

August 9, 2019



Financial and Operating Results FY06/19

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

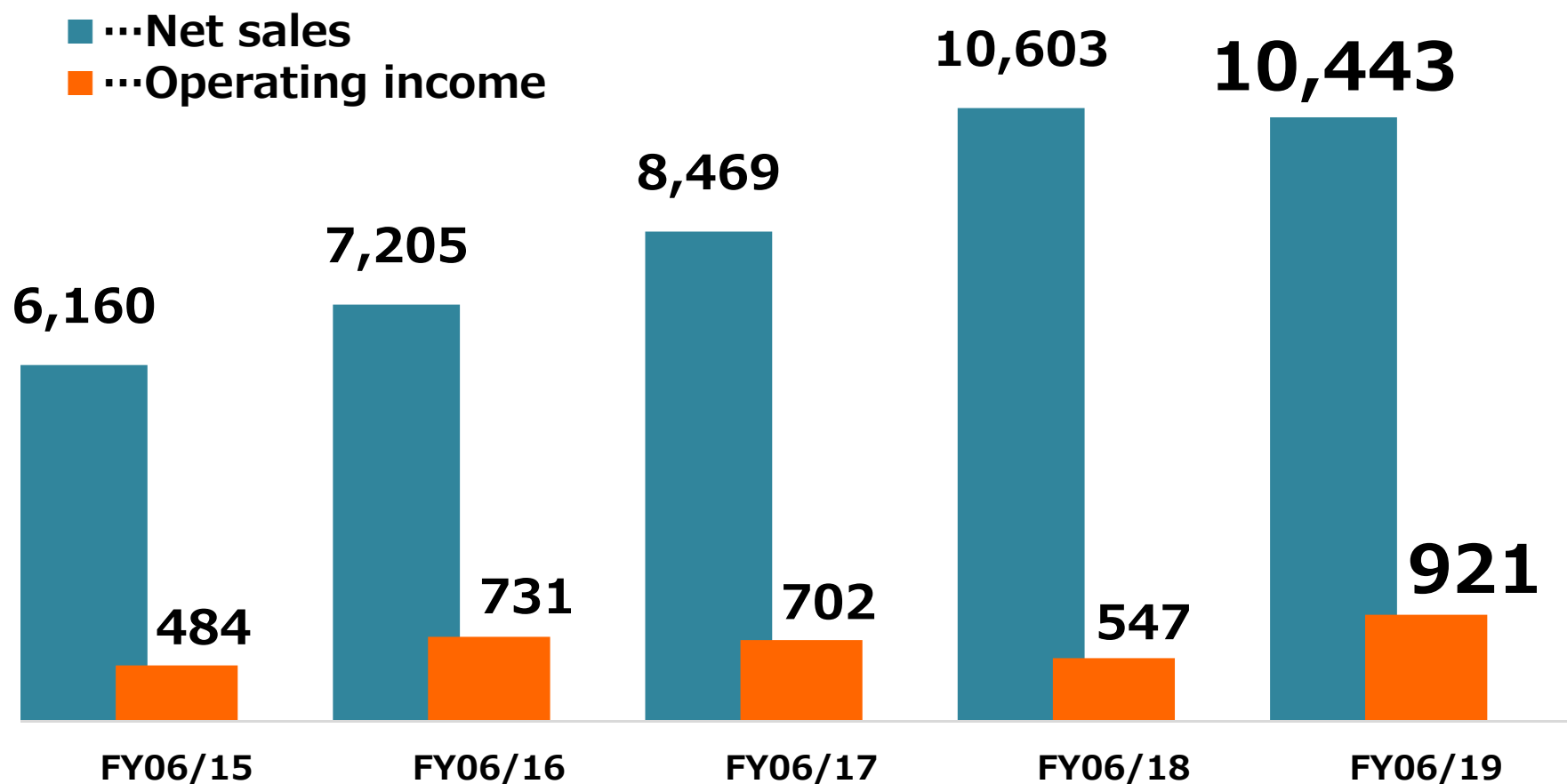
Historical Performance



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

Grew significantly in operating income

Million yen



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	5yen	6yen	7yen	7yen	9yen	9yen
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
Net sales	10,603	10,443	(160)	(1.5%)
Operating income	547	921	374	68.4%
Ordinary income	573	953	380	66.3%
Net income	377	683	306	81.2%

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	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

Million yen

Segment summary FY06/19



Million yen

Financial Systems Solutions

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

Product Solutions

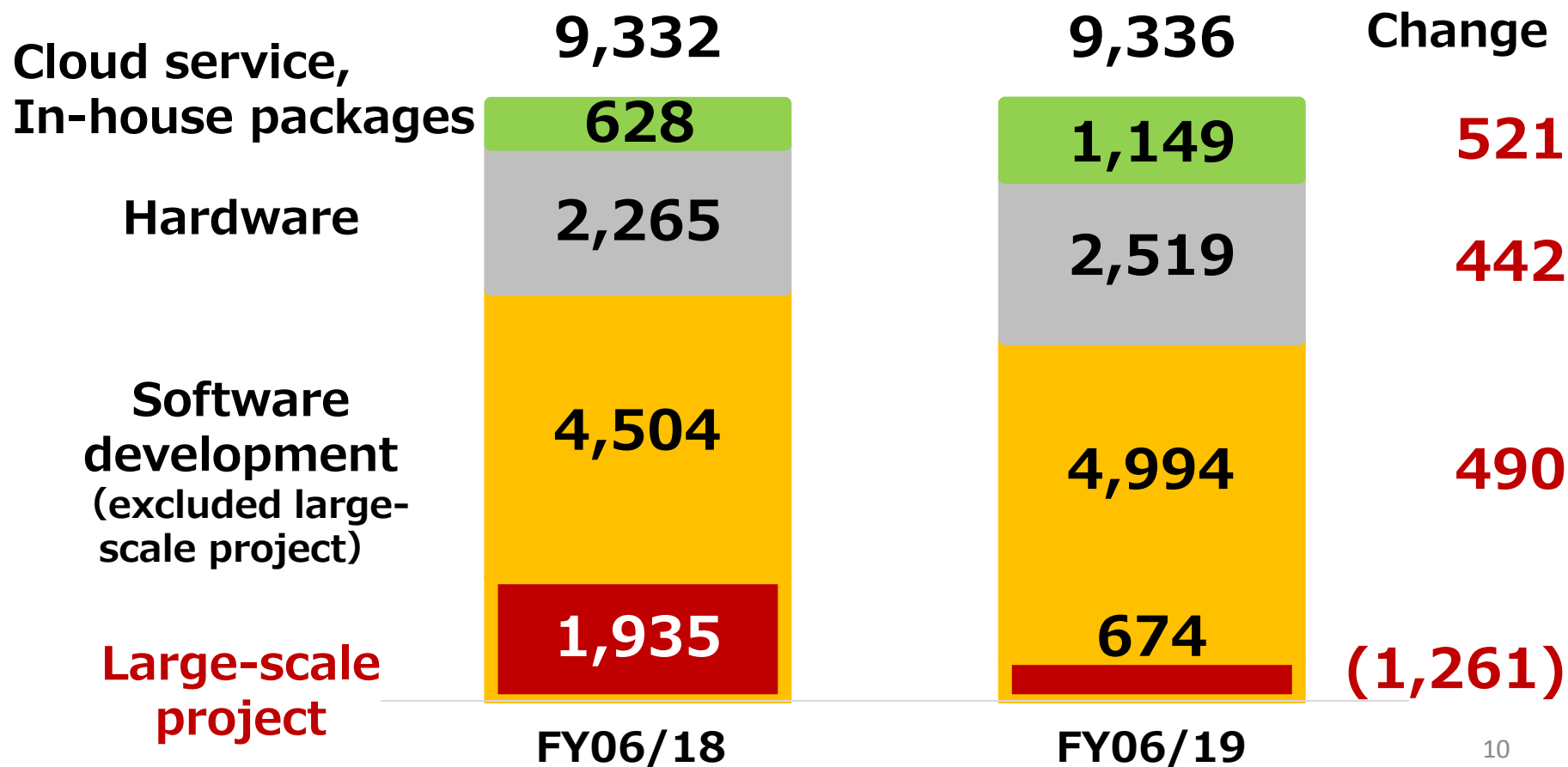
	FY06/18		FY06/19		Change	Percentage change
Net sales	1,271		1,106		(165)	(13.0%)
Operating income[OM]	(51)	[(4.0%)]	31	[2.8%]	82	—

FY06/19 Financial Systems Solutions Sales



Cloud services and in-house package increased.

Million yen



FY06/19

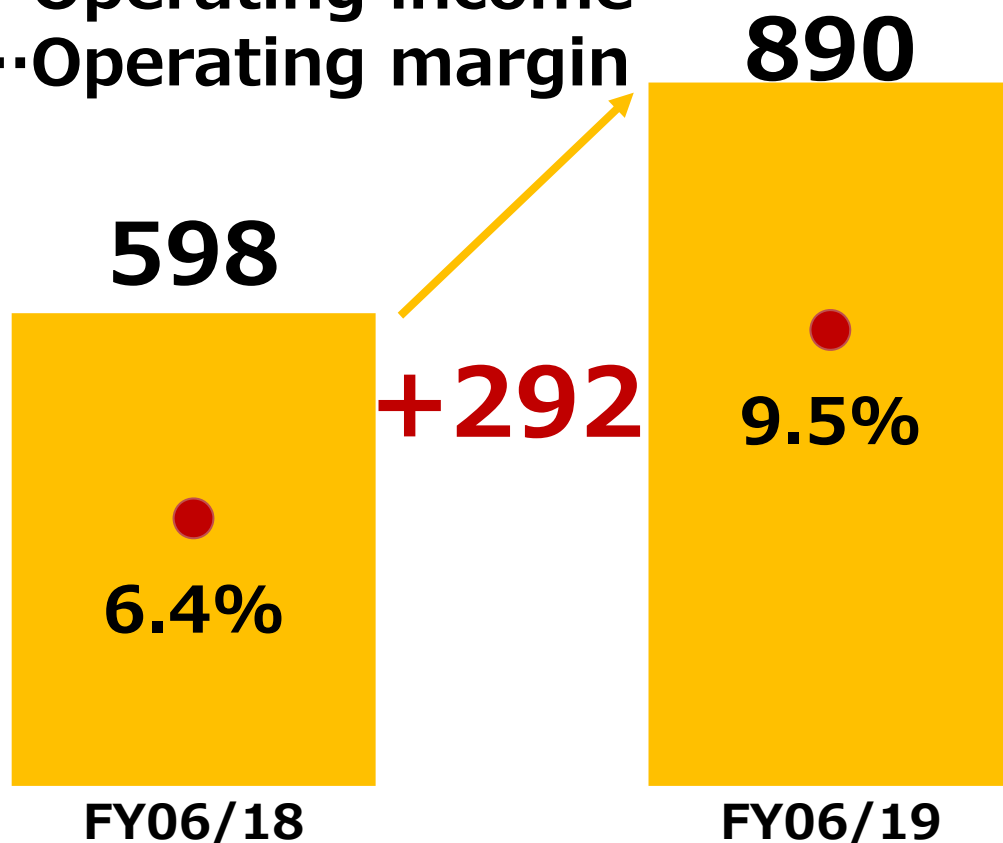
Financial Systems Solutions

Operating income



In-house packages increased significantly YoY

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



Reasons for changes

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

FY06/19

Product Solutions

Sales



Increased profit thanks to higher in-house product sales

Million yen

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

Mid-term Business Plan FY06/20 to FY06/22

Mid-term business plan



“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



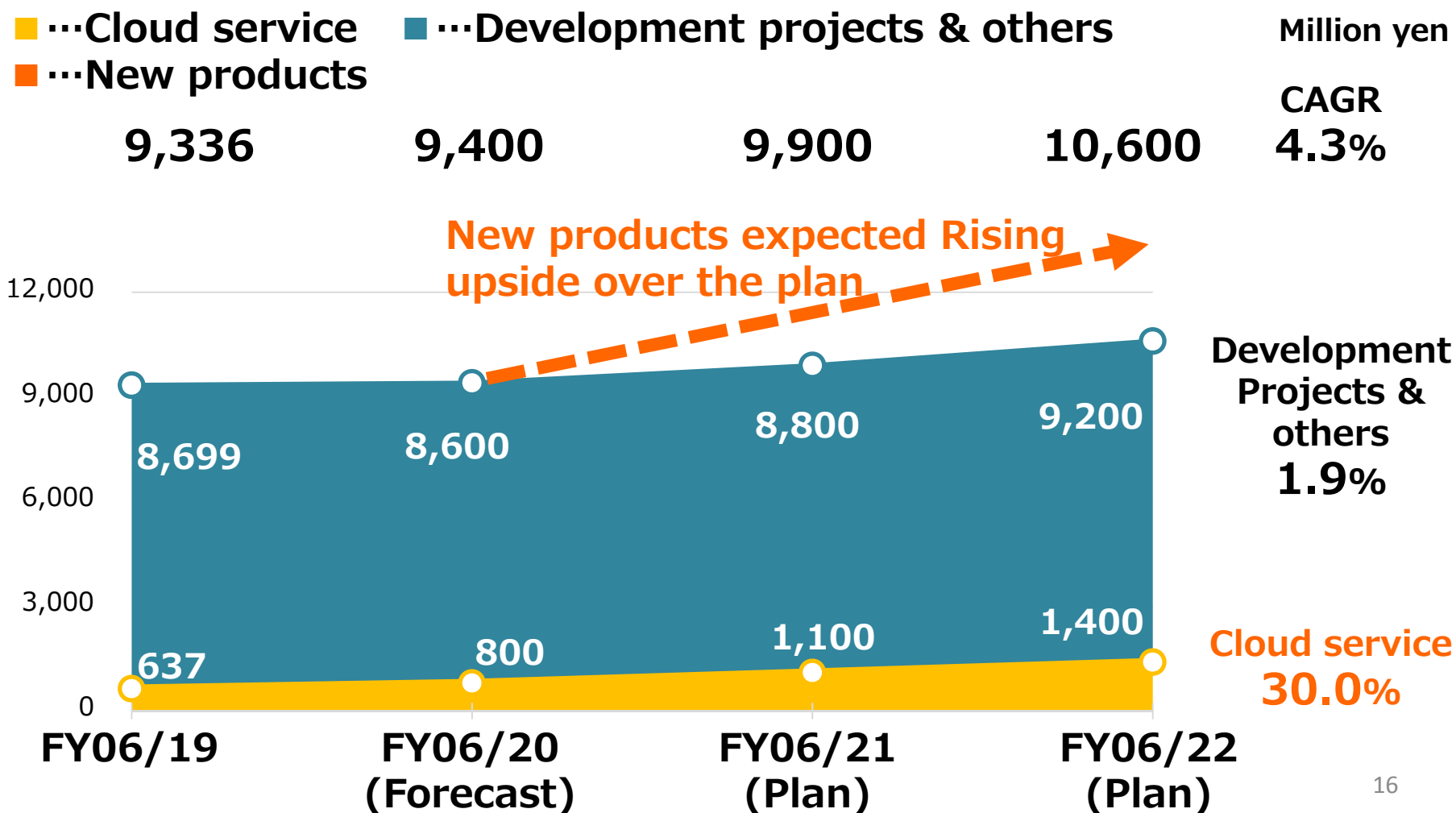
Continue to deliver net sales of more than
JPY10.0bn,
target operating margin of 10.0% in FY06/22

		Million yen			
	FY06/19 (Actual)	FY06/20 (Forecasts)	FY06/21 (Plan)	FY06/22 (Plan)	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

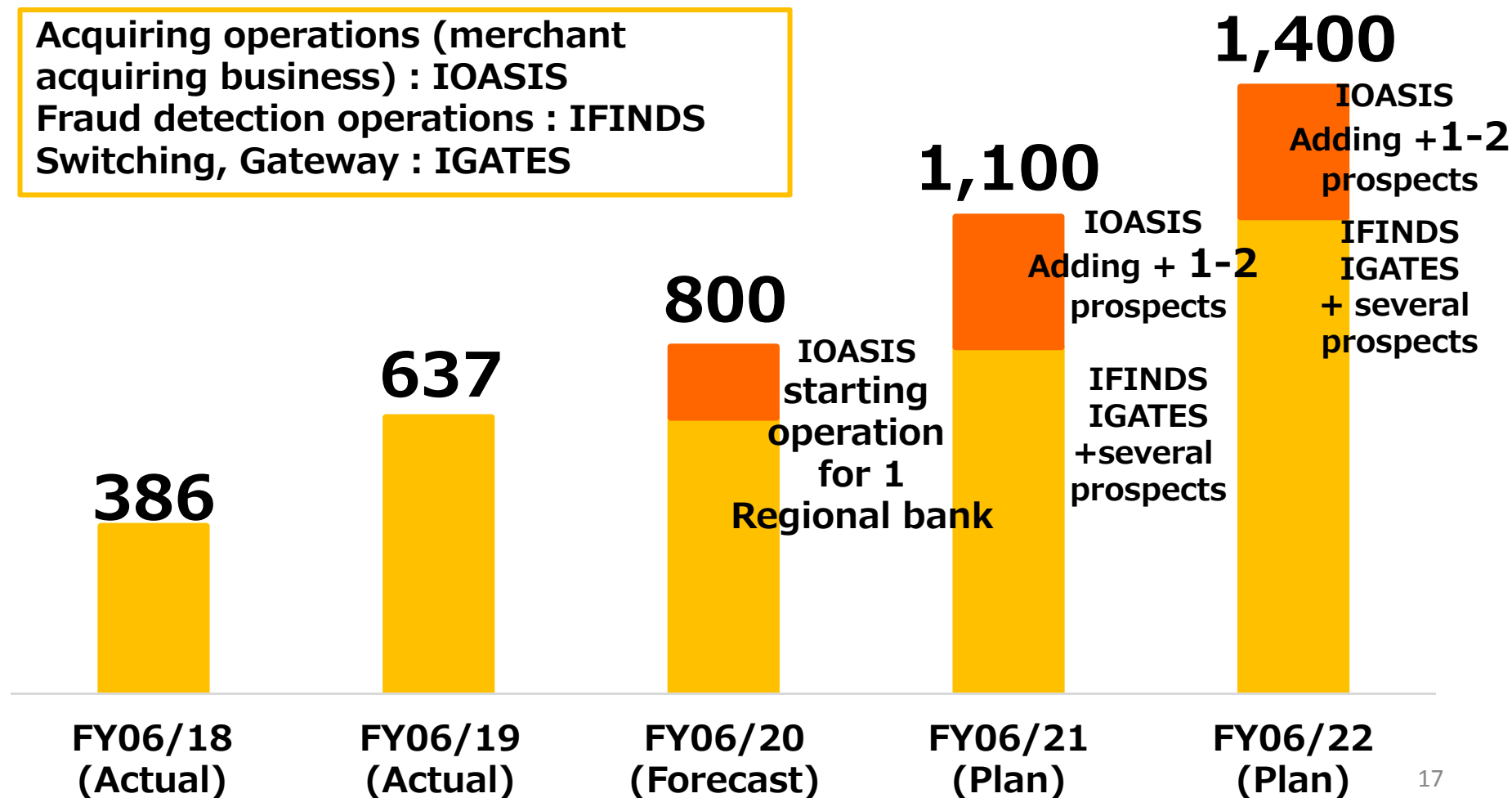
Financial Systems Solutions

Sales of Cloud service (sales from service charges)



Million yen

Acquiring operations (merchant
acquiring business) : IOASIS
Fraud detection operations : IFINDS
Switching, Gateway : IGATES



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

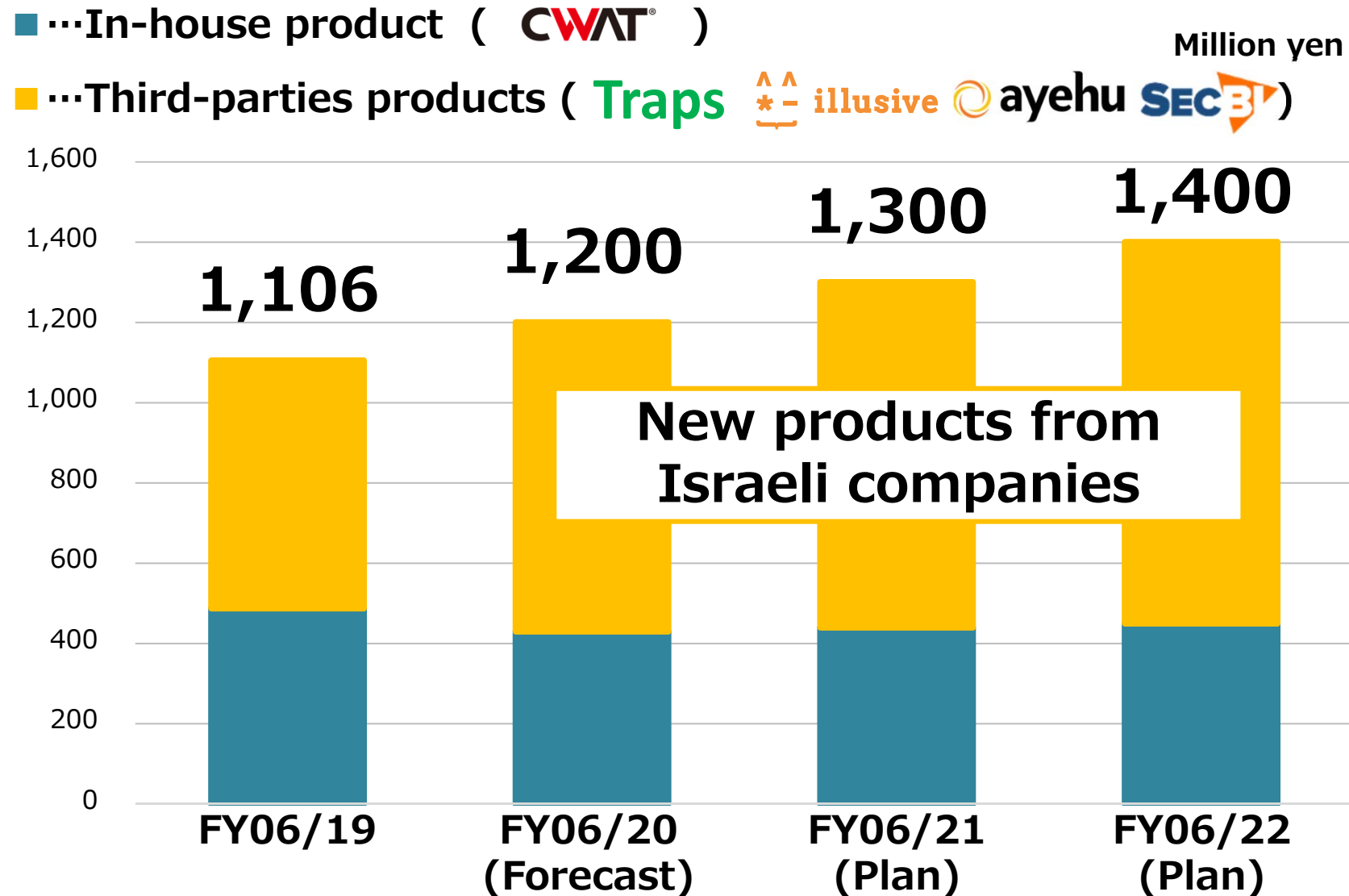
- Gateway for various networks
- Expecting orders from newcomers for credit card business and existing customers
- Expanding to the outside financial industry

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		 	 			
Notify manager				illusive	SecBI	WiFiwall
Report forensics	In-house Product: CWAT			networks Deceptions Everywhere	SecBI	WiFiwall
Halt behavior					New	
Incident response		 				
Incident analysis					 New	
Integrated monitoring					 New	
Invalidating attacks		 				
Invalidating files		 			New	
Monitoring for SMB		  			New	

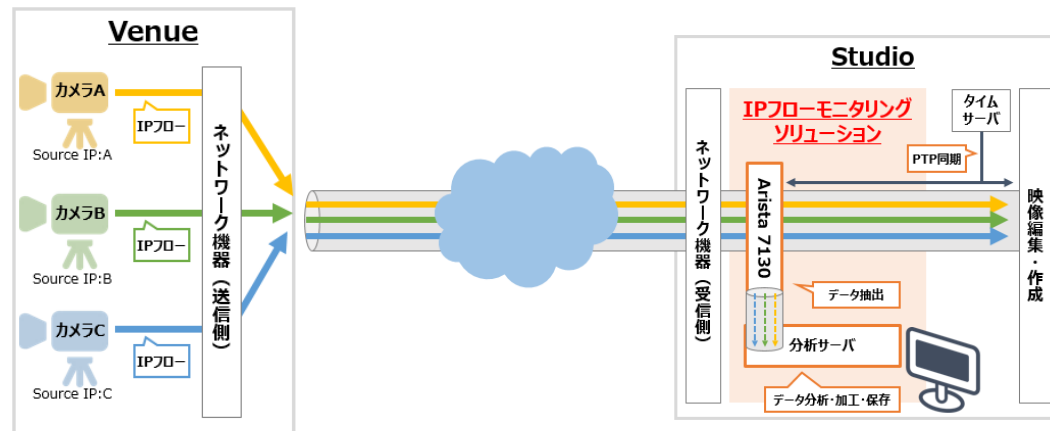
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Mid-term business plan

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



Million yen

	FY06/19 (actual)			FY06/20 (Forecast)			YoY (Full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	5,039	5,404	10,443	5,000	5,600	10,600	1.5%
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



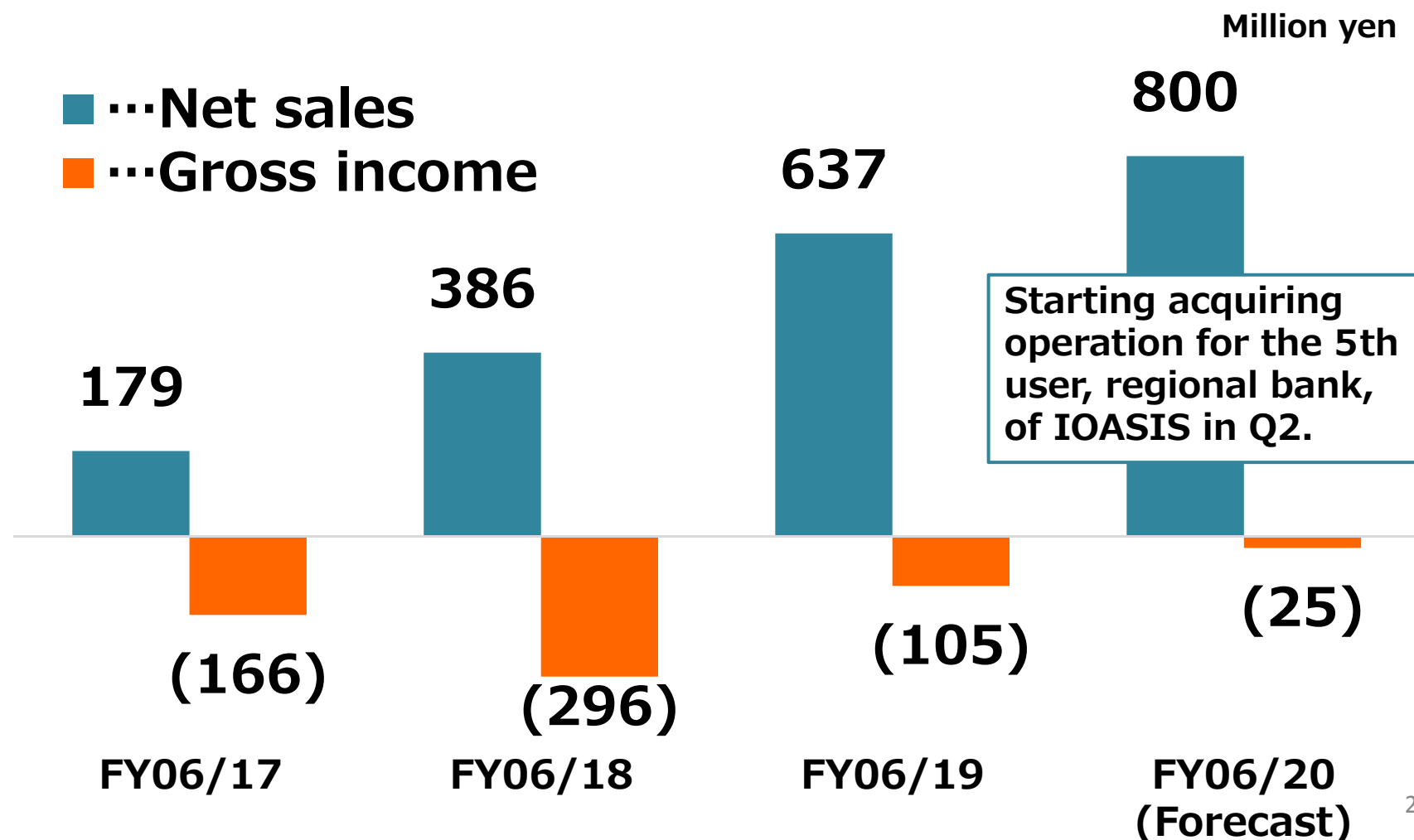
	FY06/19 actual	FY06/20 Forecast	YoY
Million yen			
Credit card & others	9,336	9,400	64
• IC card • Smartphone payment	8,699	8,600	(99)
• Fraud detection • Securities business system			
• Brand pre-paid card	(Large-scale projects) 674	0	(674)
• Brand debit-card			
• AI systems	(Other development projects) 8,025	8,600	575
Cloud service business			
• Acquiring operations IOASIS			
• Fraud detection IFINDS	637	800	163
• OnCore Switch IGATES			

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
Net sales	1,106	1,200	94
In-house product CWAT®	488	430	(58)
Third-parties products Traps   SEC3 	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



Million yen

	FY06/19 (actual)			FY06/20 (Forecast)			YoY (Full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	5,039	5,404	10,443	5,000	5,600	10,600	1.5%
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FY06/20

Full-year forecast by segment



Million yen

Financial Systems Solutions

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Product Solutions

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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	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Product Solutions

Full year forecast FY 06/20

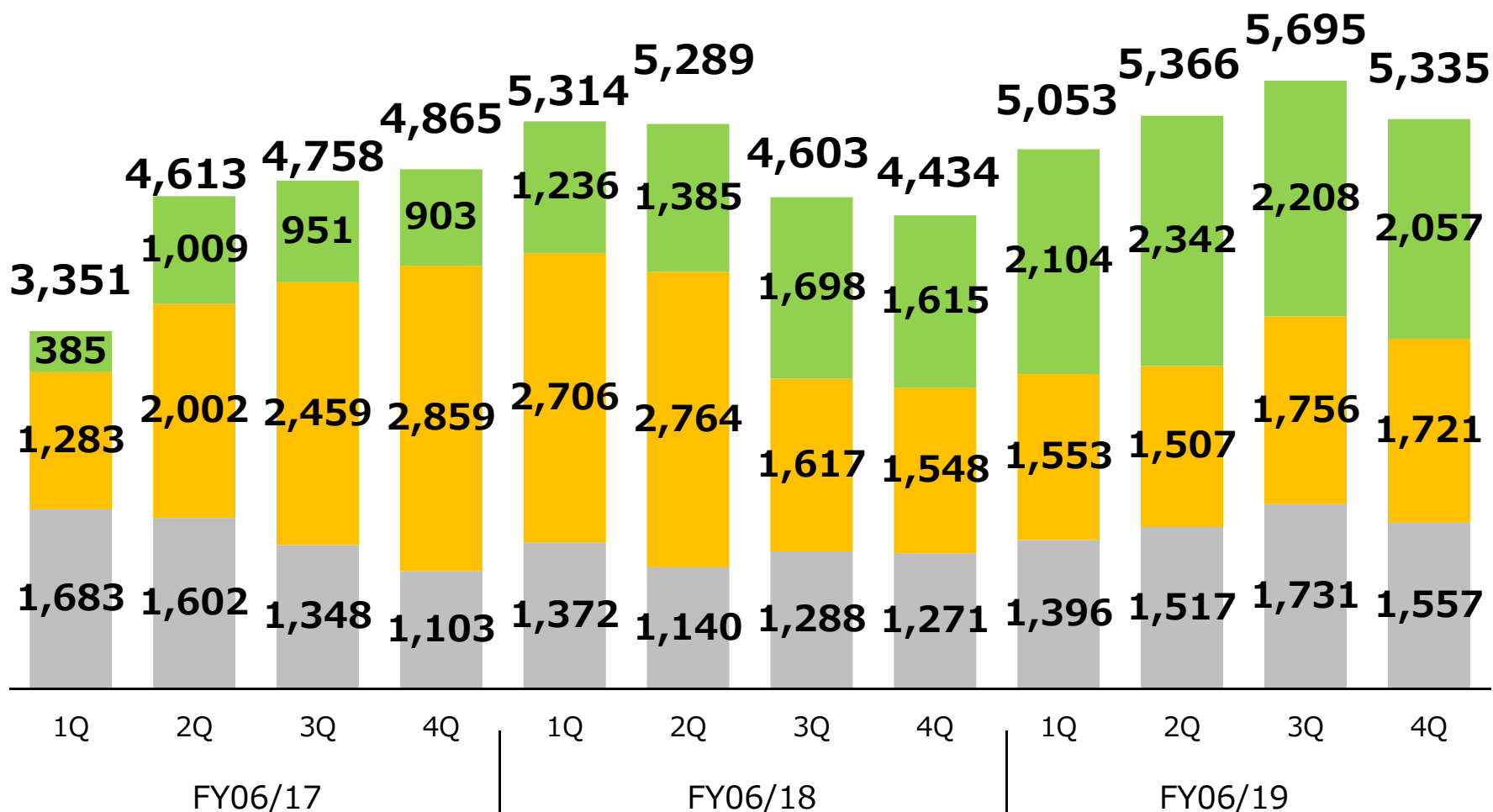


	FY06/19 actual			FY06/20		
	1H	2H	Full year	1H	2H	Full year
Net sales	424	681	1,106	500	700	1,200
Software development	29	43	72	7	53	60
Maintenance	48	234	282	45	245	290
Hardware	2	80	82	1	39	40
In-house packages	113	19	133	50	30	80
Third-party packages	230	304	534	398	332	730
Operating income	(48)	79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

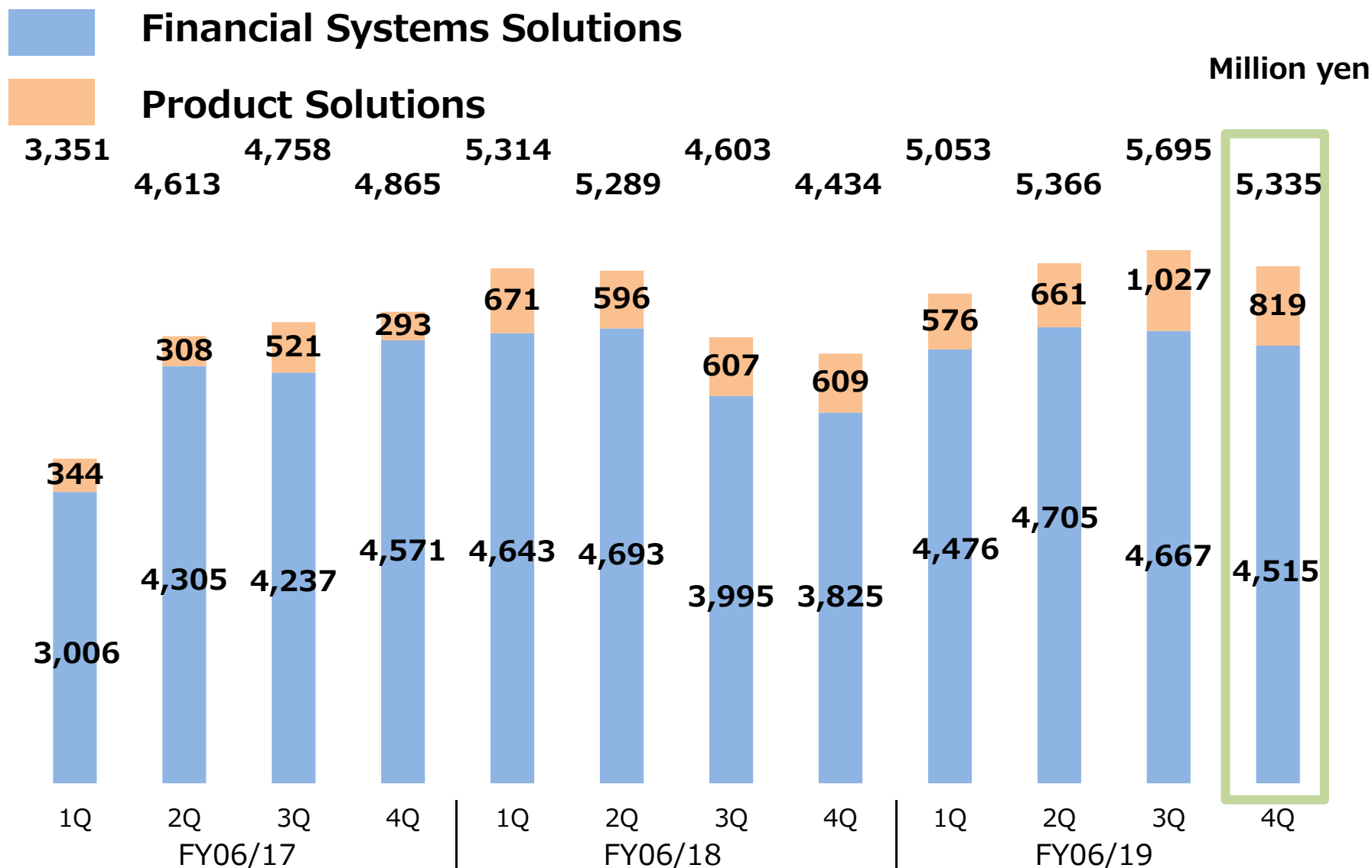
Orders on hand

- ...Cloud service
- ...Software development
- ...Others

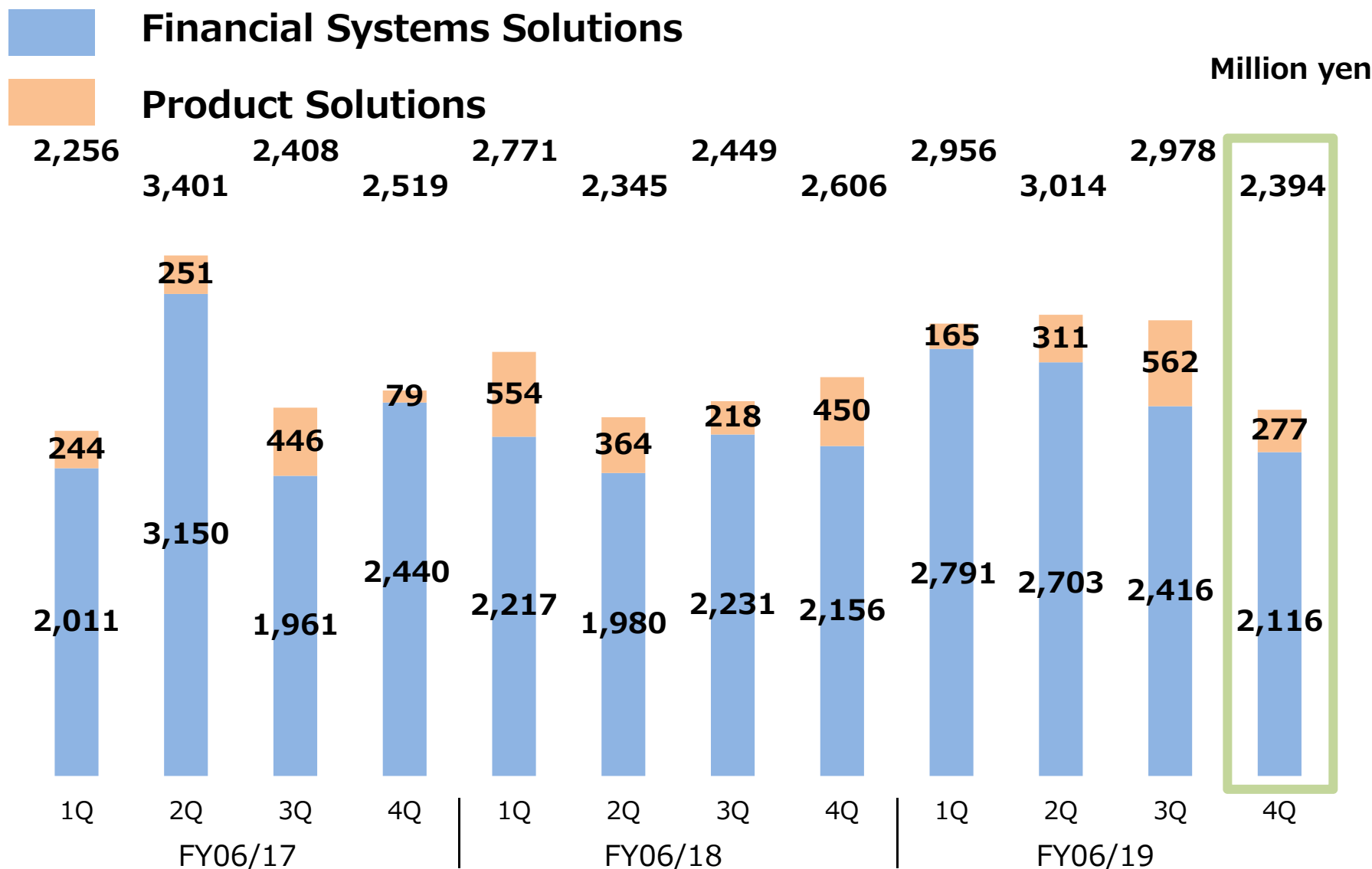
Million yen



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 
INTELLIGENT WAVE INC.

	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
SG&A Expenses	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



(As of the end of June, 2019)

Established	December 27, 1984	
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%