

# **Financial and Operating Results**

## **FY06/19**

**This is the excerpt translation of the original Japanese presentation and is prepared for reference purposes.**

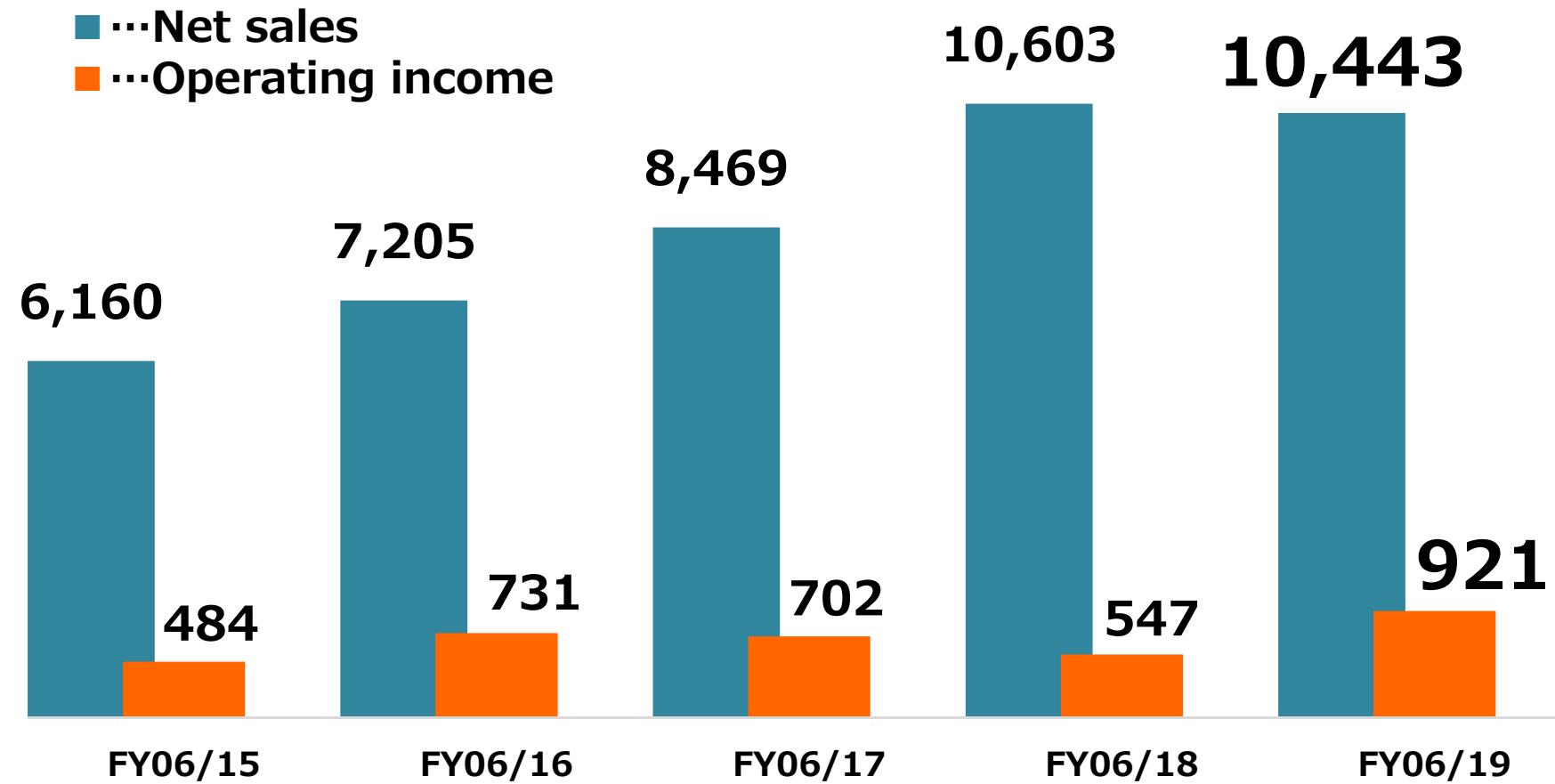
# Historical Performance



Continued to deliver net sales of more than  
JPY10.0bn

Million yen

Grew significantly in operating income



# Revision of mid-term business plan



Continue to deliver net sales of more than JPY10.0bn,  
target operating margin of 10.0% in FY06/22

		Million yen		
Revised	FY06/19 (Actual)	FY06/20 (Forecast)	FY06/21 (Plan)	FY06/22 (Plan)
Net sales	10,443	10,600	11,200	12,000
Operating income [OM]	921 [8.8%]	1,000 [9.4%]	1,080 [9.6%]	1,200 [10.0%]
Previous	FY06/19 (Forecast)	FY06/20 (Plan)	FY06/21 (Plan)	
Net sales	10,700	11,000	11,200	
Operating income [OM]	880 [8.2%]	930 [8.5%]	1,000 [8.9%]	

# Shareholder returns



- Increased dividends by 2 yen
- Forecasts 9 yen for FY06/20

	FY06/15	FY06/16	FY06/17	FY06/18	FY06/19	FY06/20 (Forecast)
Dividend per share	5 yen	6 yen	7 yen	7 yen	9 yen	9 yen
Payout ratio	28.0%	30.8%	33.7%	48.8%	34.6%	32.9%

# Financial Results

## FY06/19

# Summary YoY results



Significant increase in profit

Million yen

	FY06/18	FY06/19	Change	Percentage change
<b>Net sales</b>	<b>10,603</b>	<b>10,443</b>	(160)	(1.5%)
<b>Operating income</b>	<b>547</b>	<b>921</b>	374	<b>68.4%</b>
<b>Ordinary income</b>	<b>573</b>	<b>953</b>	380	<b>66.3%</b>
<b>Net income</b>	<b>377</b>	<b>683</b>	306	<b>81.2%</b>

# Summary

## Comparison with initial forecasts



### Exceeded initial forecast in profit

Million yen

	FY06/19 Initial forecast	FY06/19 Results	Percentage change
Net sales	10,700	10,443	(2.4%)
Operating income	880	921	4.7%
Ordinary income	900	953	5.9%
Net income	620	683	10.2%

# Top three clients, by sales



**Credit card brand unification projects decreased as expected initial forecasts**

	FY06/18	FY06/19	Change	Million yen	Main projects
1 . DNP	2,116	1,952	(164)		Smartphone payments, payment platforms, security products
2 . Credit card issuer	406	684	278		F.E.P., Network gateway
3 . Credit card issuer	1,935	674	(1,261)		Credit card brand unification

# Segment summary FY06/19



Million yen

Financial Systems Solutions				Change	Percentage change
	FY06/18	FY06/19			
<b>Net sales</b>	<b>9,332</b>	<b>9,336</b>		<b>4</b>	<b>0.4%</b>
<b>Operating income[OM]</b>	<b>598</b> [6.4%]	<b>890</b> [9.5%]		<b>292</b>	<b>48.8%</b>

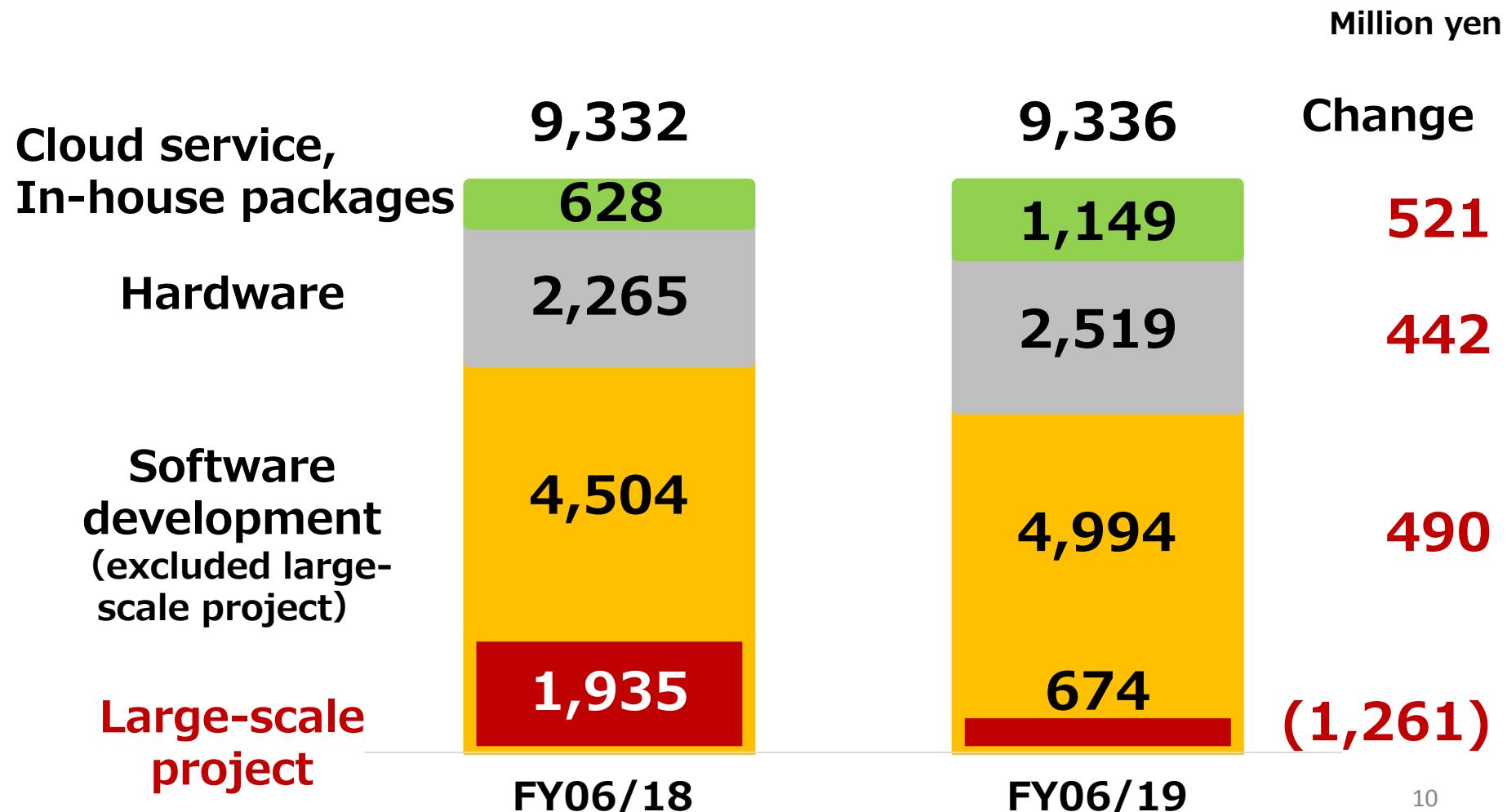
Product Solutions				Change	Percentage change
	FY06/18	FY06/19			
<b>Net sales</b>	<b>1,271</b>	<b>1,106</b>		<b>(165)</b>	<b>(13.0%)</b>
<b>Operating income[OM]</b>	<b>(51)</b> [(4.0%)]	<b>31</b> [2.8%]		<b>82</b>	—

# FY06/19

## Financial Systems Solutions Sales



Cloud services and in-house package increased.

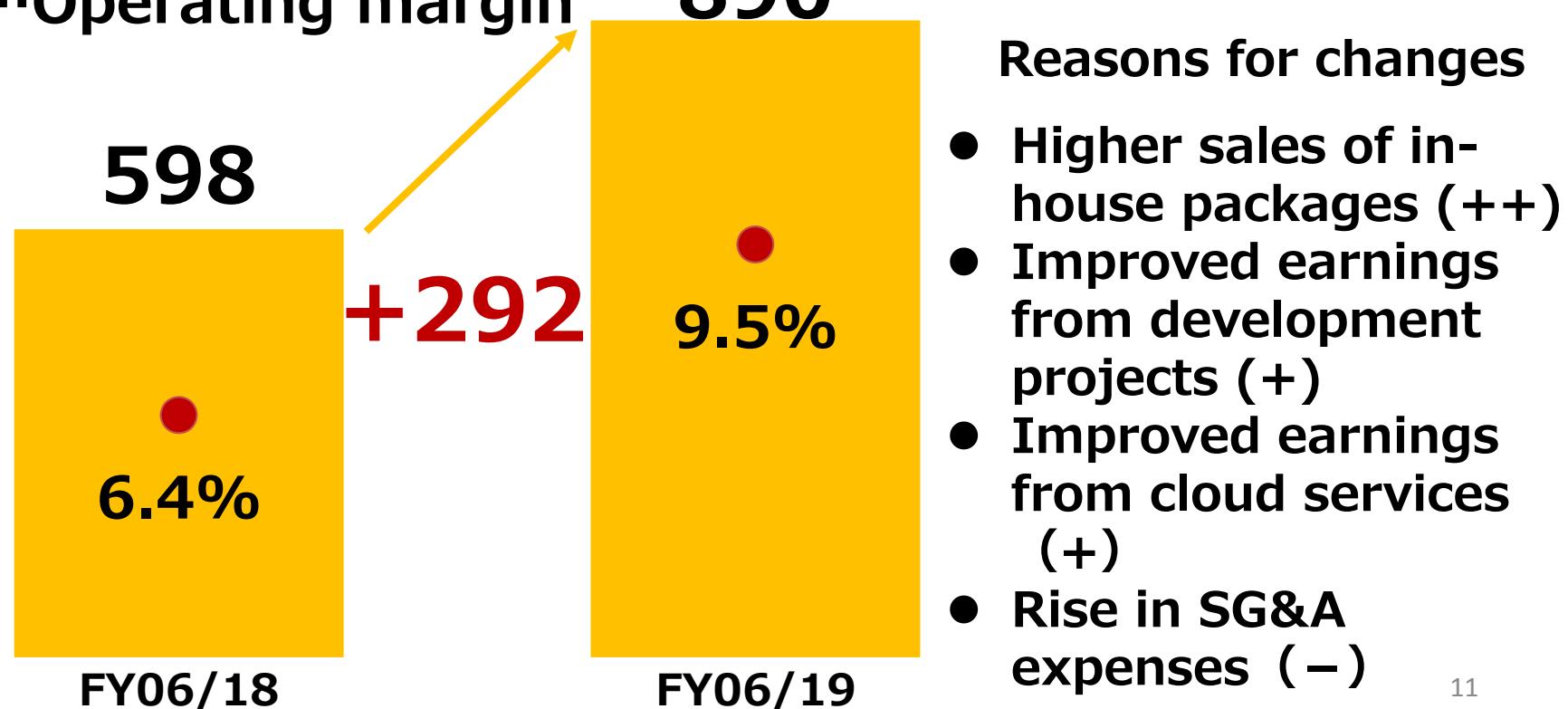


# FY06/19

## Financial Systems Solutions Operating income

### In-house packages increased significantly YoY

- …Operating income
- …Operating margin



# FY06/19 Product Solutions Sales



Increased profit thanks to higher in-house product sales

Million yen

	FY06/18	FY06/19	Change
<b>Sales</b>	1,271	1,106	(165)
<b>In-house product</b> <b>CWAT®</b>	360	488	128
<b>Third-party products</b>	911	617	(294)
<b>Traps, etc</b>	545	534	(11)
<b>Others (Hardware, etc.)</b>	365	82	( 283)
<b>Operating income</b>	( 51)	31	82 <sub>12</sub>



# **Mid-term Business Plan**

## **FY06/20 to FY06/22**

## “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.

# Mid-term business plan



Continue to deliver net sales of more than JPY10.0bn, target operating margin of 10.0% in FY06/22

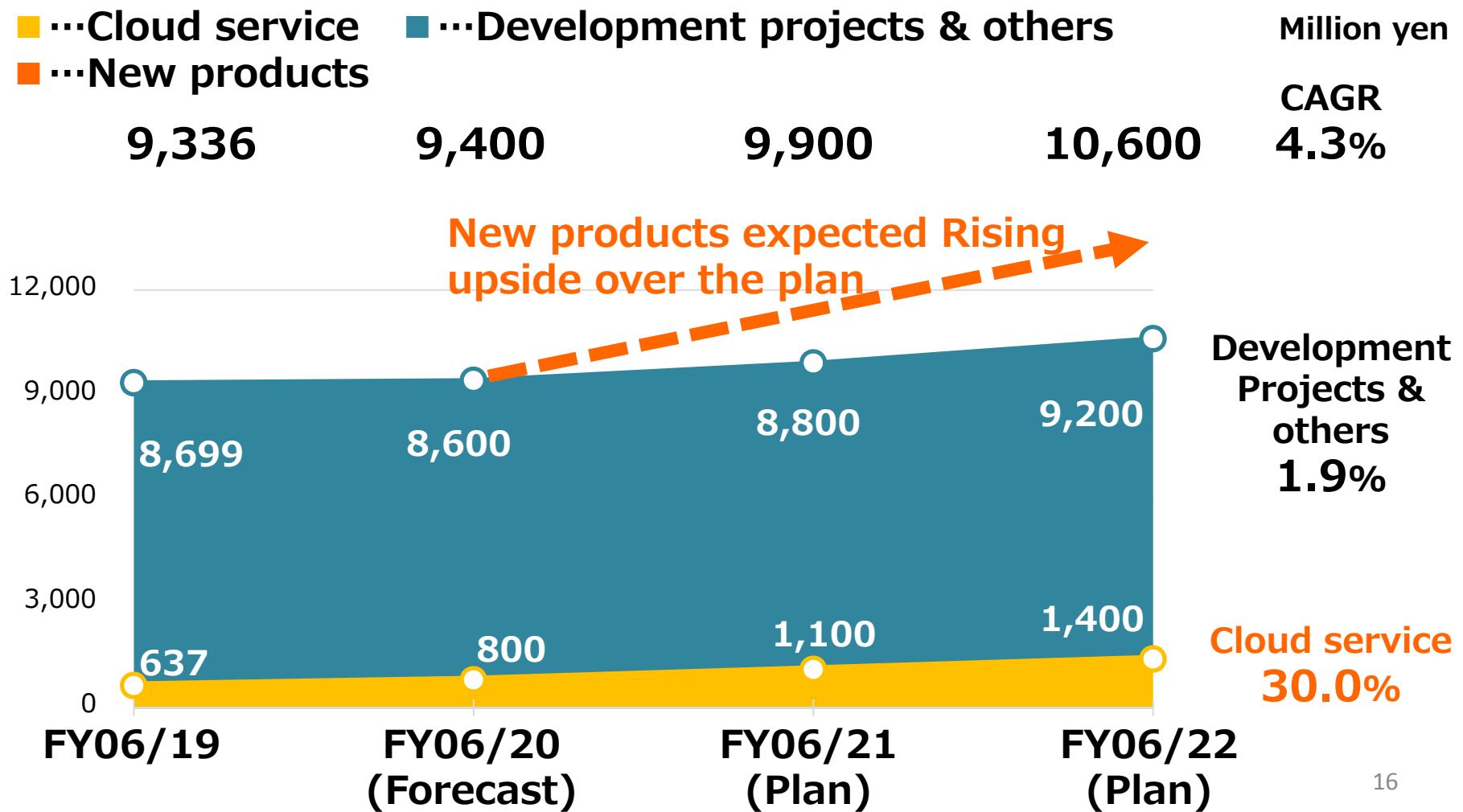
	FY06/19 (Actual)	FY06/20 (Forecasts)	FY06/21 (Plan)	FY06/22 (Plan)	Million yen	CAGR
Net sales	10,443	10,600	11,200	12,000		4.7%
Financial Systems Solutions	9,336	9,400	9,900	10,600		4.3%
Product Solutions	1,106	1,200	1,300	1,400		8.2%
Operating income [OM]	921 [8.8%]	1,000 [9.4%]	1,080 [9.6%]	1,200 [10.0%]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

# Mid-term business plan

# Financial Systems Solutions



# Over 10billion sales for FY06/22

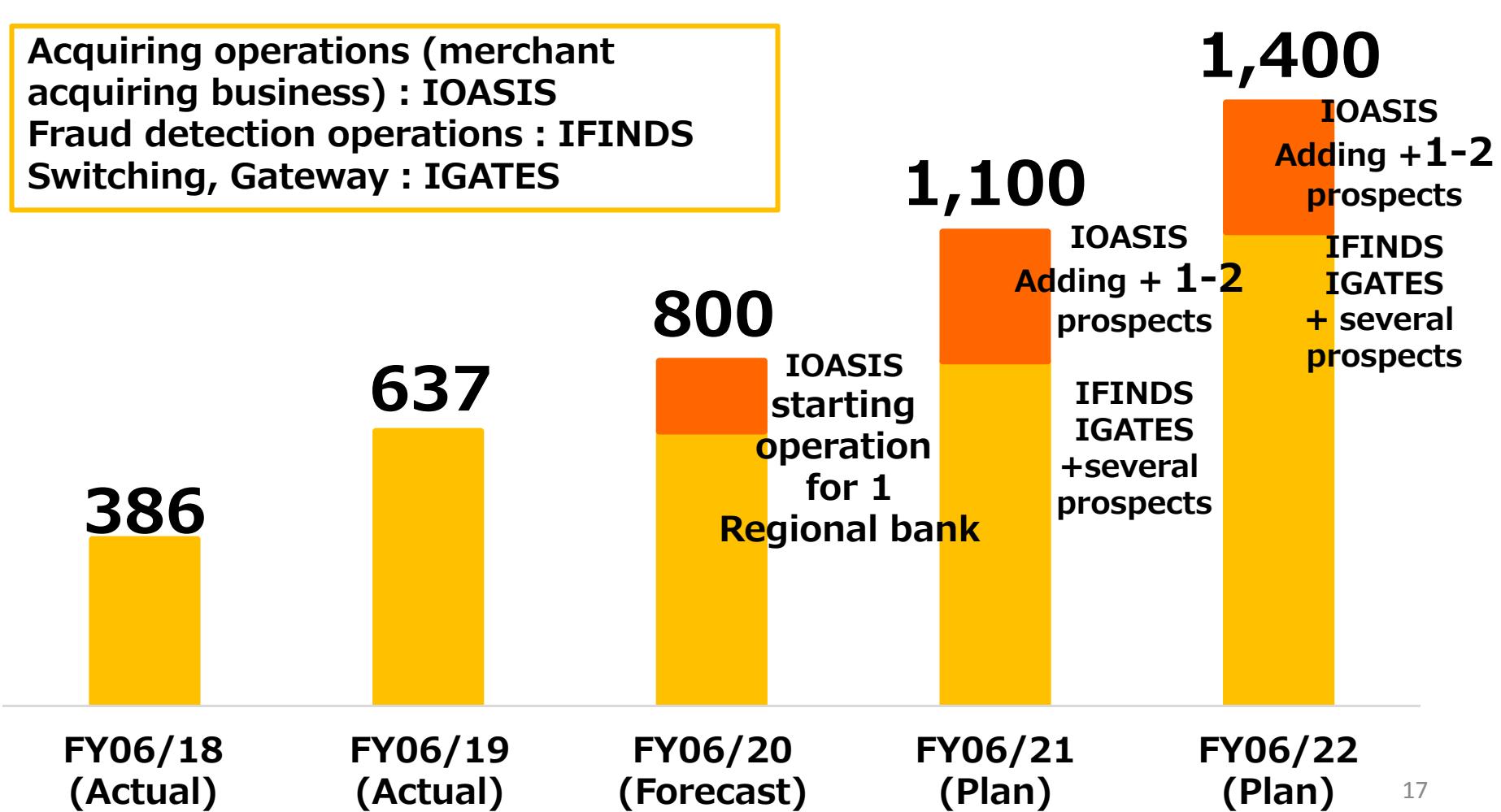


# Mid-term business plan

## Financial Systems Solutions

### Sales of Cloud service (sales from service charges)

Million yen



# Mid-term business plan

## Financial Systems Solutions



### Expanding existing business domain

Renewal FEP system  
(new development  
projects, Hardware  
sales) Smartphone  
payment, Fraud  
detection, Disaster  
recovery

### Launching new products

- Next generation NET+1
- Next generation Fraud  
detection

# Mid-term business plan

## Financial Systems Solutions

### New products



Next  
generation  
NET+1

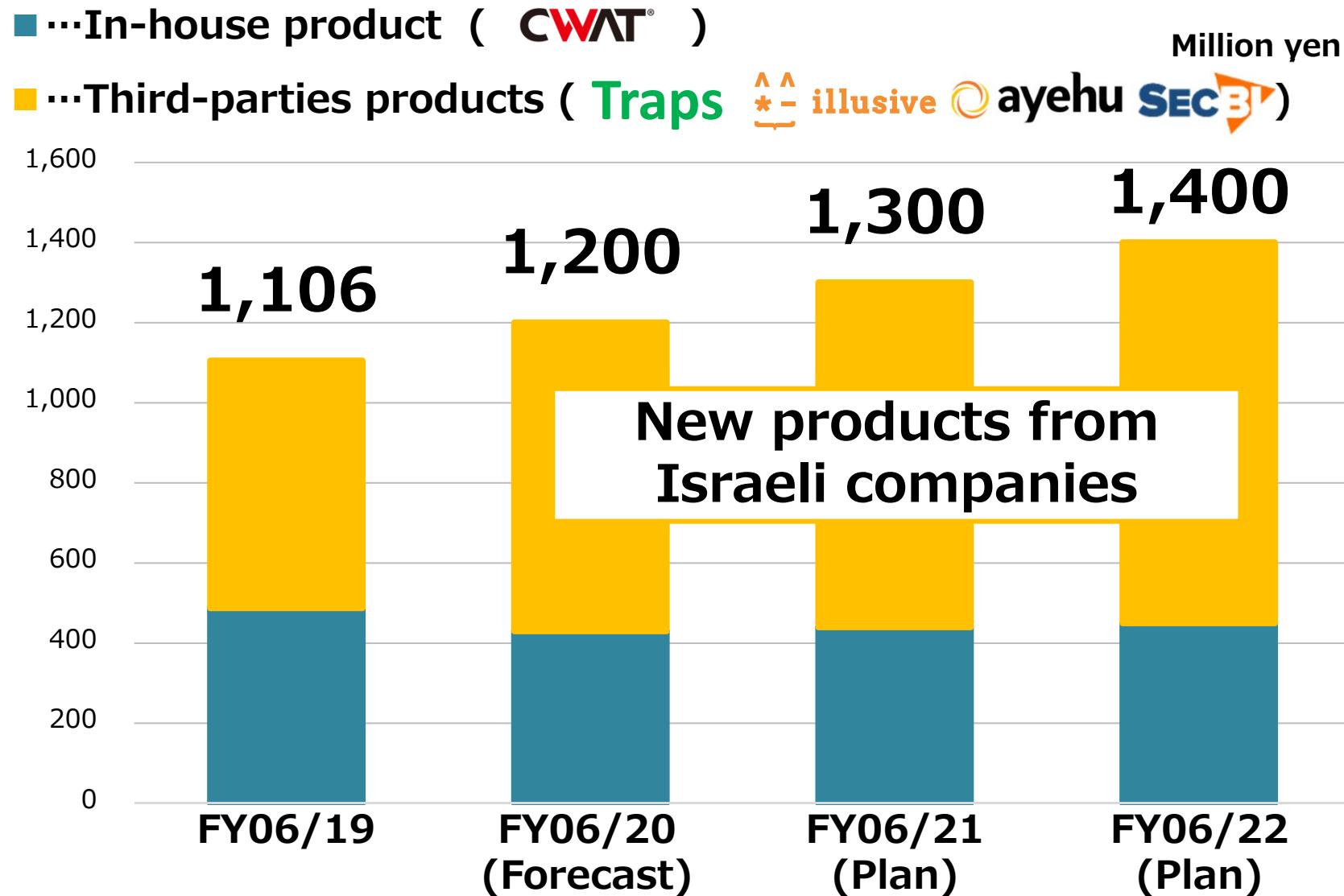
- **Gateway for various networks**
- **Expecting orders from newcomers for credit card business and existing customers**
- **Expanding to the outside financial industry**

Next  
generation  
Fraud  
detection

- **Adapting to e-commerce payment**
- **Upgrading capacity and accuracy with AI**
- **Ongoing POC projects with potential customers**

# Mid-term business plan

## Product Solutions



# Mid-term business plan

## Product Solutions

### Expanding service matrix with products



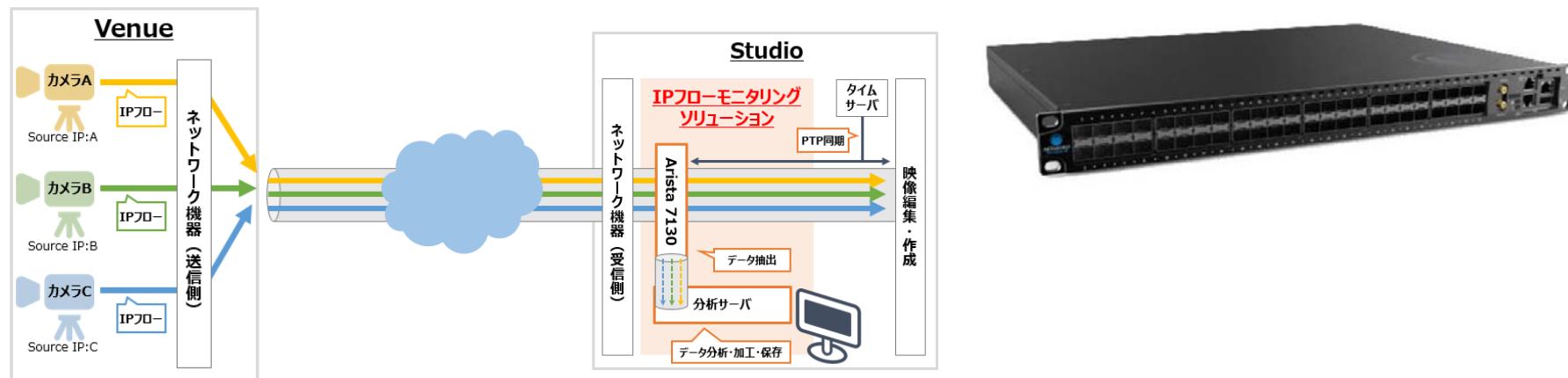
Measures	Internal	External: cyber-attack				
Threat Function	Leakage	Vulnerability or Targeted attacks	Ransomware, Other malware	Manual attacks, contamination	Threats in massive logs	Man in the middle attacks on wifi
Detect attacks				illusive networks Deceptions Everywhere		WiFiwall WiFiwall WiFiwall
Notify manager						
Report forensics						
Halt behavior						New
Incident response						
Incident analysis				Cybear		New
Integrated monitoring			Cyber Observer			New
Invalidating attacks		Morphisec	MORPHISEC Moving Target Defense			
Invalidating files		RESEC		New		
Monitoring for SMB		PULISEC LABS				New

# Mid-term business plan

## New product for broadcasting industry



- Monitoring IP-flow solution
- Adapting IP broadcasting in 4K and 8K resolution
- Launching marketing activity for overseas broadcasters



# **Forecasts and Key initiatives for FY06/2020**

# Forecast FY06/20



	FY06/19 (actual)			FY06/20 (Forecast)			YoY (Full year)
	1H	2H	Full year	1H	2H	Full year	
<b>Net sales</b>	<b>5,039</b>	<b>5,404</b>	<b>10,443</b>	<b>5,000</b>	<b>5,600</b>	<b>10,600</b>	<b>1.5%</b>
Operating income [OM]	269 [5.3%]	652 [12.1%]	921 [8.8%]	340 [6.8%]	660 [11.8%]	1,000 [9.4%]	8.6%
Ordinary income [OM]	281 [5.6%]	672 [12.4%]	953 [9.1%]	360 [7.2%]	680 [12.1%]	1,040 [9.8%]	9.1%
Net income [NM]	204 [4.0%]	479 [8.9%]	683 [6.5%]	250 [5.0%]	470 [8.4%]	720 [6.8%]	5.4%

# FY06/20

## Full-year forecast by segment



Million yen

Financial Systems Solutions									
	FY06/19 actual			FY06/20			YoY (Full year)		
	1H	2H	Full year	1H	2H	Full year			
Net sales	4,614	4,722	9,336	4,500	4,900	9,400	0.7%		
Operating income [OM]	317 [6.9%]	573 [12.1%]	890 [9.5%]	430 [9.6%]	530 [10.8%]	960 [10.2%]	7.9%		
Product Solutions									
	FY06/19 actual			FY06/20			YoY (Full year)		
	1H	2H	Full year	1H	2H	Full year			
Net sales	424	681	1,106	500	700	1,200	8.5%		
Operating income [OM]	(48) [(11.3%)]	79 [11.6%]	31 [2.8%]	(90) [(18.0%)]	130 [18.6%]	40 [3.3%]	29.0%		

# Financial Systems Solutions

## Net sales FY06/20



	Million yen	FY06/19 actual	FY06/20 Forecast	YoY
<b>Credit card &amp; others</b>		<b>9,336</b>	<b>9,400</b>	<b>64</b>
• IC card	• Smartphone payment	<b>8,699</b>	<b>8,600</b>	<b>(99)</b>
• Fraud detection	• Securities business system			
• Brand pre-paid card	<b>(Large-scale projects)</b>	<b>674</b>	<b>0</b>	<b>(674)</b>
• Brand debit-card				
• AI systems	<b>(Other development projects)</b>	<b>8,025</b>	<b>8,600</b>	<b>575</b>

### Cloud service business

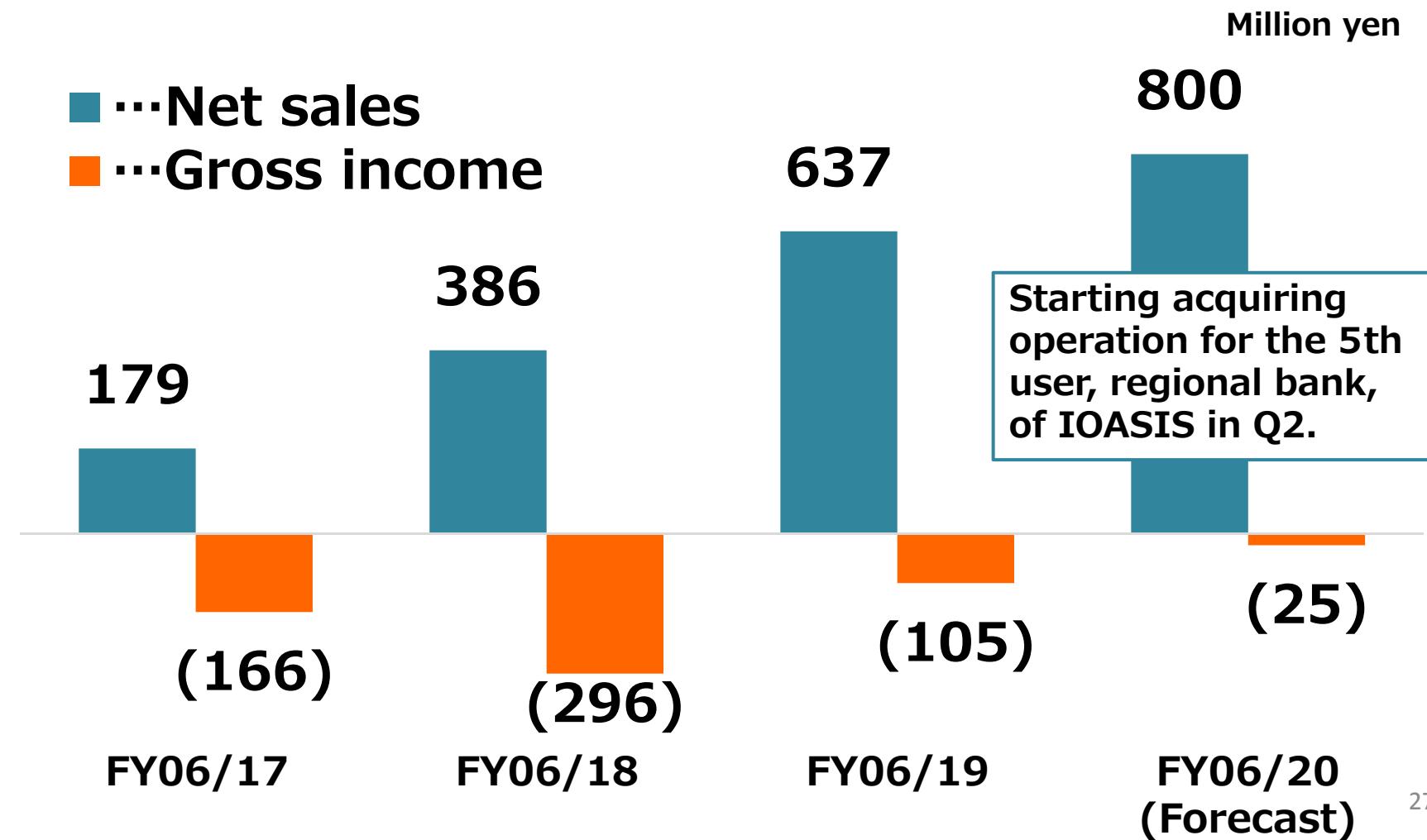
• Acquiring operations <b>IOASIS</b>	<b>637</b>	<b>800</b>	<b>163</b>
• Fraud detection <b>IFINDS</b>			
• OnCore Switch <b>IGATES</b>			

# Financial Systems Solutions

## Cloud service performance



## Improving earnings by the sales growth



# Product Solutions

## Net sales FY06/20



	FY06/19 (Actual)	FY06/20 (Forecast)	Million yen Change
<b>Net sales</b>	<b>1,106</b>	<b>1,200</b>	<b>94</b>
In-house product <b>CWAT®</b>	488	430	(58)
Third-parties products			
Traps <small>▲- illusive</small>   	617	770	153
Operating income	31	40	9

# 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

# Creating a worker-friendly environment



- **Introduction of a new relaxation space expanded in June**
- **Started free snacks service every morning**



- **Introduced free address seating in the office for sales division employees**

# Reference

# Forecast FY06/20



	FY06/19 (actual)			FY06/20 (Forecast)			YoY (Full year)
	1H	2H	Full year	1H	2H	Full year	
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# FY06/20

## Full-year forecast by segment



Million yen

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# Financial Systems Solutions

## Full year forecasts FY06/20



Million yen

	FY06/19 actual			FY06/20		
	1H	2H	Full year	1H	2H	Full year
Net sales	4,614	4,722	9,336	4,500	4,900	9,400
Software development	2,791	2,876	5,668	2,649	3,311	5,960
Maintenance	541	583	1,124	588	632	1,220
Hardware	750	390	1,140	611	259	870
In-house packages	140	371	512	179	61	240
Cloud service	285	352	637	385	415	800
Third-party packages	105	148	254	87	223	310
Operating income	317	573	890	430	530	960

# Financial Systems Solutions

## Cloud service

### Initial forecast FY 06/20

(Service charges sales)



Million yen

		FY06/19	FY06/20				
		Full year	1Q	2Q	3Q	4Q	Full year
Sales	Forecast		180	205	205	210	800
	Actual	637					
Gross income	Forecast		(15)	(4)	(4)	(2)	(25)
	Actual	(105)					

Services and customers	IGATES	2	2	2	2	2	2
	IFINDS	3	3	3	3	3	3
	IOASIS	4	4	5	5	5	5

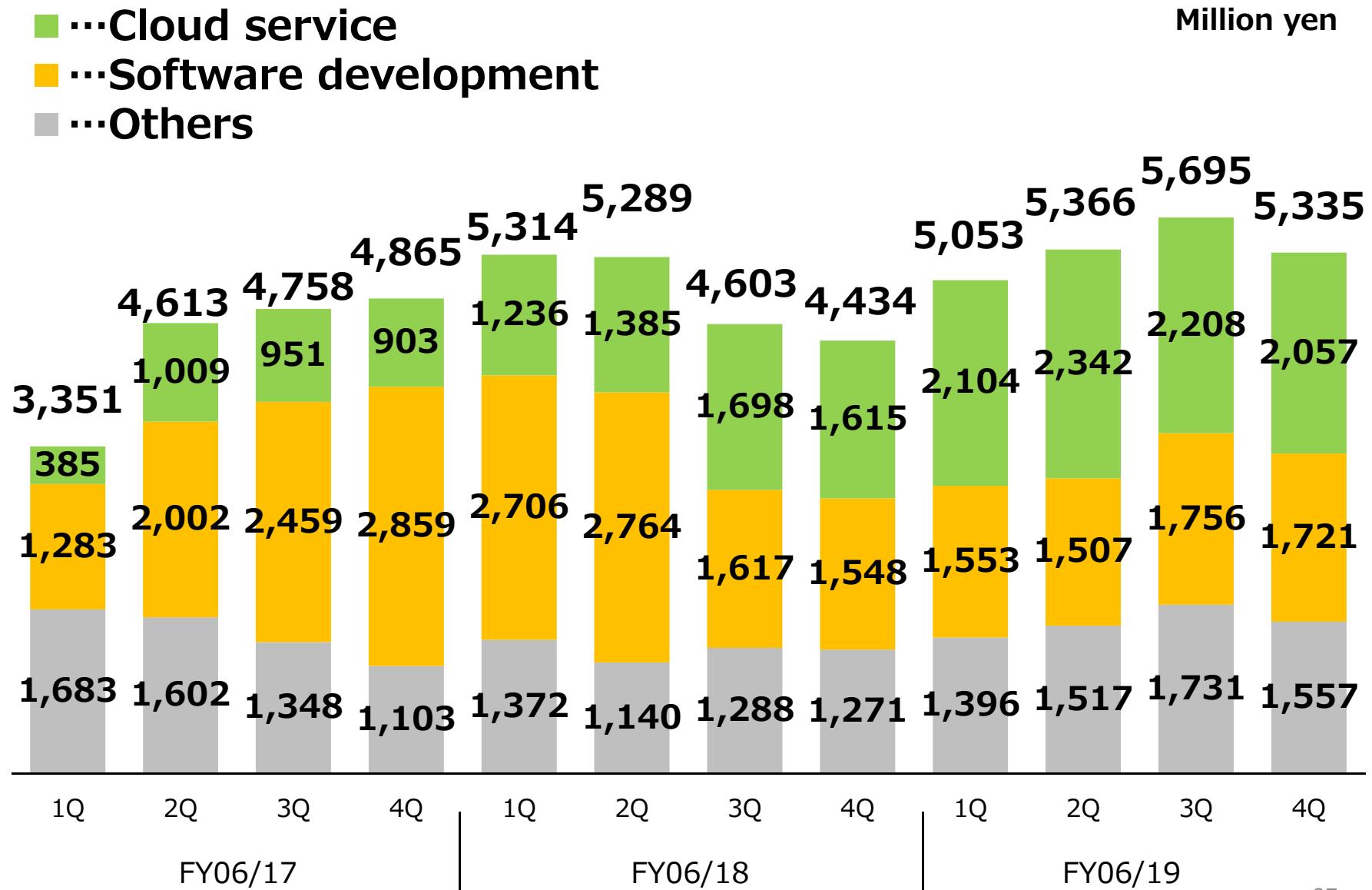
# Product Solutions

## Full year forecast FY 06/20

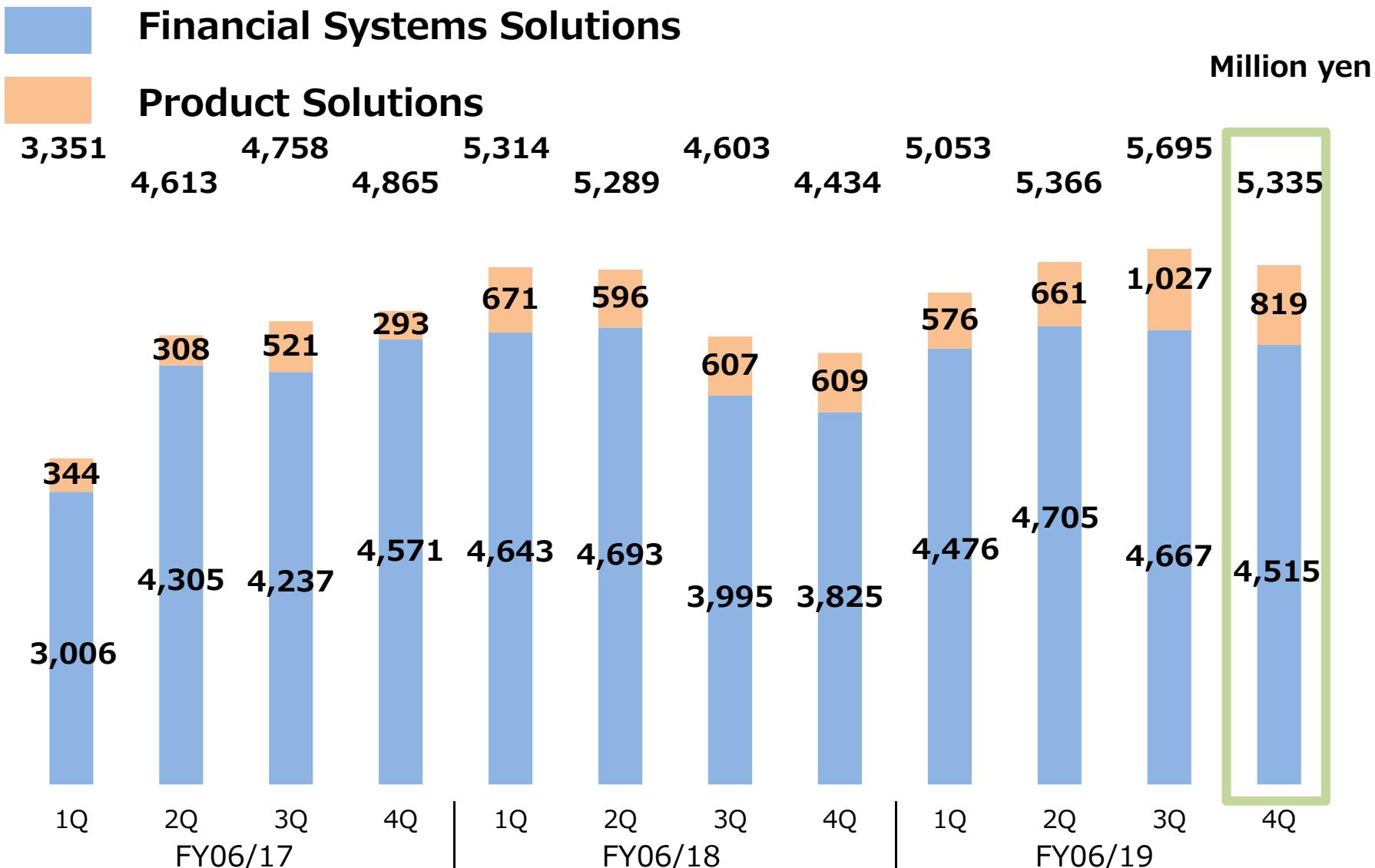


	Million yen					
	FY06/19 actual			FY06/20		
	1H	2H	Full year	1H	2H	Full year
Net sales	424	681	1,106	500	700	1,200
Software development	29	43	72	7	53	60
Maintenance	48	234	282	45	245	290
Hardware	2	80	82	1	39	40
In-house packages	113	19	133	50	30	80
Third-party packages	230	304	534	398	332	730
Operating income	(48)	79	31	( 90)	130	40

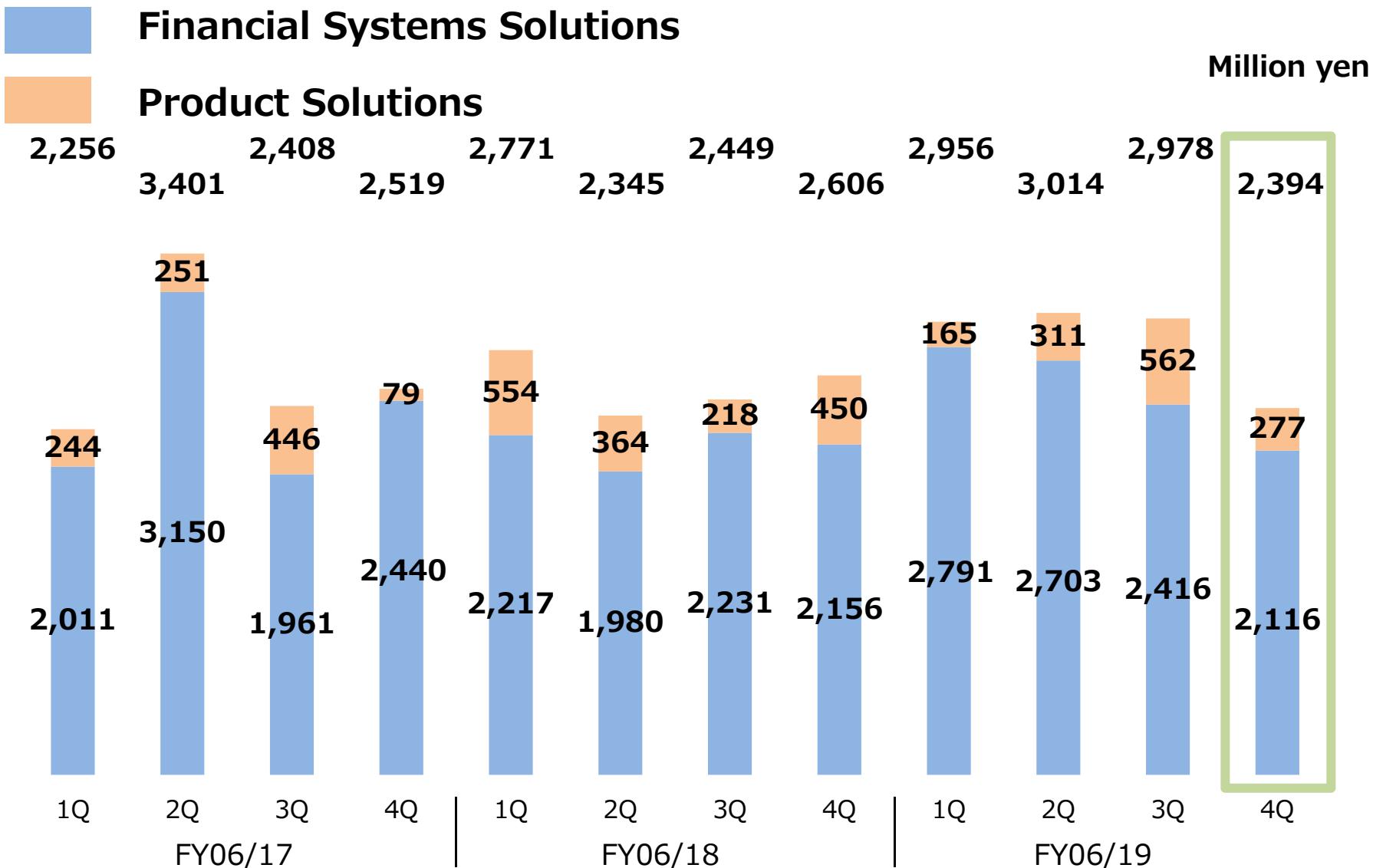
# Orders on hand



# Orders on hand, by segment



# Amount of orders, by segment



# Production costs

Thousand yen   
INTELLIGENT WAVE INC.

	FY06/18				FY06/19			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Materials cost	8,375	6,956	6,617	9,448	7,516	5,501	5,497	4,711
Labor cost	559,687	568,296	594,734	607,443	616,769	609,232	619,518	656,916
Expenses	271,552	279,518	282,955	313,453	291,097	311,326	386,922	374,934
Subcontracting cost	905,024	937,523	908,085	871,306	816,921	768,881	624,305	604,941
Total manufacturing cost	1,744,640	1,792,294	1,792,394	1,801,652	1,732,305	1,694,941	1,636,244	1,641,504
Work in progress (Beginning)	658,149	774,521	1,250,781	502,477	518,826	627,821	677,435	747,638
Work in progress (end)	774,521	1,250,781	502,477	518,826	627,821	677,435	747,638	626,309
Transfer to other accounts	126,806	77,387	104,685	153,949	117,406	91,812	69,272	111,394
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	1,651,439

# SG&A expenses

Thousand yen



	FY06/18				FY06/19			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Salaries	252,081	244,652	243,314	273,323	278,760	282,336	313,790	289,932
Recruiting and training	11,492	20,124	11,663	16,979	8,152	7,760	12,931	20,165
Rent	17,023	15,051	15,317	15,173	16,485	18,007	18,042	26,436
Advertising	12,280	9,378	5,153	4,708	7,614	11,962	4,710	4,840
R&D	1,279	1,504	3,303	147	11,902	12,471	4,025	3,849
Depreciation & amortization	6,671	7,313	7,617	7,587	7,472	7,863	14,428	1,972

	FY06/18	FY06/19	Change	Million yen
<b>SG&amp;A Expenses</b>	1,675	1,885	210	
(Breakdown)				
		Increase in salaries	151	
		Decrease in advertising	(2)	
		Decrease in recruiting and training	(11)	
		Increase in R&D	26	
		Others	46	

# Company overview



Established	December 27, 1984	(As of the end of June, 2019)
Location	1-21-2 Shinkawa, Chuo-ku, Tokyo	
Employees	413	
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)	
Capital stock	JPY843.75mn	
Shares outstanding	26,340,000	Shareholders 13,241

	Ownership	Shareholders
Individuals, others	40.23%	Individuals, others 98.74%
Japanese Financial institutions	4.80%	Japanese Financial institutions 0.11%
Japanese corporations	51.05%	Japanese corporations 0.36%
Foreign corporations	2.55%	Foreign corporations 0.52%
Japanese Securities firms	1.25%	Japanese Securities firms 0.26%
Treasury stock	0.12%	Treasury stock 0.01%