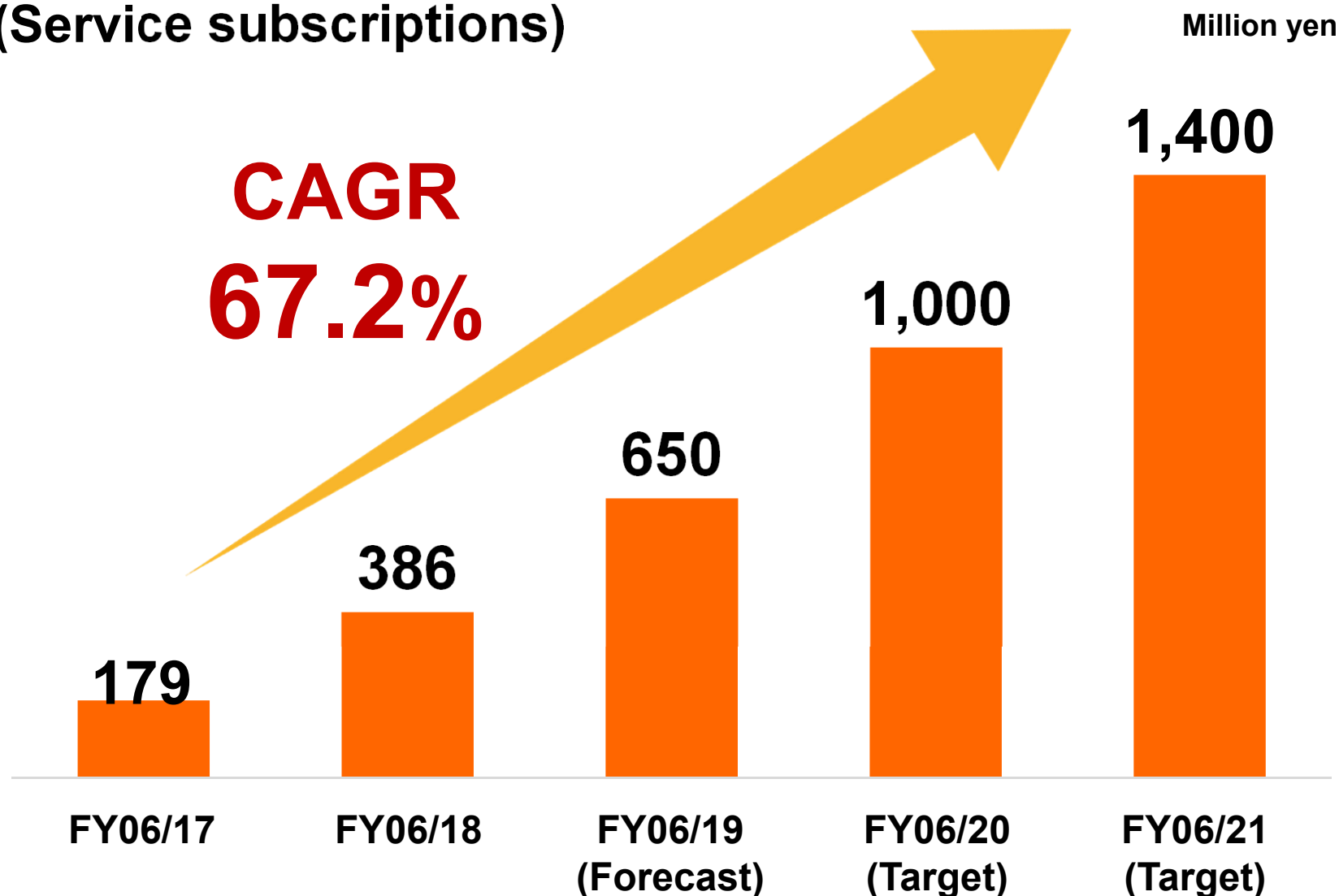


Medium-term business plan

Financial Systems Solutions

Sales of cloud services

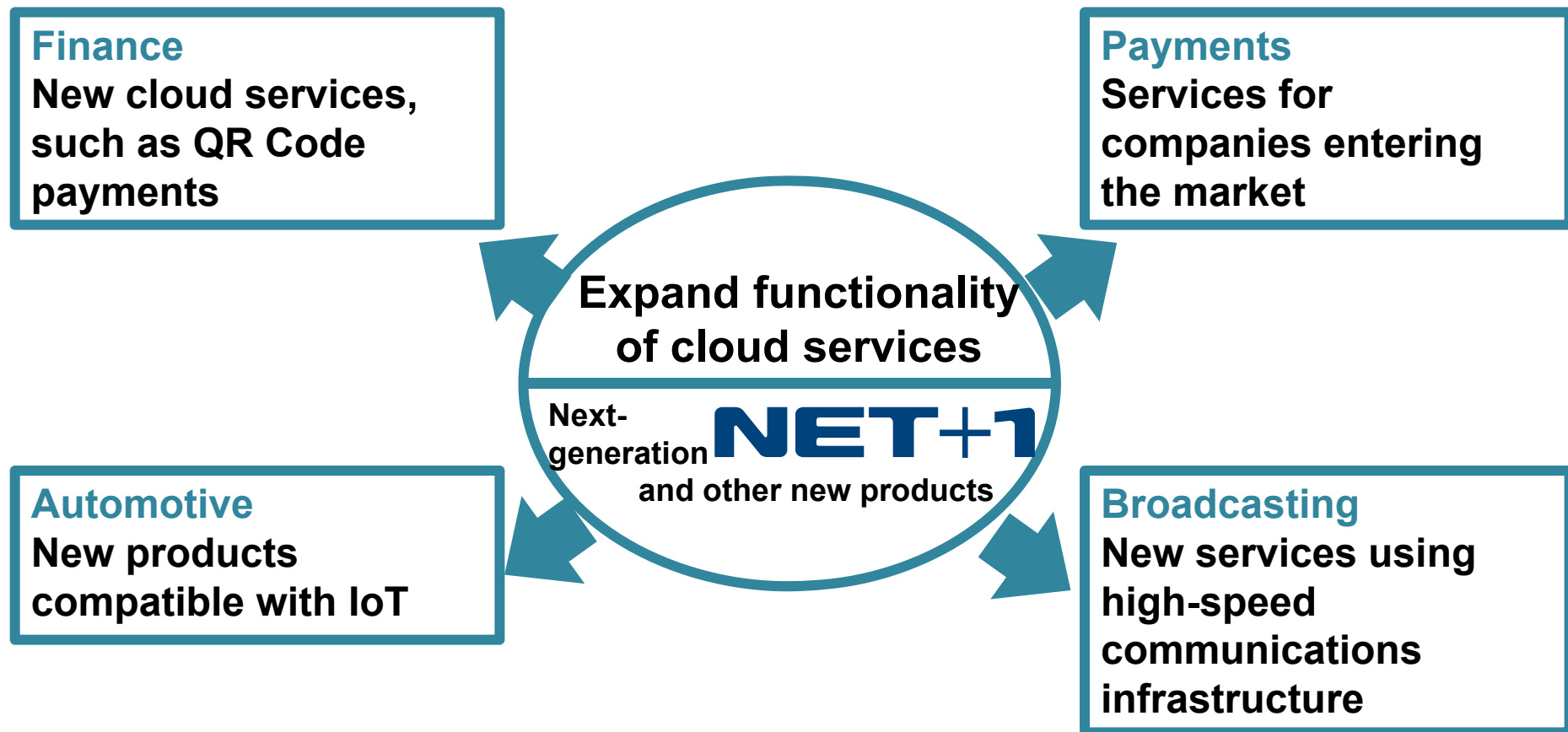
(Service subscriptions)



Medium-term business plan

Financial Systems Solutions

Expand functionality of cloud services, and enlarge business domain with new products



Medium-term business plan

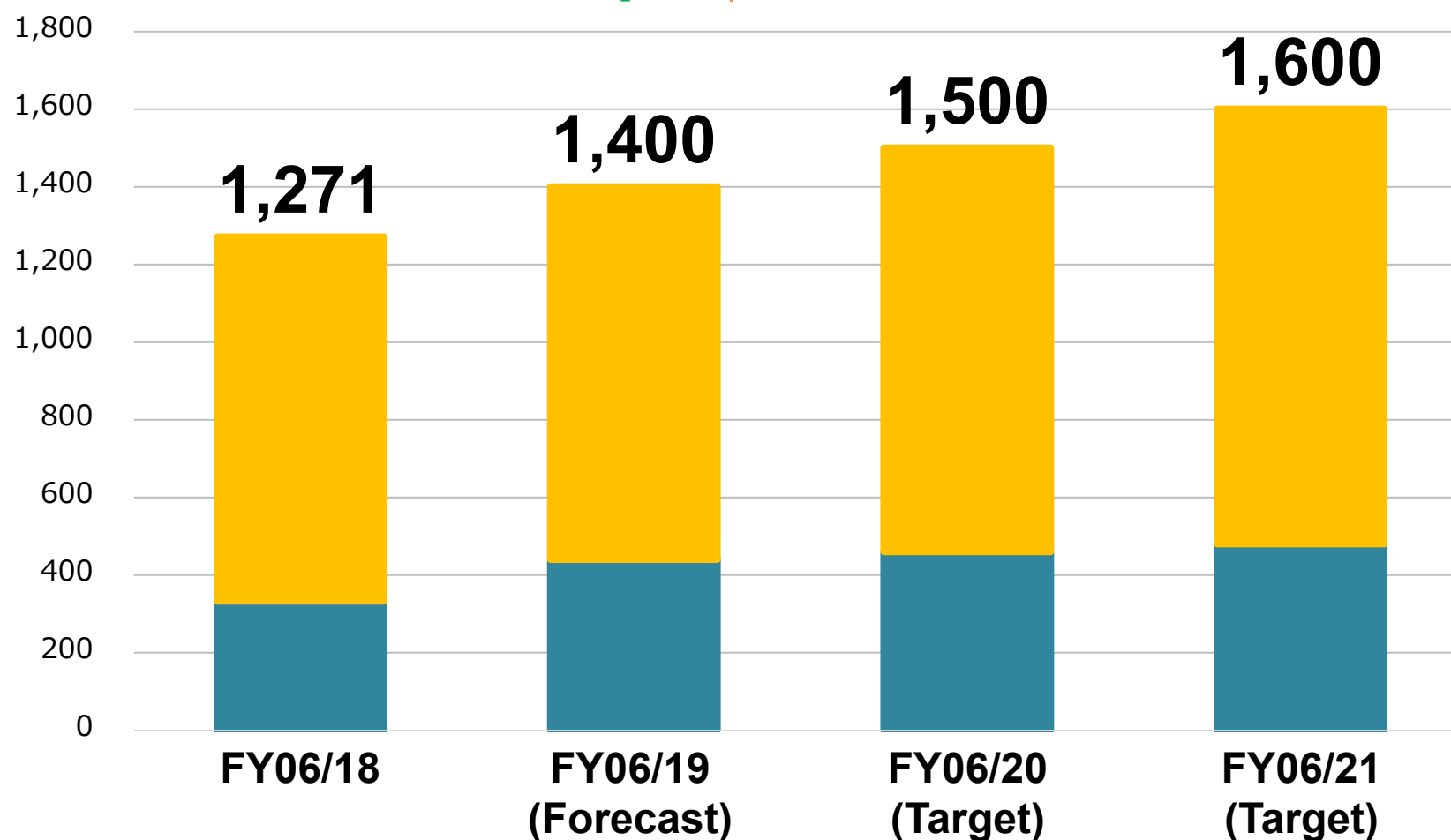
Product Solutions



■ ...In-house products (CWAT®)

■ ...Third-party products (Traps  illusive  ayehu  SEC3, etc.)






Million yen



Medium-term business plan

Product Solutions

Broaden range of solutions

	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					
Notify manager	In-house product: CWAT	Palo Alto Networks:	illusive networks: Deceptions Everywhere	SecBI: SecBI	
Report forensics	Enhanced function	Traps Add stronger products			
Halt behavior					
Incident response, external liaison		ayehu: eyeShare			

We plan to expand consulting and monitoring services.

Forecasts and Key Initiatives for FY06/19

FY06/19: Forecasts



							Million yen
	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	4,692	5,911	10,603	4,700	6,000	10,700	0.9%
Operating income [OM]	190 [4.0%]	357 [6.0%]	547 [5.2%]	320 [6.8%]	560 [9.3%]	880 [8.2%]	60.7%
Ordinary income [OM]	197 [4.2%]	376 [6.4%]	573 [5.4%]	330 [7.0%]	570 [9.5%]	900 [8.4%]	56.9%
Net income [NM]	129 [2.7%]	248 [4.2%]	377 [3.6%]	230 [4.9%]	390 [6.5%]	620 [5.8%]	64.3%

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

FY06/19

Full-year forecast, by segment



Million yen

Financial Systems Solutions							
	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Sales	4,076	5,255	9,332	4,200	5,100	9,300	(0.3)%
Operating income [OM]	271 [6.6%]	327 [6.2%]	598 [6.4%]	400 [9.5%]	440 [8.6%]	840 [9.0%]	40.5%

Product Solutions							
	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Sales	615	655	1,271	500	900	1,400	10.1%
Operating income [OM]	(81) [(13.2)%]	30 [4.6%]	(51) [(4.0)%]	(80) [(16.0)%]	120 [13.3%]	40 [2.9%]	—

Road to 10B

Financial Systems Solutions

FY06/19: Sales



Million yen

FY06/18

**FY06/19
(forecast)**

Credit card, securities businesses

9,332

9,300

- Large projects (card brand unification)
- IC card systems • Smartphone payments
- Fraud detection • Securities business development
- Brand pre-paid card systems
- Brand debit card system

8,851

8,370

Large projects

2,220

1,080

Other development projects

6,631

7,290

Cloud service business

- Acquiring business **IOASIS**
- Fraud detection **IFINDS**
- OnCore Switch **IGATES**

**Service
subscriptions**

386

650

New projects

- Next-generation NET+1 • Next-generation fraud detection
- IoT • AI

95

280


Road to 10B

Financial Systems Solutions



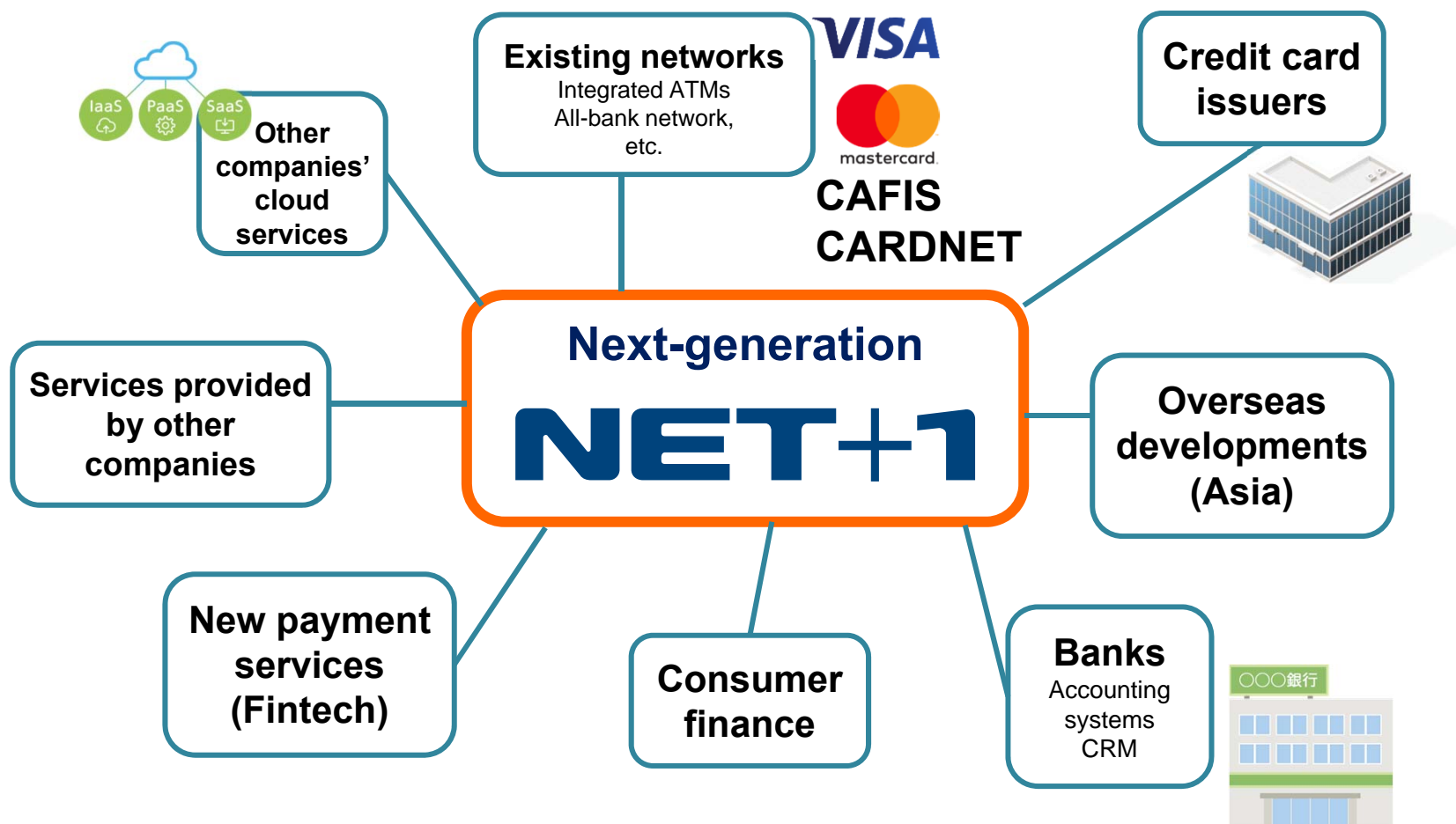
Cloud service business
Services and customers

Sales **FY06/18** **JPY386_{mn}**  **FY06/19 (forecast)** **JPY650_{mn}**

	FY06/17	FY06/18	FY06/19			
			1Q	2Q	3Q	4Q
3rd customer for IGATES			Approaching potential customers		(No order yet)	
2nd customer for IGATES			Order received	Started in Q2		
1st customer for IGATES						
3rd customer for IFINDS			Approaching potential customers			(No order yet)
2nd customer for IFINDS		Order received	Started in Q1			
1st customer for IFINDS						
4th customer for IOASIS						
3 customers for IOASIS						

Road to 10B Financial Systems Solutions

Cultivate market, centered on next-generation NET+1
Full-fledged R&D in 36th fiscal year



Financial Systems Solutions

New projects

AI

Develop next-generation fraud detection systems

- Use deep learning to increase detection accuracy
- Start considering in Q1

IoT

Encryption key management using general-purpose hardware security modules (HSMs)




- Track record of delivering to automakers
- Plan to roll out into other industries



Road to 10B

Product Solutions



	FY06/18	FY06/19 (target)	Million yen Change
Sales	1,271	1,400	129
In-house product CWAT®	360	450	90
Third-party products	911	950	39
Third-party packages (From Israel) Traps  illusive  ayehu  SEC3 , etc.	545	895	350
Others (Hardware, etc.)	365	55	(310)

Road to 10B

Product Solutions

Expand Israeli products and services



**Uses AI to detect
targeted attacks**

**Have sales agreement for Japan in
place with SecBI of Israel**

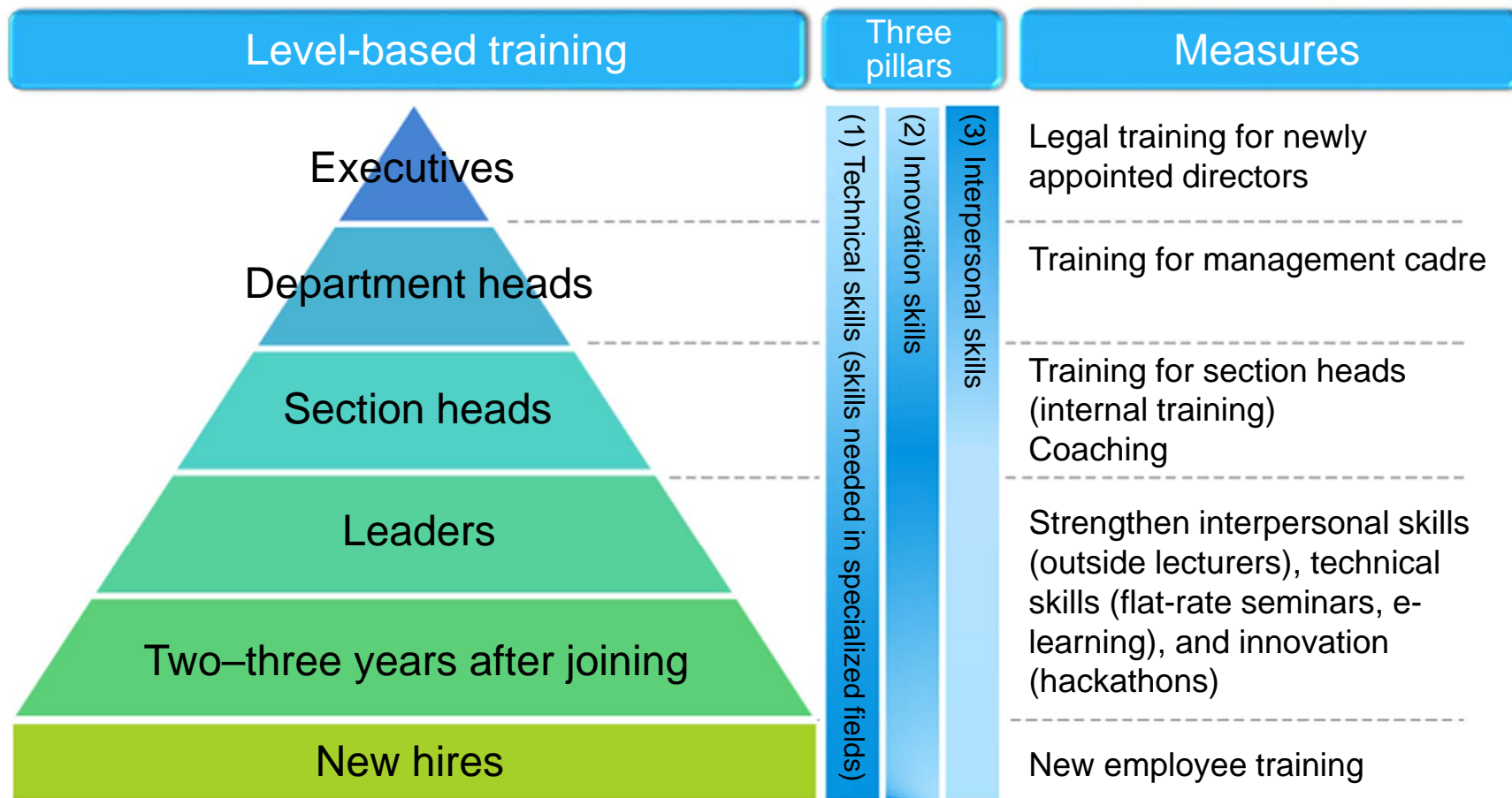
Begin sales in Q1 FY06/19

Cultivating the next generation

Foster the next generation of employees



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



Reference

FY06/19: Forecasts



							Million yen
	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	4,692	5,911	10,603	4,700	6,000	10,700	0.9%
Operating income [OM]	190 [4.0%]	357 [6.0%]	547 [5.2%]	320 [6.8%]	560 [9.3%]	880 [8.2%]	60.7%
Ordinary income [OM]	197 [4.2%]	376 [6.4%]	573 [5.4%]	330 [7.0%]	570 [9.5%]	900 [8.4%]	56.9%
Net income [NM]	129 [2.7%]	248 [4.2%]	377 [3.6%]	230 [4.9%]	390 [6.5%]	620 [5.8%]	64.3%

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

FY06/19

Full-year forecast, by segment



Million yen

Financial Systems Solutions							
	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Sales	4,076	5,255	9,332	4,200	5,100	9,300	(0.3)%
Operating income [OM]	271 [6.6%]	327 [6.2%]	598 [6.4%]	400 [9.5%]	440 [8.6%]	840 [9.0%]	40.5%

Product Solutions							
	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Sales	615	655	1,271	500	900	1,400	10.1%
Operating income [OM]	(81) [(13.2)%]	30 [4.6%]	(51) [(4.0)%]	(80) [(16.0)%]	120 [13.3%]	40 [2.9%]	—

FY06/19

Financial Systems Solutions

Full-year forecast



Million yen

	FY06/18 actual			FY06/19		
	1H	2H	Full year	1H	2H	Full year
Sales	4,076	5,255	9,332	4,200	5,100	9,300
Software development	2,695	3,743	6,439	2,440	3,560	6,000
Maintenance	503	538	1,041	540	540	1,080
Hardware	550	372	923	730	290	1,020
In-house packages	275	353	628	400	450	850
(Of which, cloud services)	176	210	386	289	361	650
Third-party packages	51	248	299	90	260	350
Operating income	271	327	598	400	440	840

Financial Systems Solutions

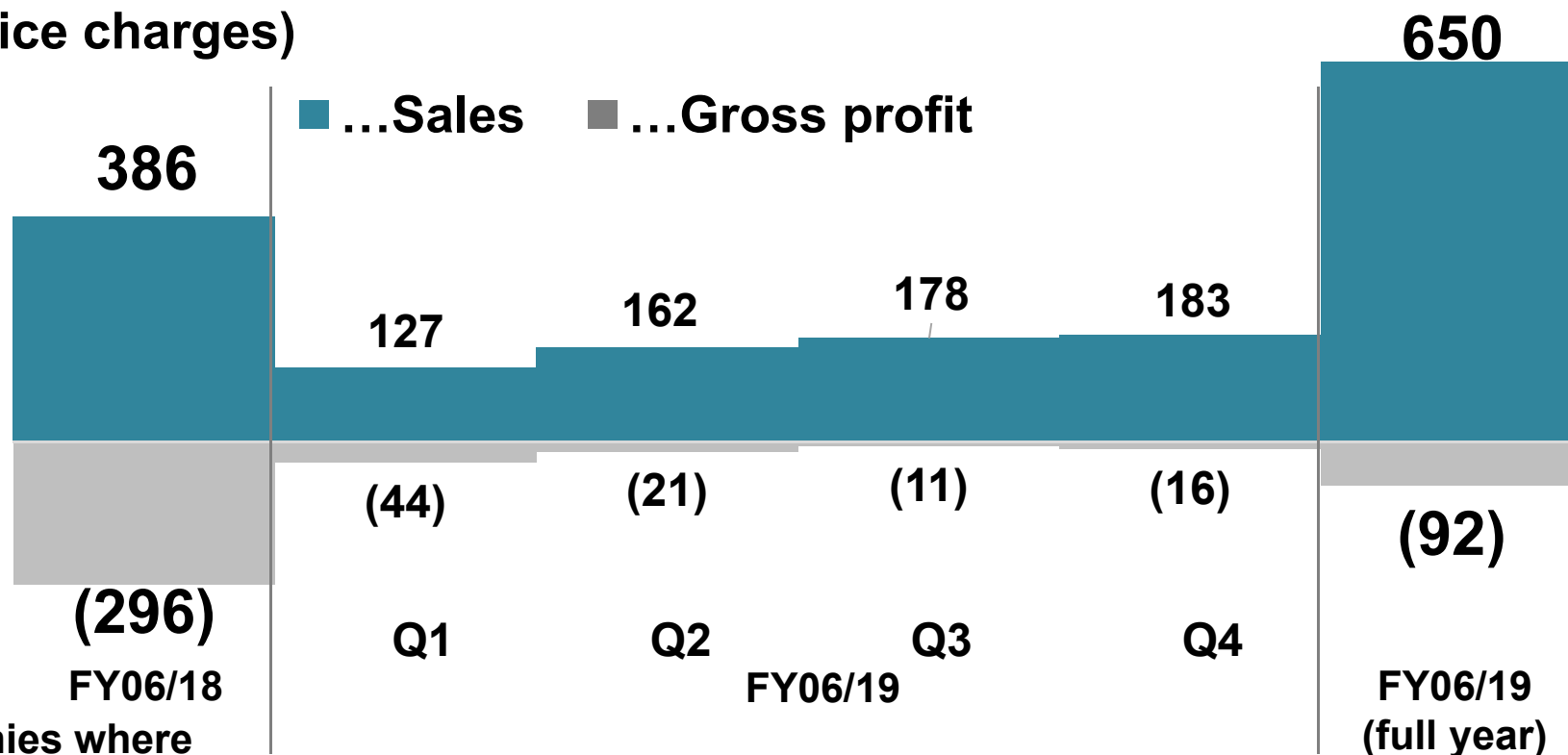
Cloud service business

FY06/19 earnings forecast

(Service charges)



Million yen



Companies where

introduced

■ IGATES

■ IFINDS

■ IOASIS

1	1	2	3	3	3
1	2	2	2	3	3
4	4	4	4	4	4

FY06/19

Product Solutions

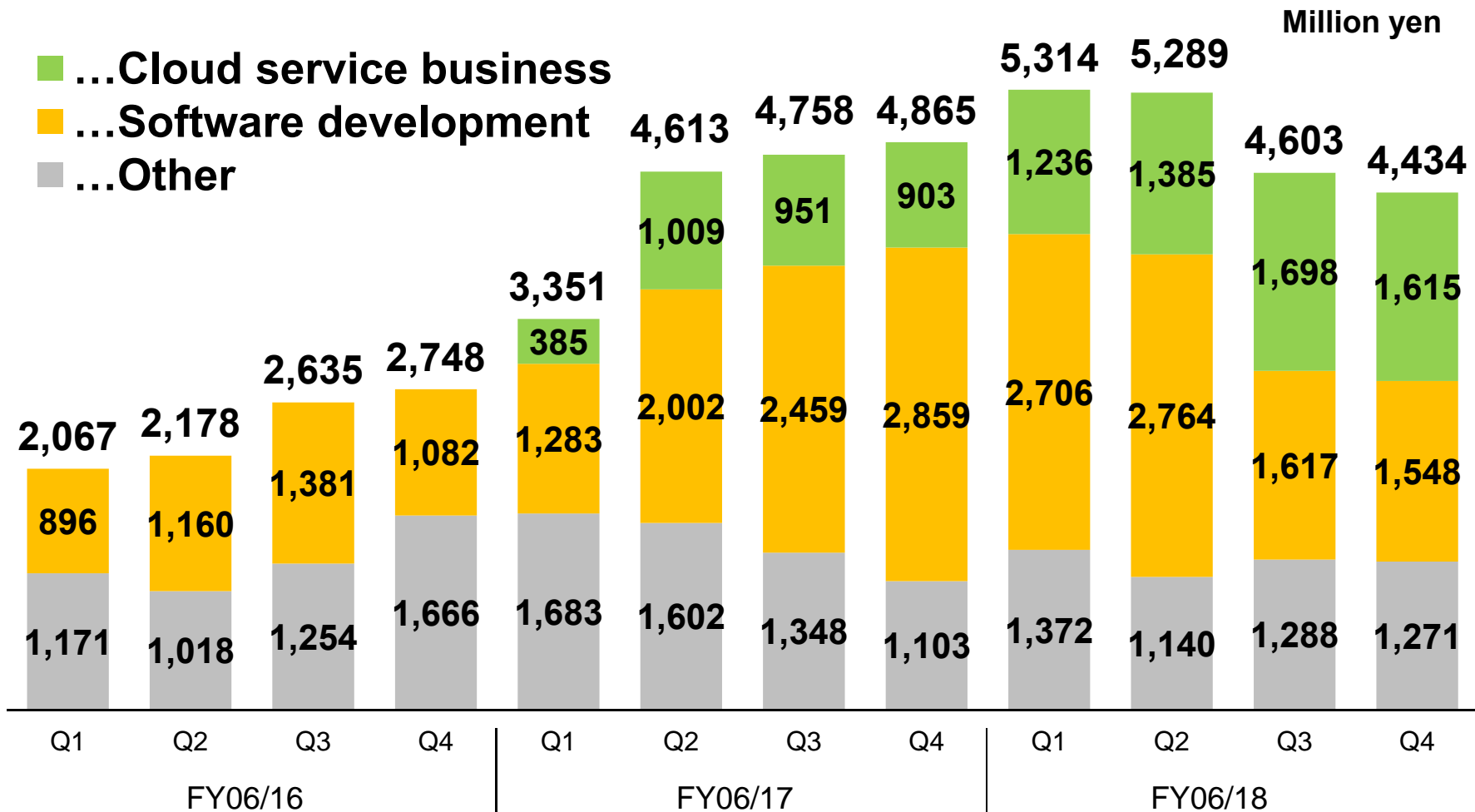
Full-year forecast



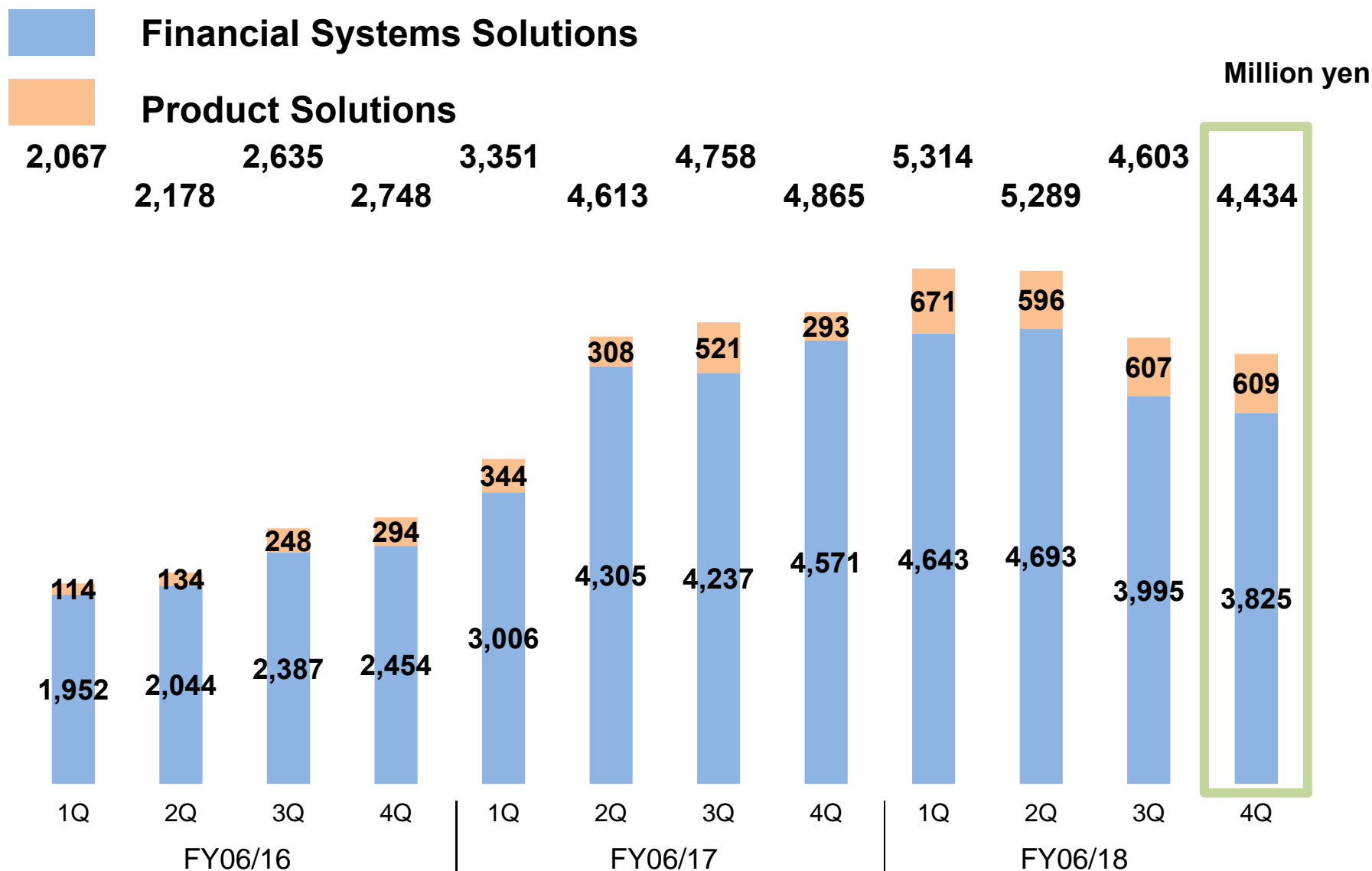
	FY06/18 actual			FY06/19		
	1H	2H	Full year	1H	2H	Full year
Sales	615	655	1,271	500	900	1,400
Software development	21	68	89	25	20	45
Maintenance	51	160	212	60	200	260
Hardware	253	111	365	5	50	55
In-house packages	43	15	58	50	95	145
Third-party packages	246	299	545	360	535	895
Operating income	(81)	30	(51)	(80)	120	40

Orders on hand

Rise in orders in cloud service business



Orders on hand, by segment (non-consolidated)



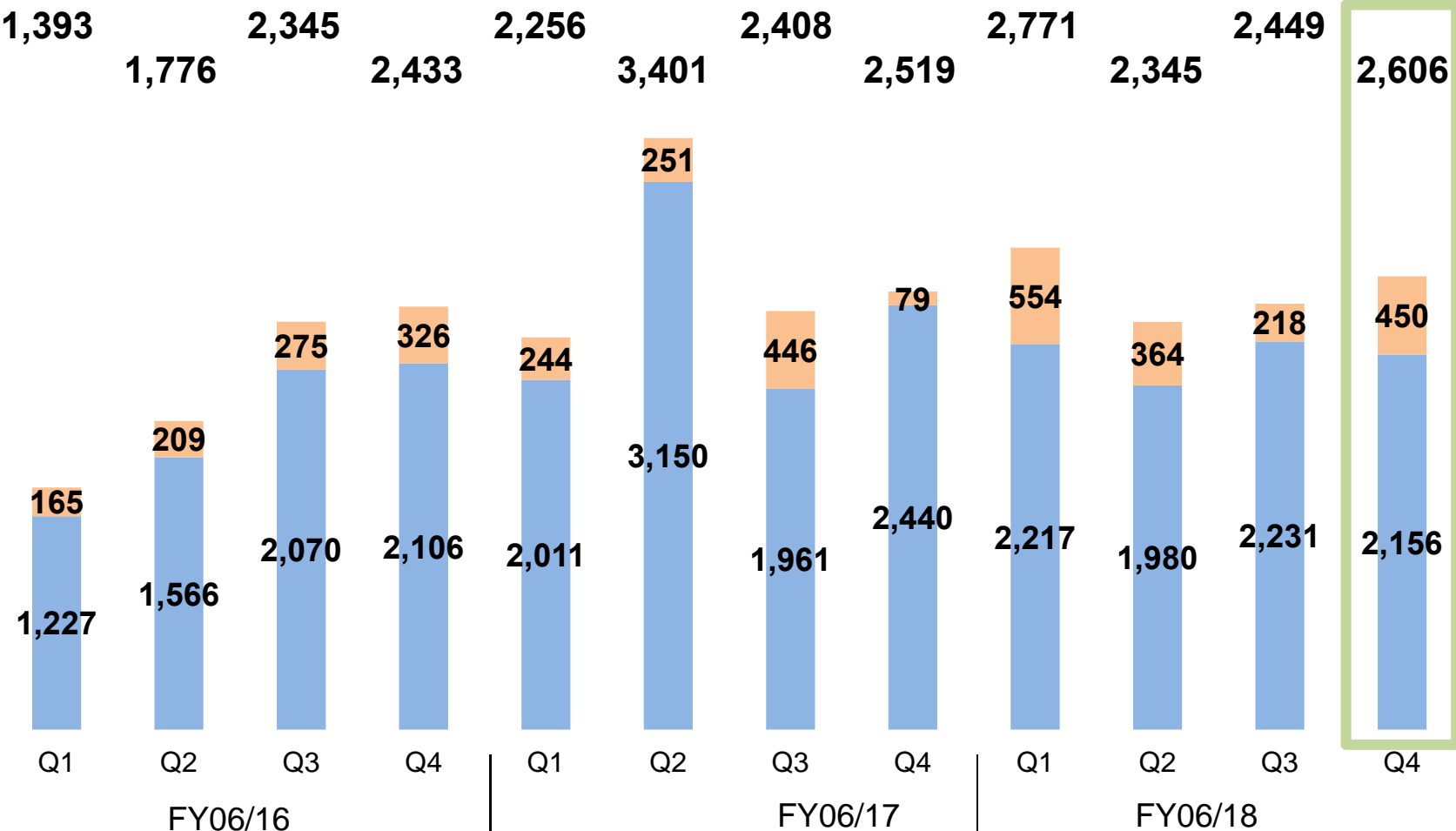
Amount of orders, by segment (non-consolidated)



■ Financial Systems Solutions

■ Product Solutions

Million yen



Q4 FY06/18 YoY comparison



Million yen

	FY06/17	FY06/18
Net sales	2,412	2,774
Operating income	179	180
Operating margin	7.4%	6.5%

Financial Systems Solutions

	FY06/17	FY06/18
Sales	2,105	2,326
Operating income	131	102
Operating margin	6.2%	4.4%

Product Solutions

	FY06/17	FY06/18
Sales	306	448
Operating income	48	78
Operating margin	15.7%	17.4%

FY06/18

Financial Systems Solutions

Sales



Full-year forecast

(Revised on January 31)

Credit card business

Million yen

Actual
9,332

8,500

- Credit card brand unification
- Branded prepaid card systems
- Branded debit card systems
- Fraud detection systems
- IC card systems

6,837

6,450

Cloud service business

- Acquiring business **IOASIS**
- Fraud detection **IFINDS**
- OnCore Switch **IGATES**

Service charges

Initial charges

541

386

154

460

377

83

Securities business

- Financial info gateways
- Trading tools
- Network supervision

1,436

1,150

AI, Fintech

- OpAI
- ApAI
- Electronic money
- Smartphone payments

518

440

FY06/18

Financial Systems Solutions

YoY comparison

Sales from software development increased



			Million yen
	FY06/17	FY06/18	Change
Sales	7,447	9,332	1,885
Software development	4,835	6,439	1,604
Maintenance	919	1,041	122
Hardware	974	923	(51)
In-house packages	441	628	187
(Of which, cloud services)	179	386	207
Third-party packages	277	299	22
Operating income	651	598	(53)

FY06/18 Financial Systems Solutions vs. forecast



	Million yen		
	FY06/18 actual	FY06/18 revised forecast*	Change
Sales	9,332	8,500	832
Software development	6,439	5,797	642
Maintenance	1,041	1,056	(15)
Hardware	923	786	137
In-house packages	628	577	51
(Of which, cloud services)	386	377	9
Third-party packages	299	284	15
Operating income	598	470	128

* Revised forecast announced on January 31, 2018

FY06/18

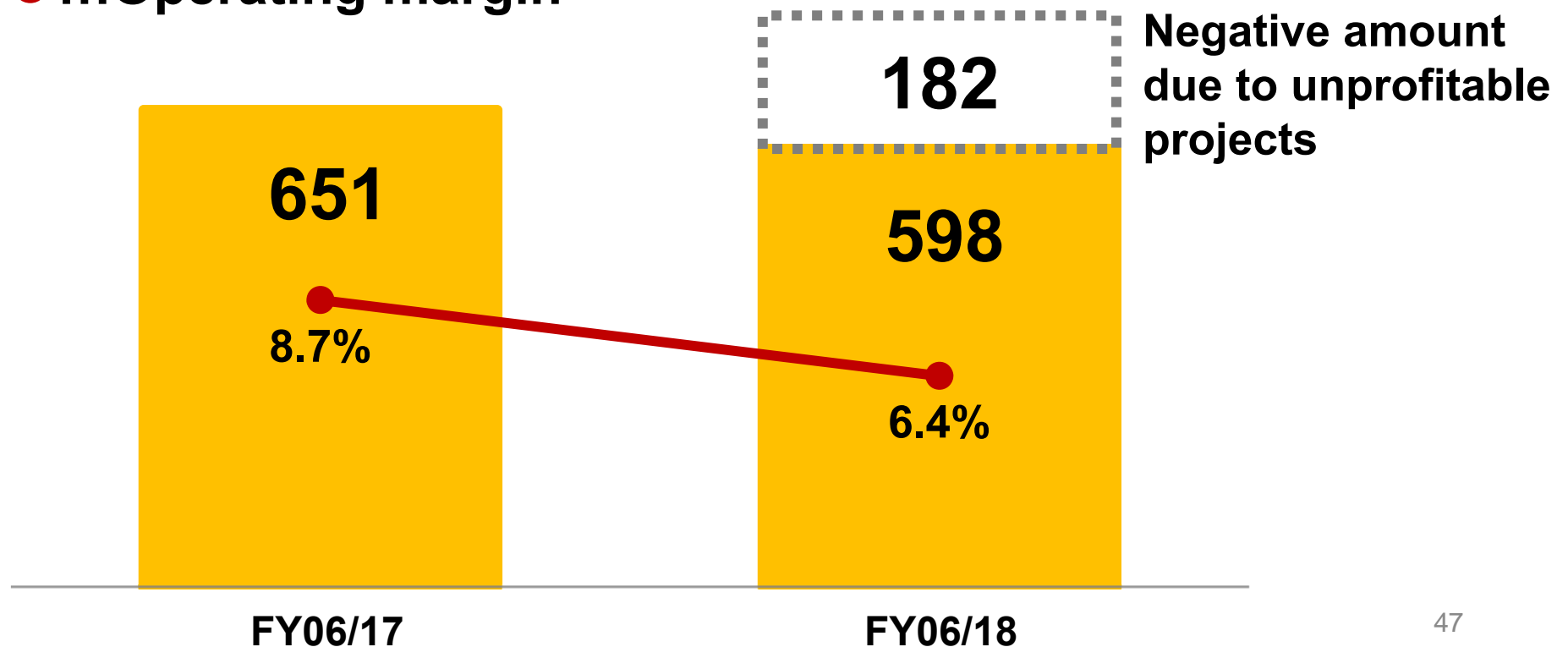
Financial Systems Solutions: Operating income



Income down due to certain unprofitable projects

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

Million yen



FY06/18

Product Solutions

YoY comparison



Sales of in-house packages down, hardware sales up

	FY06/17	FY06/18	Change
Million yen			
Sales	1,022	1,271	249
Software development	62	89	27
Maintenance	253	212	(41)
Hardware	46	365	319
In-house packages	122	58	(64)
Third-party packages	537	545	8
Operating income	51	(51)	(102)

FY06/18 Product Solutions vs. forecast



	Million yen		
	FY06/18 actual	FY06/18 revised forecast*	Change
Sales	1,271	1,200	71
Software development	89	84	5
Maintenance	212	214	(2)
Hardware	365	285	80
In-house packages	58	57	1
Third-party packages	545	560	(15)
Operating income	(51)	10	(61)

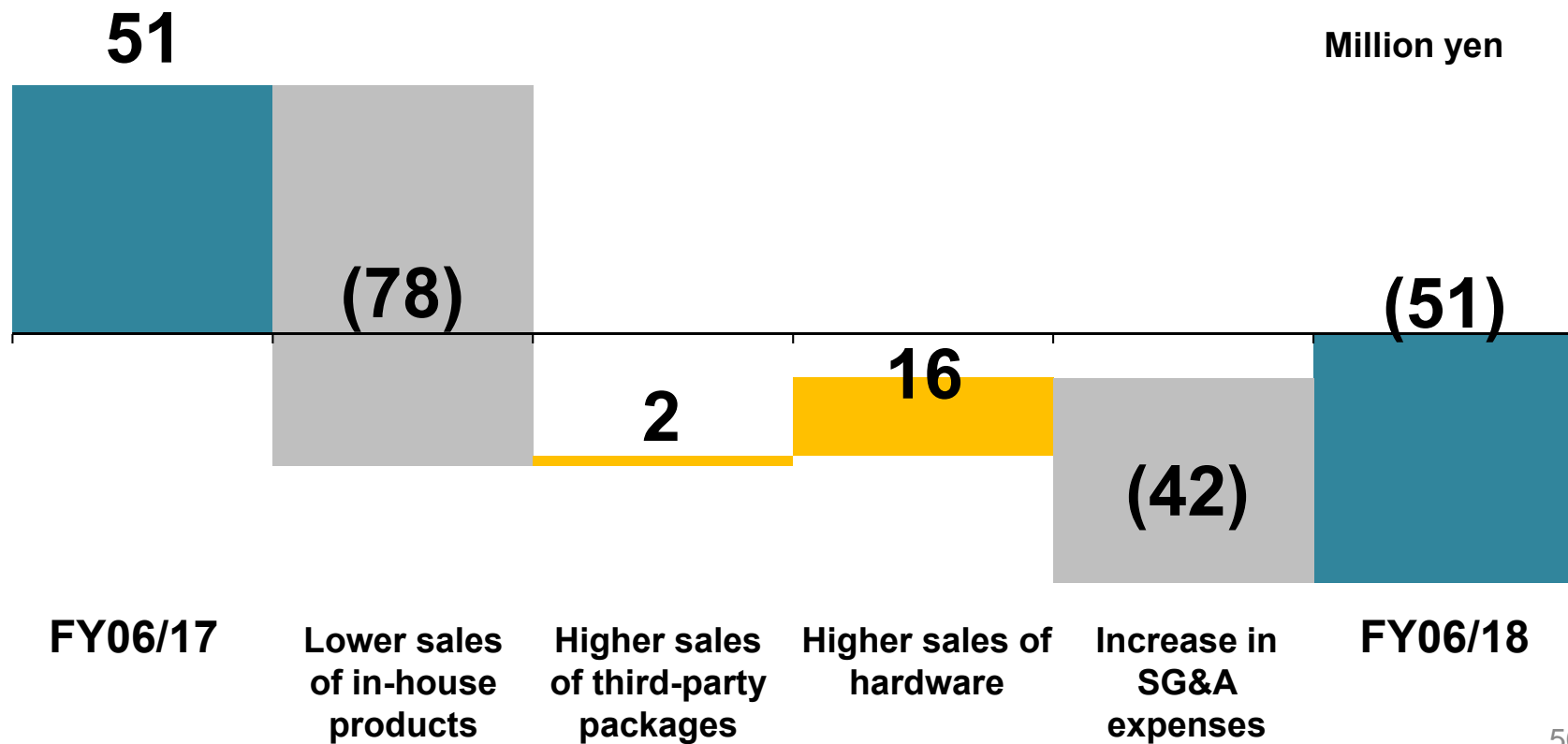
* Revised forecast announced on January 31, 2018

FY06/18

Product Solutions: Operating income



In-house products down



Quarterly results, by segment



Million yen

	FY06/17				FY06/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,653	2,139	2,263	2,412	2,322	2,370	3,136	2,774
Financial Systems Solutions	1,460	1,851	2,029	2,105	2,145	1,931	2,929	2,326
Product Solutions	193	287	233	306	176	439	207	448
Operating income	37	209	274	179	128	61	176	180
Financial Systems Solutions	52	163	303	131	164	107	224	102
Product Solutions	(14)	46	(28)	48	(35)	(45)	(47)	78
Operating margin	2.2%	9.8%	12.1%	7.4%	5.5%	2.6%	5.6%	6.5%
Financial Systems Solutions	3.6%	8.8%	14.9%	6.2%	7.6%	5.5%	7.6%	4.4%
Product Solutions	(7.3)%	16.0%	(12.0)%	15.7%	(19.9)%	(10.3)%	(22.7)%	17.4%

Quarterly sales, by segment category



Million yen

	FY06/17				FY06/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Financial Systems Solutions	1,460	1,851	2,029	2,105	2,145	1,931	2,929	2,326
Software development	1,036	1,119	1,215	1,463	1,487	1,208	2,327	1,416
Maintenance	218	224	238	237	239	263	275	262
Hardware	87	364	383	139	324	225	129	243
In-house packages	78	92	121	147	84	191	131	221
(Of which, cloud services)	0	43	67	67	81	95	101	109
Third-party packages	39	51	69	116	8	42	65	182
Product Solutions	193	287	233	306	176	439	207	448
Software development	21	16	17	6	10	10	46	22
Maintenance	26	40	47	139	23	28	31	129
Hardware	3	0	42	0	5	248	30	81
In-house packages	20	67	22	11	40	2	2	12
Third-party packages	122	162	103	149	97	149	97	202

FY06/18 production costs



Thousand yen

	FY06/17				FY06/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Materials cost	18,496	11,735	11,662	9,810	8,375	6,956	6,617	9,448
Labor cost	558,206	557,536	552,892	556,078	559,687	568,296	594,734	607,443
Expenses	190,521	222,620	251,167	254,436	271,552	279,518	282,955	313,453
Subcontracting cost	733,832	757,140	833,293	934,022	905,024	937,523	908,085	871,306
Total manufacturing cost	1,501,057	1,549,031	1,649,015	1,754,348	1,744,640	1,792,294	1,792,394	1,801,652
Work in progress (beginning of period)	249,591	317,358	431,250	633,098	658,149	774,521	1,250,781	502,477
Work in progress (end of period)	317,358	431,250	633,098	658,149	774,521	1,250,781	502,477	518,826
Transfer to other accounts	305,247	252,039	245,151	187,880	126,806	77,387	104,685	153,949
Provision for loss on order received	—	6,561	5,189	(11,751)	—	143,199	(143,199)	—
Provision for reserve for product warranties	—	—	—	—	—	—	48,000	(33,420)
Cost of sales	1,128,043	1,189,661	1,207,205	1,529,665	1,501,461	1,381,845	2,340,813	1,597,934

FY06/18 SG&A expenses



Thousand yen

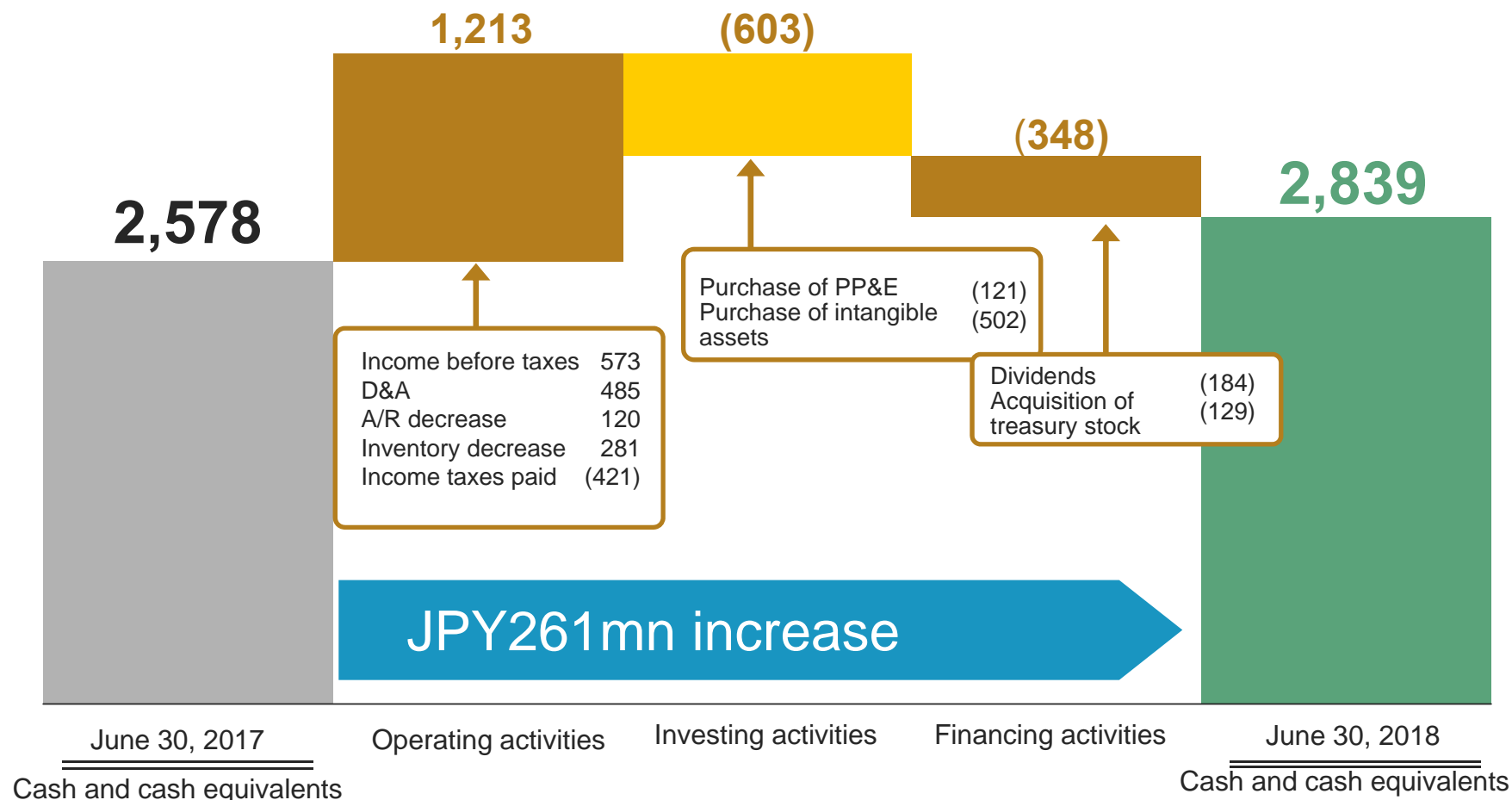
	FY06/17				FY06/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Salaries	184,067	222,439	240,126	235,796	252,081	244,652	243,314	273,323
Recruiting and training	9,278	11,427	9,179	22,767	11,492	20,124	11,663	16,979
Rent	15,716	16,988	15,628	20,762	17,023	15,051	15,317	15,173
Advertising expenses	6,857	3,910	6,379	3,378	12,280	9,378	5,153	4,708
R&D expenses	1,788	1,059	1,367	632	1,279	1,504	3,303	147
Depreciation and amortization	3,718	3,836	4,096	4,621	6,671	7,313	7,617	7,587

	FY06/17	FY06/18	Change	Million yen
SG&A expenses	1,429	1,675	246	
(Breakdown)				
Increase in salaries			131	
Increase in recruiting expenses			8	
Increase in advertising expenses			11	
Increase in depreciation and amortization			13	
Others			83	

FY06/18 cash flows



Million yen



Company overview



(As of June 30, 2018)

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	397
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)
Capital stock	JPY843.75mn
Shares outstanding	26,340,000
Shareholders	9,580

Ownership (%)		% of shareholders	
Individuals, others	41.14%	Individuals, others	98.69%
Japanese financial institutions	5.79%	Japanese financial institutions	0.06%
Other Japanese corporations	51.11%	Other Japanese corporations	0.54%
Foreign corporations	1.14%	Foreign corporations	0.43%
Japanese securities firms	0.73%	Japanese securities firms	0.27%
Treasury stock	0.09%	Treasury stock	0.01%