

February 8, 2019



**Financial Results for 1H FY06/19
(July 1 to December 31, 2018)
[Non-Consolidated]**

Financial and Operating Results

1H FY06/19

1H FY06/19: Overview of results



Million yen

	1H FY06/18	1H FY06/19	Change	Percentage change
Net sales	4,692	5,039	347	+7.4%
Operating income	190	269	79	+41.6%
Ordinary income	197	281	84	+42.6%
Net income	129	204	75	+58.1%

Top three clients, by sales



Credit card brand unification projects decreased in line with initial forecasts

Million yen

	1H FY06/18	1H FY06/19	Change	Main projects
1. DNP	1,041	937	(104)	Smartphone payments, payment platforms, security products
2. Credit card issuer	709	568	(141)	Credit card brand unification
3. Credit card issuer	102	378	276	Fraud detection

1H FY06/19: Segment summary



Million yen

Financial Systems Solutions

	1H FY06/18		1H FY06/19		Change	Percentage change
Sales	4,076		4,614		538	+13.2%
Operating income [OM]	271	[6.6%]	317	[6.9%]	46	+17.0%

Product Solutions

	1H FY06/18		1H FY06/19		Change	Percentage change
Sales	615		424		(191)	(31.1)%
Operating income [OM]	(81)	[(13.2)%]	(48)	[(11.3)%]	33	—

Notes: "OM" refers to the operating margin.

1H FY06/19

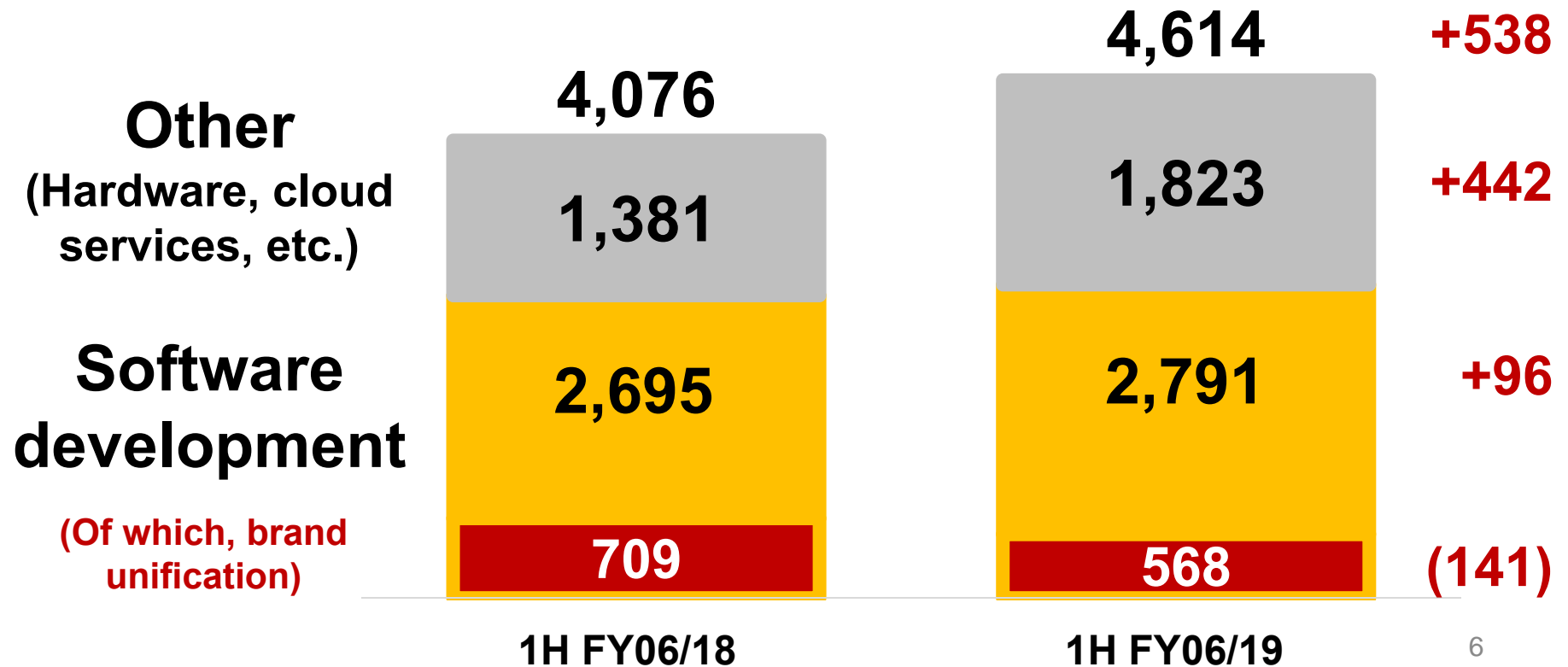
Financial Systems Solutions: Sales



Credit card brand unification projects decreased, but other projects rose.

Million yen

Change



1H FY06/19

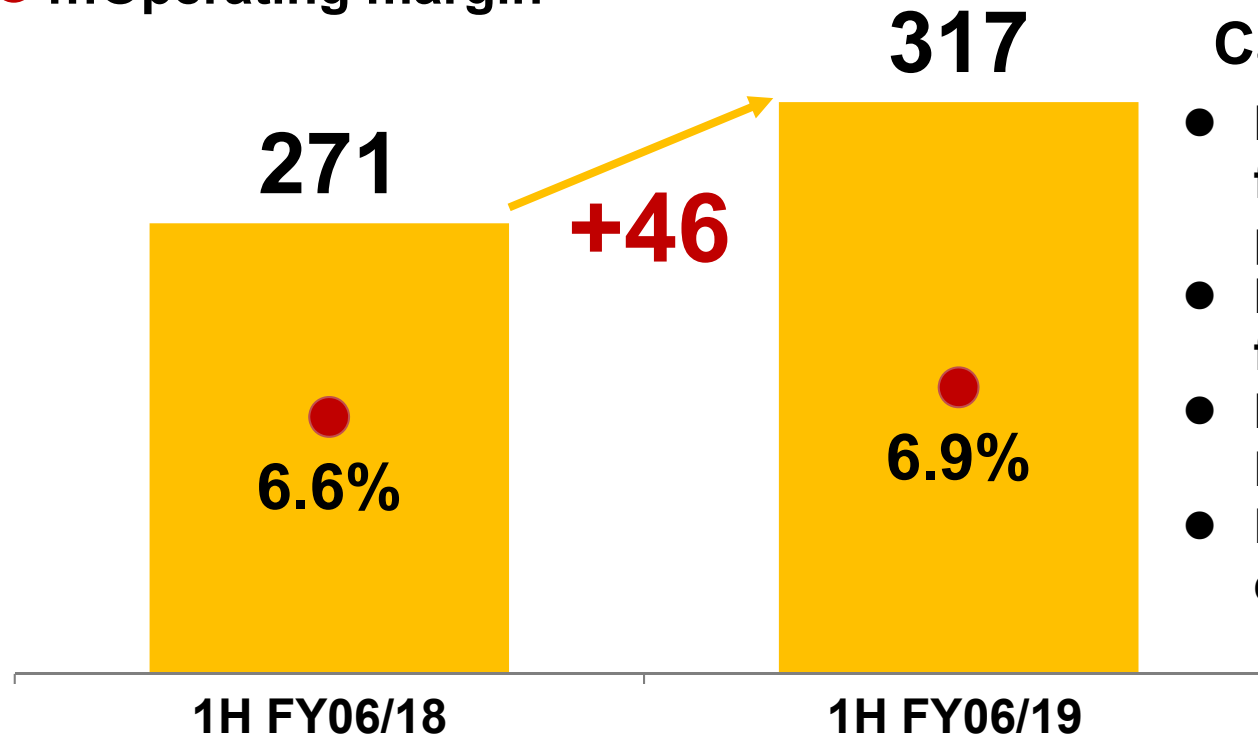
Financial Systems Solutions: Operating income



Operating income increased YoY despite a rise in SG&A expenses, thanks to strong performance from development projects, all of which were profitable.

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

Million yen



Causes of variation

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

1H FY06/19

Product Solutions: Sales



Increased profit thanks to higher in-house product sales

Million yen

	1H FY06/18	1H FY06/19	Change
Sales	615	424	(191)
In-house product CWAT [®]	115	192	77
Third-party products	499	232	(267)
Third-party packages Traps , etc.	246	230	(16)
Others (Hardware, etc.)	253	2	(251)
Operating profit	(81)	(48)	33

Forecasts for FY06/19

FY06/19: Forecasts



Million yen

	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H actual	2H (difference)	Full-year forecast	
Net sales	4,692	5,911	10,603	5,039	5,661	10,700	+0.9%
Operating income [OM]	190 [4.0%]	357 [6.0%]	547 [5.2%]	269 [5.3%]	611 [10.8%]	880 [8.2%]	+60.7%
Ordinary income [OM]	197 [4.2%]	376 [6.4%]	573 [5.4%]	281 [5.6%]	619 [10.9%]	900 [8.4%]	+56.9%
Net income [NM]	129 [2.7%]	248 [4.2%]	377 [3.6%]	204 [4.0%]	416 [7.3%]	620 [5.8%]	+64.3%

Notes: “OM” refers to the operating margin or the ordinary margin. “NM” is the net margin.
 “Difference” is the full-year forecast less 1H results.

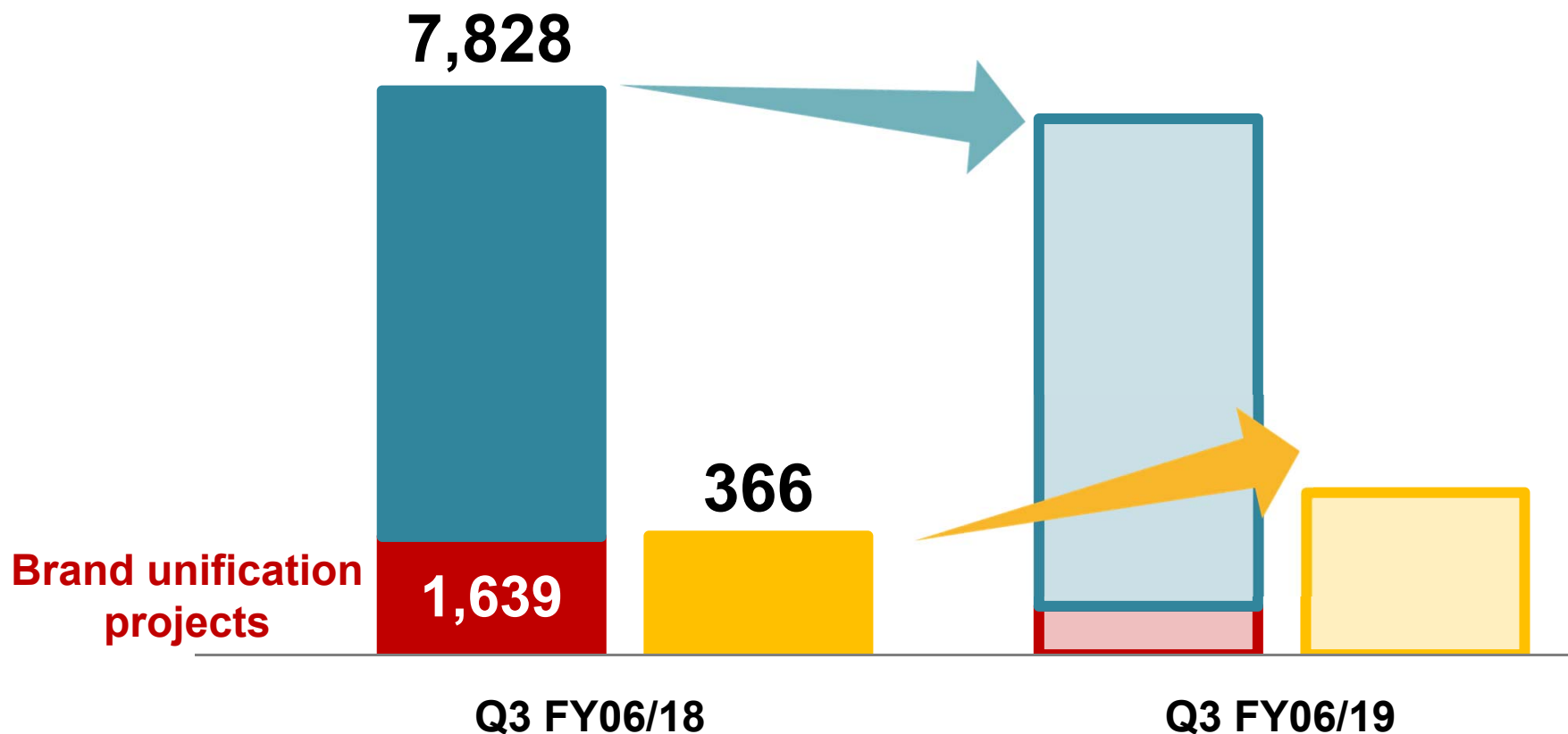
Q3 FY06/19: Outlook



Net sales are likely to fall due to a decrease in brand unification projects. We expect operating income to rise thanks to favorable performance from in-house packages.

■ ...Net sales ■ ...Operating income

Million yen



Note: Unless otherwise stated, "Q3" refers to the nine-months period ending or ended March 31.

2H FY06/19: Forecasts, by segment



Million yen

Financial Systems Solutions							
	1H actual		2H forecast (difference)		Full-year forecast		Outlook
Sales	4,614		4,686		9,300		
Operating income [OM]	317	[6.9%]	523	[11.2%]	840	[9.0%]	
Product Solutions							
	1H actual		2H forecast (difference)		Full-year forecast		Outlook
Sales	424		976		1,400		
Operating income [OM]	(48)	[(11.3)%]	88	[9.0%]	40	[2.9%]	

Notes: "OM" refers to the operating margin. "Difference" is the full-year forecast less 1H results.

Key Initiatives in FY06/19

“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.

Road to 10B

Financial Systems Solutions

FY06/19: Sales (progress vs. forecasts)



		1H actual	Full year (forecast)
Credit card, other businesses		4,614	9,300
Million yen			
<ul style="list-style-type: none"> • Large projects (card brand unification) • IC card systems • Fraud detection • Brand pre-paid card systems • Brand debit card system 		4,261	8,370
<ul style="list-style-type: none"> • Smartphone payments • Securities business development 			
	Large projects	568	1,080
	Other development projects	3,693	7,290
Cloud service business			
<ul style="list-style-type: none"> • Acquiring business IOASIS • Fraud detection IFINDS • OnCore Switch IGATES 			
	Service subscriptions	285	650
New projects			
<ul style="list-style-type: none"> • Next-generation NET+1 • IoT 			
<ul style="list-style-type: none"> • Next-generation fraud detection • AI 		68	280

**Credit card,
other businesses**

- **Brand unification projects expected to decrease in 2H**

**Cloud service
business**

- **Performance in line with forecasts**

New projects

- **Developing next-generation NET+1 and next-generation fraud detection, which are expected to contribute to sales starting in FY06/20**

Road to 10B

Financial Systems Solutions

Cloud service business



Services and customers Sales **FY06/18 JPY386mn** → **FY06/19 (forecast) JPY650mn**

	FY06/17	FY06/18	FY06/19			
			Q1	Q2	Q3	Q4
2nd customer for IGATES			Order received	Started in Q2		
1st customer for IGATES						
3rd customer for IFINDS				Order received		Starting in Q4
2nd customer for IFINDS		Order received	Started in Q1			
1st customer for IFINDS						
4th customer for IOASIS						
Three customers for IOASIS						

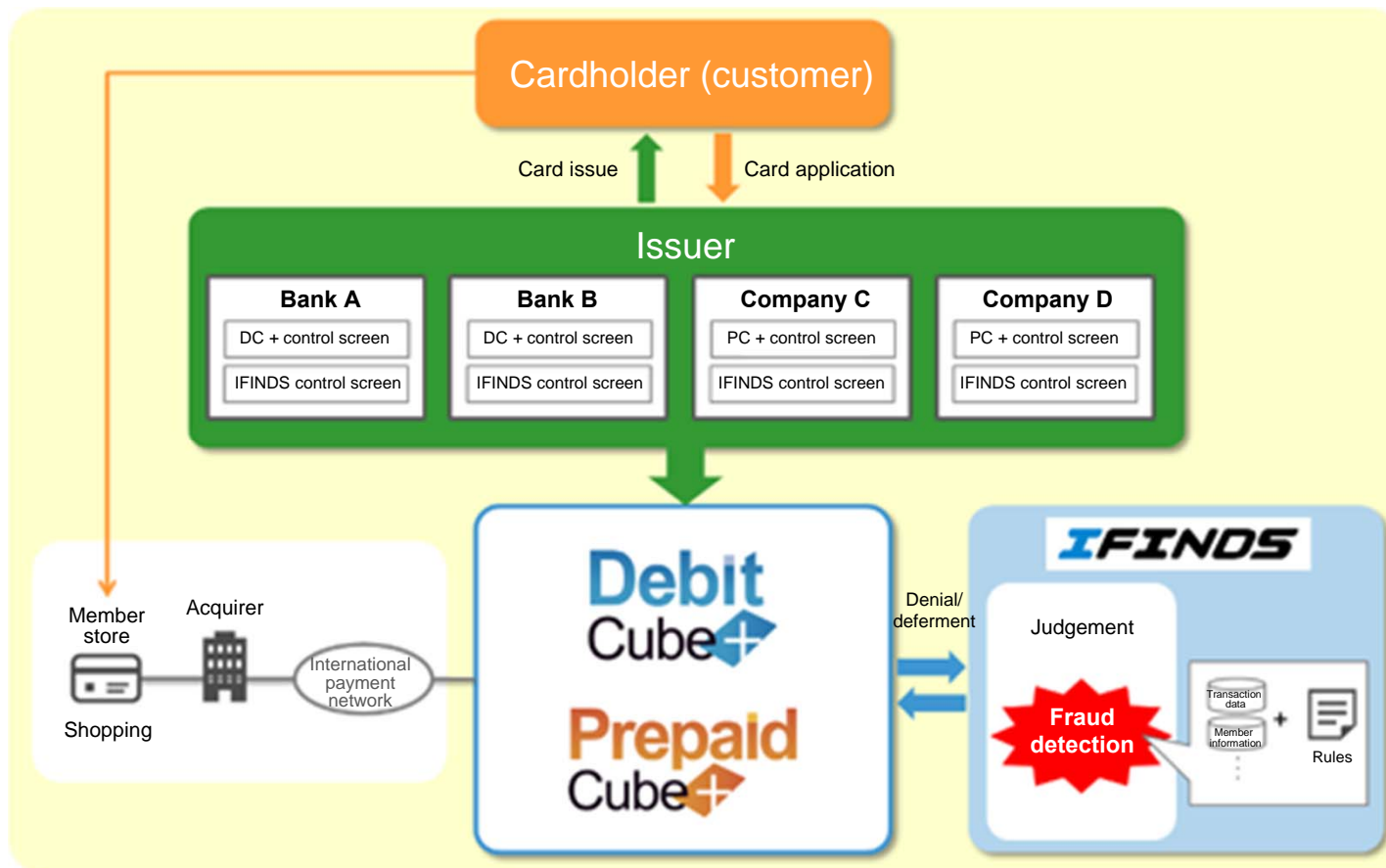
Road to 10B

Financial Systems Solutions

Cloud service business



TIS's payment services using Intelligent Wave's IFINDS as a fraud detection feature



Road to 10B
Financial Systems Solutions
New Projects



**Next-
generation
fraud
detection**

**Develop next-generation fraud
detection systems**

- Improved processing capacity and detection accuracy using AI
- Completed operational testing and **met initial targets for both detection and accuracy rates**
- Commercialization planned within the year

Road to 10B
Financial Systems Solutions
New Projects



Products for broadcasters

- Joint patent pending
- **One company plans to deploy in 2H**

Characteristics

- Supports conversion to IP-compatible broadcasting systems
- Makes transmission information visible and conducts monitoring and analysis






Road to 10B

Product Solutions

FY06/19: Sales (progress vs. forecasts)



Million yen

	FY06/18	1H FY06/19	FY06/19 (forecast)	Change (full year)
Sales	1,271	424	1,400	129
In-house product CWAT®	360	192	450	90
Third-party products	911	232	950	39
Third-party packages (From Israel) Traps   ayehu  , etc.	545	230	895	350
Others (Hardware, etc.)	365	2	55	(310)

Improving our corporate culture

Creating a worker-friendly environment



Measures already introduced by FY06/18

- **Mentor system**
- **Free-agent system**
- **Employee satisfaction assessments**
- **Project award system**
- **Pre-approval of overtime work**

Measures in FY06/19

- **Teleworking** (introduced in October 2018)
- **Flexible working hours** (introduced in January 2019)
- **Working-period interval system** (slated for introduction in April 2019)

Shareholder returns



A policy of providing stable and dependable dividends

	FY06/16	FY06/17	FY06/18	FY06/19 (forecasts)
Dividend per share (yen)	6	7	7	7
Payout ratio	30.8%	33.7%	48.8%	29.7%

Reference

FY06/19: Forecasts



Million yen

	FY06/18 actual			FY06/19			YoY (full year)
	1H	2H	Full year	1H actual	2H (difference)	Full-year forecast	
Net sales	4,692	5,911	10,603	5,039	5,661	10,700	+0.9%
Operating income [OM]	190 [4.0%]	357 [6.0%]	547 [5.2%]	269 [5.3%]	611 [10.8%]	880 [8.2%]	+60.7%
Ordinary income [OM]	197 [4.2%]	376 [6.4%]	573 [5.4%]	281 [5.6%]	619 [10.9%]	900 [8.4%]	+56.9%
Net income [NM]	129 [2.7%]	248 [4.2%]	377 [3.6%]	204 [4.0%]	416 [7.3%]	620 [5.8%]	+64.3%

Notes: “OM” refers to the operating margin or the ordinary margin. “NM” is the net margin.
“Difference” is the full-year forecast less 1H results.

FY06/19

Financial Systems Solutions

Full-year forecast



Million yen

	FY06/18 actual			FY06/19		
	1H	2H	Full year	1H actual	2H (difference)	Full year
Sales	4,076	5,255	9,332	4,614	4,686	9,300
Software development	2,695	3,743	6,439	2,791	3,209	6,000
Maintenance	503	538	1,041	541	539	1,080
Hardware	550	372	923	750	270	1,020
In-house packages	275	353	628	425	425	850
(Of which, cloud services)	176	210	386	285	365	650
Third-party packages	51	248	299	105	245	350
Operating income	271	327	598	317	523	840

Note: "Difference" is the full-year forecast less 1H results.

Financial Systems Solutions

Cloud service business

Initial forecast for FY06/19

(Service charges)



Million yen

		FY06/18		FY06/19				
		1H	Full year	Q1	Q2	Q3	Q4	Full year
Sales	Forecast			127	162	178	183	650
	Actual	176	386	126	158			
Gross profit	Forecast			(44)	(21)	(11)	(16)	(92)
	Actual	(159)	(296)	(59)	(33)			

Companies where introduced

■ IGATES	0	1	1	2	2	2	2
■ IFINDS	1	1	2	2	2	3	3
■ IOASIS	4	4	4	4	4	4	4

FY06/19

Product Solutions

Full-year forecast



Million yen

	FY06/18 actual			FY06/19		
	1H	2H	Full year	1H actual	2H (difference)	Full year
Sales	615	655	1,271	424	976	1,400
Software development	21	68	89	29	16	45
Maintenance	51	160	212	48	212	260
Hardware	253	111	365	2	53	55
In-house packages	43	15	58	113	32	145
Third-party packages	246	299	545	230	665	895
Operating income	(81)	30	(51)	(48)	88	40

Note: "Difference" is the full-year forecast less 1H results.

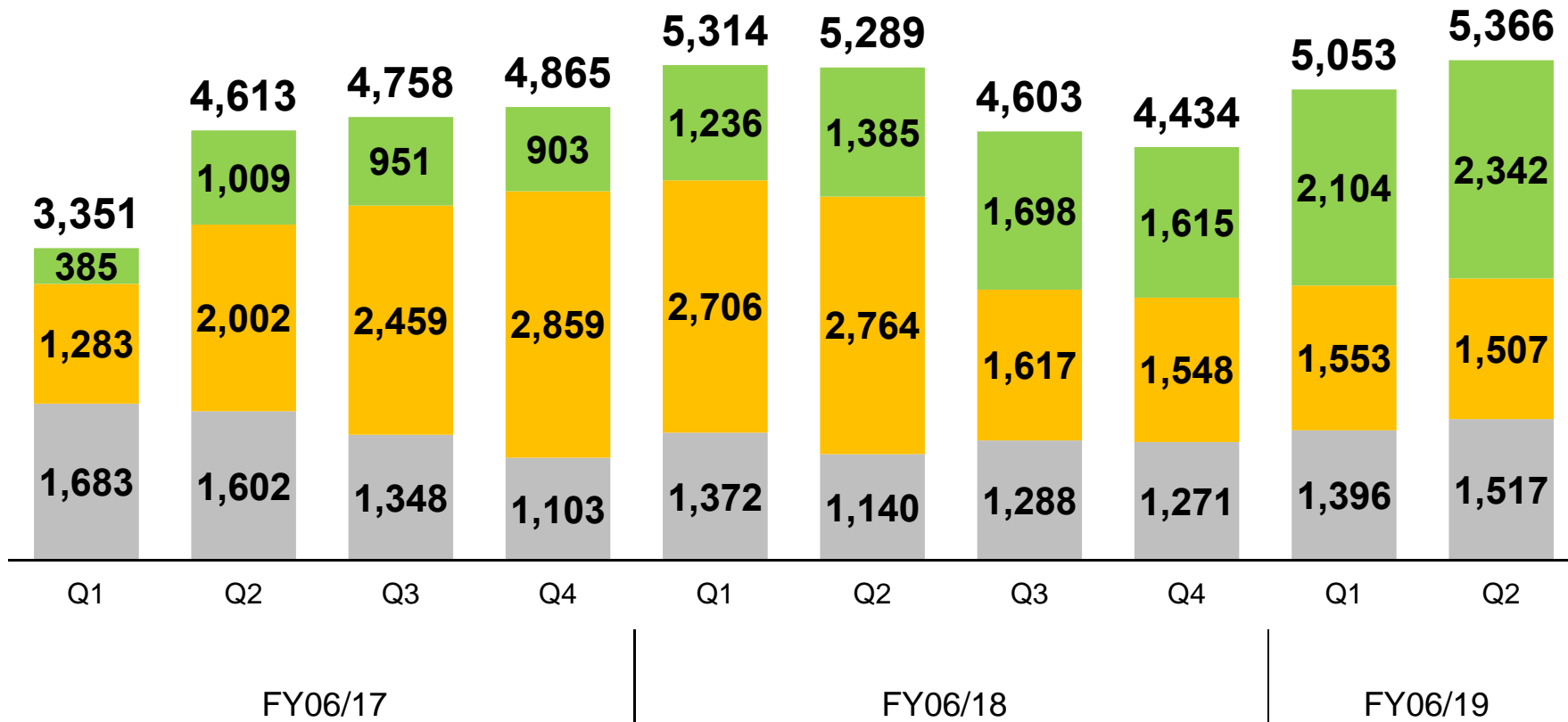
Orders on hand



Rise in orders in cloud service business

Million yen

- ...Cloud service business
- ...Software development
- ...Other

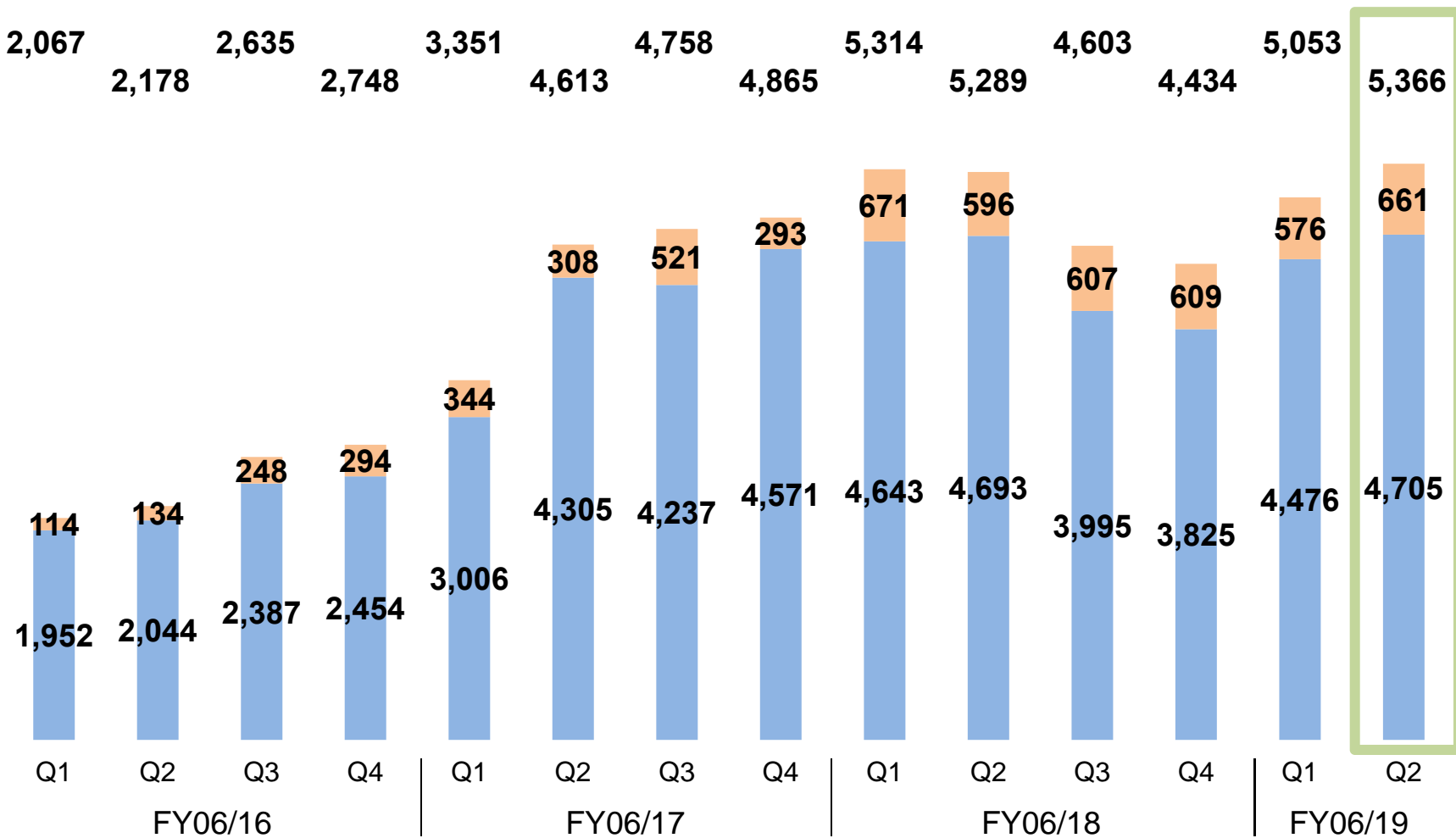


Orders on hand, by segment (non-consolidated)



- Financial Systems Solutions
- Product Solutions

Million yen

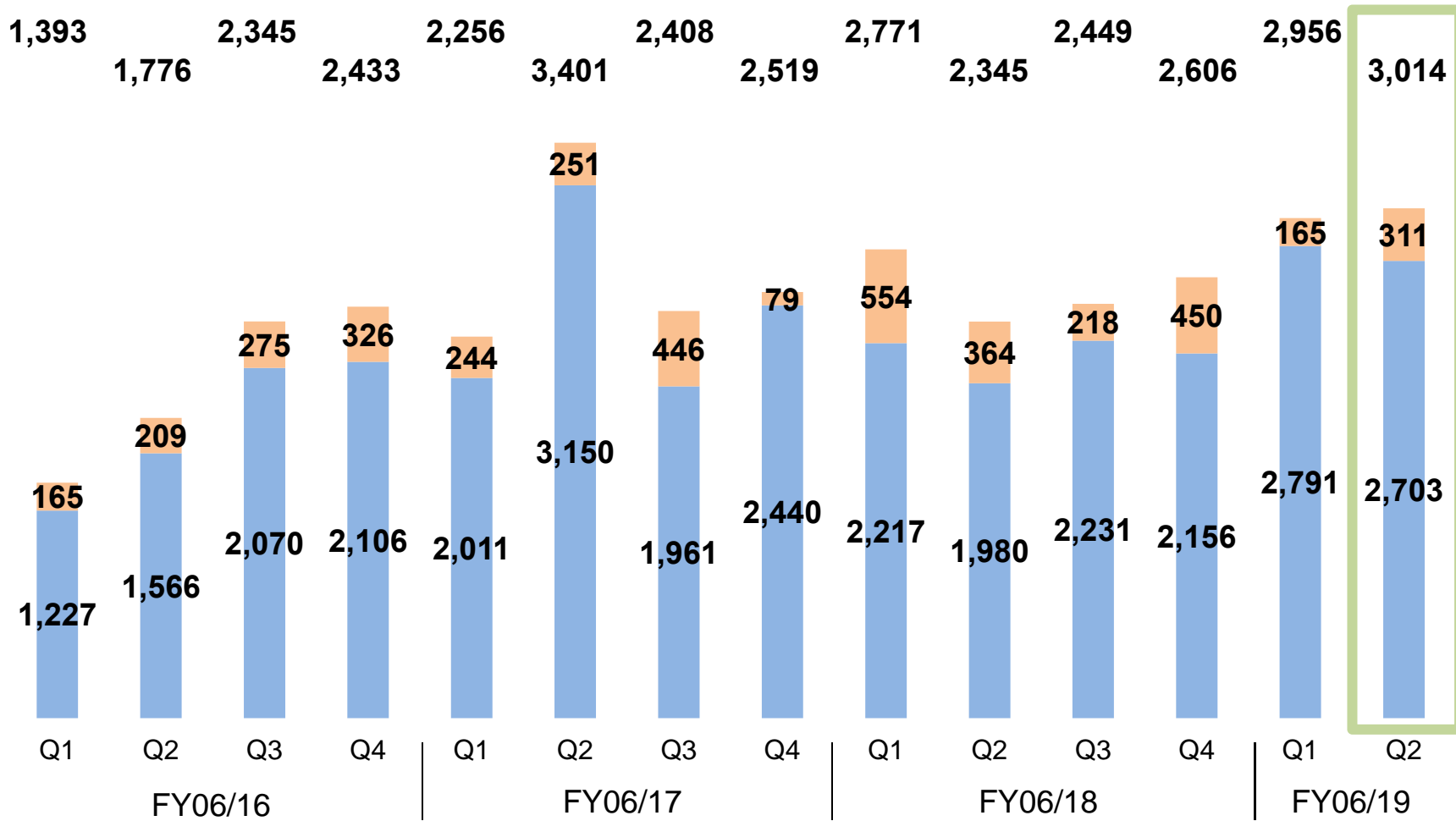


Amount of orders, by segment (non-consolidated)



- Financial Systems Solutions
- Product Solutions

Million yen



1H FY06/19

Overview of results: YoY comparison



Million yen

	1H FY06/18	1H FY06/19	Change	Percentage change
Net sales	4,692	5,039	347	+7.4%
Operating income	190	269	79	+41.6%
Ordinary income	197	281	84	+42.6%
Net income	129	204	75	+58.1%

1H FY06/19

Overview of results: Vs. forecast



Million yen

	1H FY06/19 initial forecast	1H FY06/19 actual	Change	Percentage change
Net sales	4,700	5,039	339	+7.2%
Operating income	320	269	(51)	(15.9)%
Ordinary income	330	281	(49)	(14.8)%
Net income	230	204	(26)	(11.3)%

1H FY06/19

Financial Systems Solutions: YoY comparison



Million yen

	1H FY06/18	1H FY06/19	Change
Sales	4,076	4,614	538
Software development	2,695	2,791	96
Maintenance	503	541	38
Hardware	550	750	200
In-house packages	275	425	150
(Of which, cloud services)	176	285	109
Third-party packages	51	105	54
Operating income	271	317	46

1H FY06/19

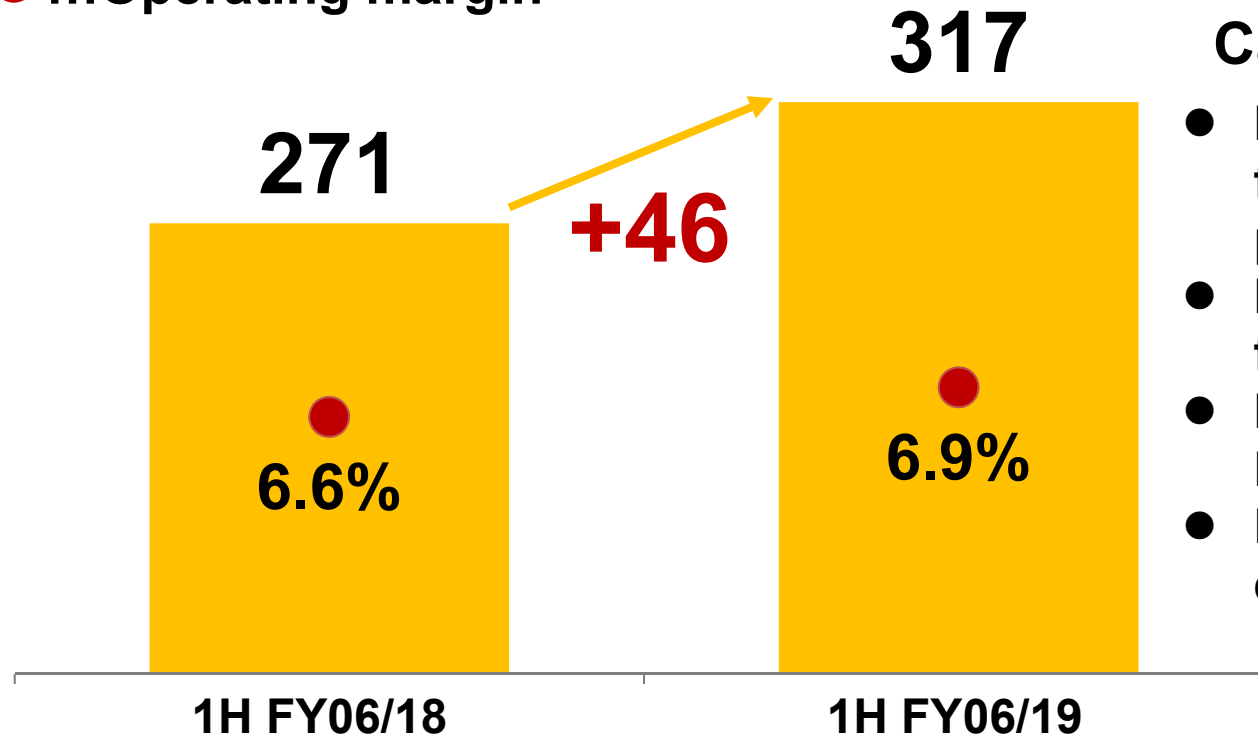
Financial Systems Solutions: Operating income



Operating income increased YoY despite a rise in SG&A expenses, thanks to strong performance from development projects, all of which were profitable.

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

Million yen



Causes of variation

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

1H FY06/19

Financial Systems Solutions: Vs. forecast



	1H FY06/19 initial forecast	1H FY06/19 actual	Change
			Million yen
Sales	4,200	4,614	414
Software development	2,440	2,791	351
Maintenance	540	541	1
Hardware	730	750	20
In-house packages	400	425	25
(Of which, cloud services)	289	285	(4)
Third-party packages	90	105	15
Operating income	400	317	(83)

1H FY06/19

Product Solutions: YoY comparison



Higher income thanks to a rise in sales of in-house packages

Million yen

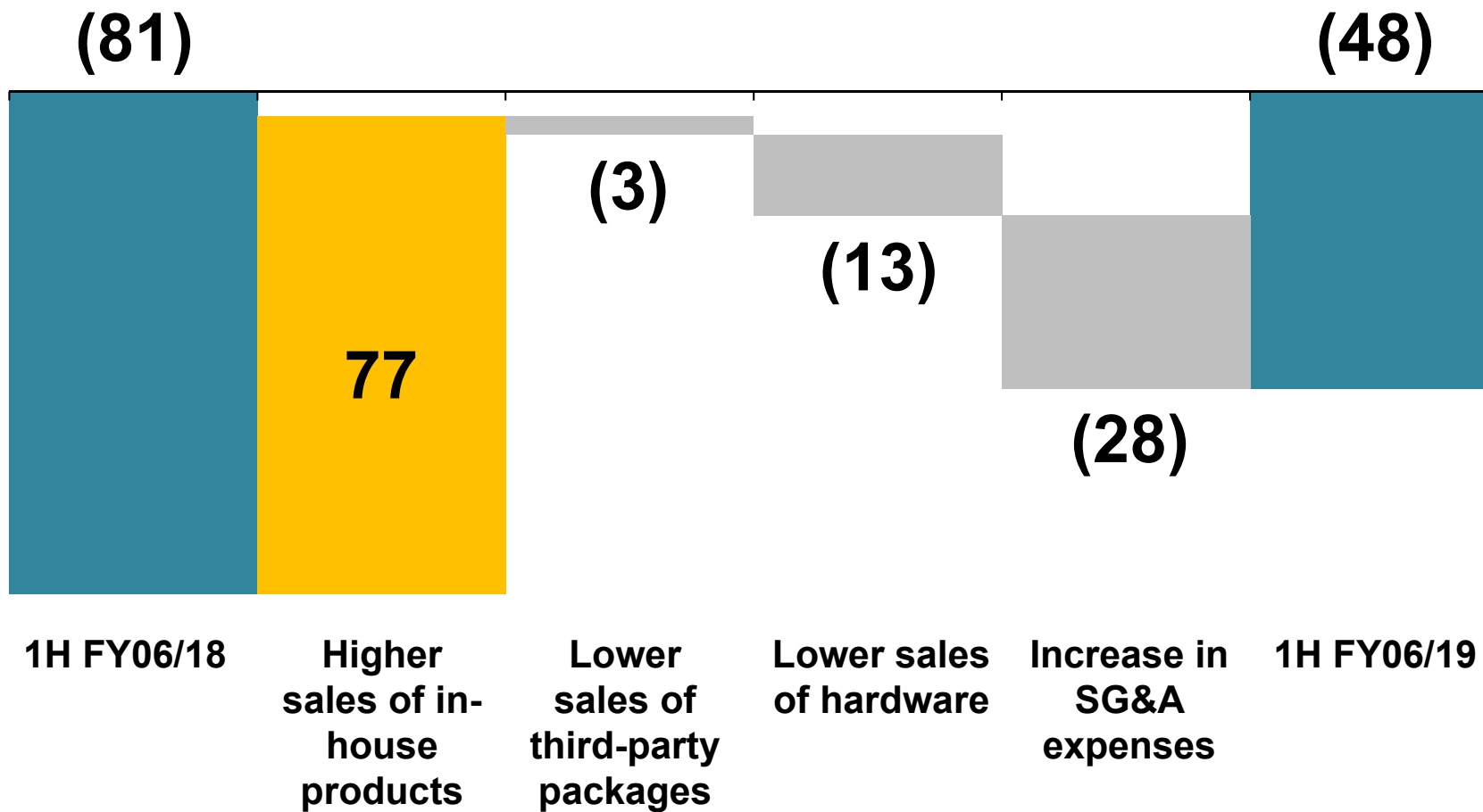
	1H FY06/18	1H FY06/19	Change
Sales	615	424	(191)
Software development	21	29	8
Maintenance	51	48	(3)
Hardware	253	2	(251)
In-house packages	43	113	70
Third-party packages	246	230	(16)
Operating income	(81)	(48)	33

1H FY06/19

Product Solutions: Operating income



Million yen



1H FY06/19

Product Solutions: Vs. forecast



Million yen

	1H FY06/19 initial forecast	1H FY06/19 actual	Change
Sales	500	424	(76)
Software development	25	29	4
Maintenance	60	48	(12)
Hardware	5	2	(3)
In-house packages	50	113	63
Third-party packages	360	230	(130)
Operating income	(80)	(48)	32

Quarterly results, by segment



Million yen

	FY06/18				FY06/19	
	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	2,322	2,370	3,136	2,774	2,337	2,701
Financial Systems Solutions	2,145	1,931	2,929	2,326	2,140	2,474
Product Solutions	176	439	207	448	197	227
Operating income	128	61	176	180	70	198
Financial Systems Solutions	164	107	224	102	104	212
Product Solutions	(35)	(45)	(47)	78	(34)	(14)
Operating margin	5.5%	2.6%	5.6%	6.5%	3.0%	7.3%
Financial Systems Solutions	7.6%	5.5%	7.6%	4.4%	4.9%	8.6%
Product Solutions	(19.9)%	(10.3)%	(22.7)%	17.4%	(17.3)%	(6.2)%

Quarterly sales, by segment category



Million yen

	FY06/18				FY06/19	
	Q1	Q2	Q3	Q4	Q1	Q2
Financial Systems Solutions	2,145	1,931	2,929	2,326	2,140	2,474
Software development	1,487	1,208	2,327	1,416	1,311	1,479
Maintenance	239	263	275	262	268	273
Hardware	324	225	129	243	265	484
In-house packages	84	191	131	221	229	196
(Of which, cloud services)	81	95	101	109	126	158
Third-party packages	8	42	65	182	64	41
Product Solutions	176	439	207	448	197	227
Software development	10	10	46	22	15	14
Maintenance	23	28	31	129	23	25
Hardware	5	248	30	81	1	0
In-house packages	40	2	2	12	42	71
Third-party packages	97	149	97	202	115	115

Q2 FY06/19: Production costs



Thousand yen

	FY06/18				FY06/19	
	Q1	Q2	Q3	Q4	Q1	Q2
Materials cost	8,375	6,956	6,617	9,448	7,516	5,501
Labor cost	559,687	568,296	594,734	607,443	616,769	609,232
Expenses	271,552	279,518	282,955	313,453	291,097	311,326
Subcontracting cost	905,024	937,523	908,085	871,306	816,921	768,881
Total manufacturing cost	1,744,640	1,792,294	1,792,394	1,801,652	1,732,305	1,694,941
Work in progress (beginning of period)	658,149	774,521	1,250,781	502,477	518,826	627,821
Work in progress (end of period)	774,521	1,250,781	502,477	518,826	627,821	677,435
Transfer to other accounts	126,806	77,387	104,685	153,949	117,406	99,166
Provision for loss on order received	—	143,199	(143,199)	—	—	—
Provision for reserve 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	1,546,160

Q2 FY06/19: SG&A expenses



Thousand yen

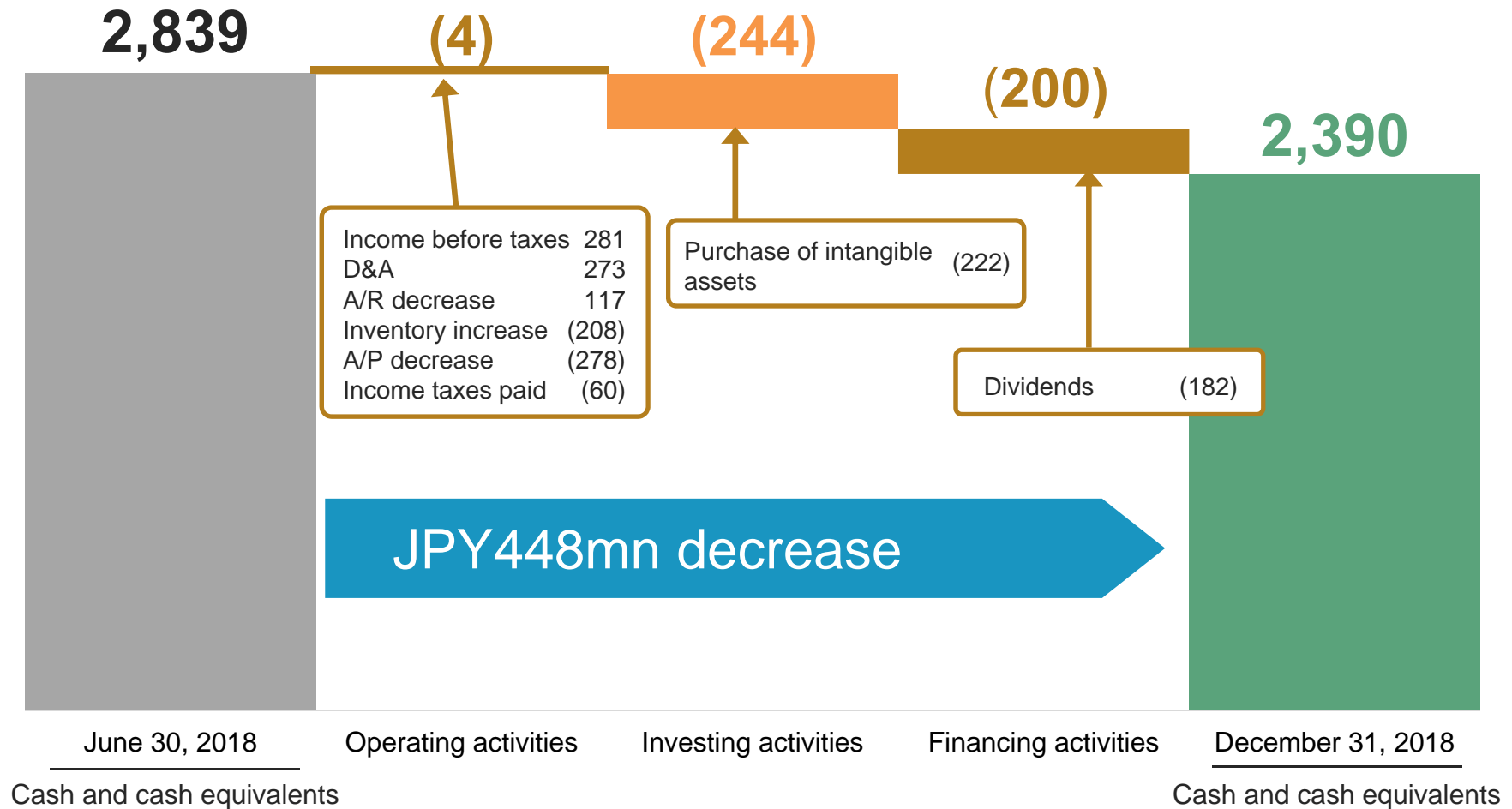
	FY06/18				FY06/19	
	Q1	Q2	Q3	Q4	Q1	Q2
Salaries	252,081	244,652	243,314	273,323	278,760	282,336
Recruiting and training	11,492	20,124	11,663	16,979	8,152	7,760
Rent	17,023	15,051	15,317	15,173	16,485	18,007
Advertising	12,280	9,378	5,153	4,708	7,614	11,962
R&D	1,279	1,504	3,303	147	11,902	12,471
Depreciation and amortization	6,671	7,313	7,617	7,587	7,472	7,863

	1H FY06/18	1H FY06/19	Change	Million yen
SG&A expenses	833	928	95	
(Breakdown)				
			Increase in salaries	64
			Decrease in advertising	(2)
			Decrease in recruiting and training	(16)
			Increase in R&D	22
			Others	27

Q2 FY06/19: Cash flows



Million yen



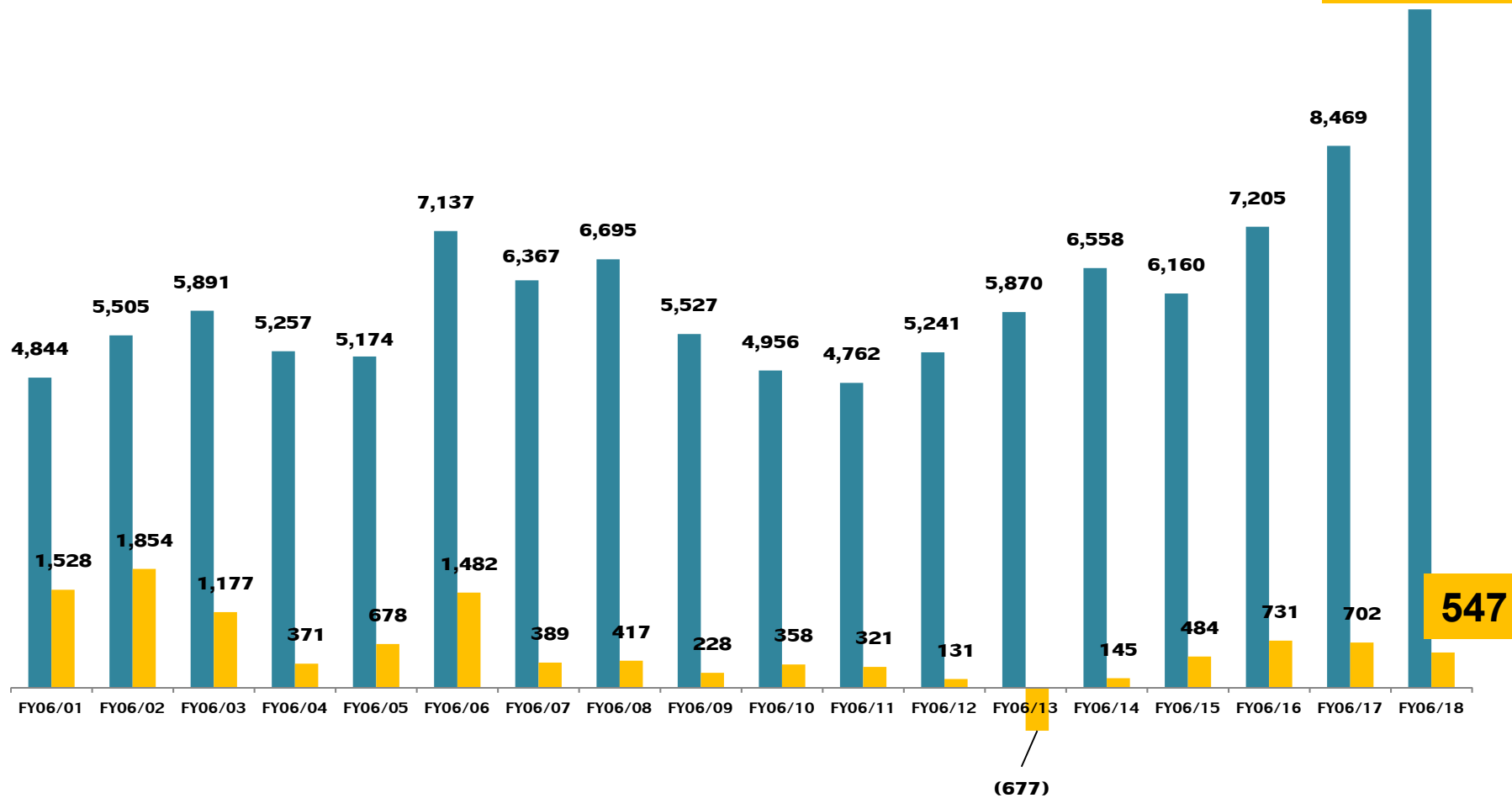
Historical performance



Net sales

Operating income

Million yen
10,603



Note: Consolidated results are shown through FY06/15.

Company overview



(As of December 31, 2018)

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	396
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)
Capital stock	JPY843.75mn
Shares outstanding	26,340,000
	Shareholders 10,463

	Ownership (%)		% of shareholders
Individuals, others	38.31%	Individuals, others	98.58%
Japanese financial institutions	3.59%	Japanese financial institutions	0.04%
Other Japanese corporations	51.07%	Other Japanese corporations	0.46%
Foreign corporations	4.47%	Foreign corporations	0.57%
Japanese securities firms	2.46%	Japanese securities firms	0.34%
Treasury stock	0.10%	Treasury stock	0.01%