

Earnings Announcement for the Third Quarter of the Fiscal Year Ending March 2018 held on February 1, 2018

Principal Questions and Answers

(with certain details modified in an attempt to provide readers with a deeper understanding)

[Questioner A]

Q : You lowered your gross profit full-year forecast for the fiscal year ending March 2018 by ¥0.5 billion. We are enquiring about the reasons.

A : We included a prospected order for our open core-banking system for financial institutions, BankVision[®] in our full-year forecast for the fiscal year under review when we prepared our first half (H1) performance report.

We came up with our Q3 report that does not include impacts of: the prospect that would not be materialized by the end of the fiscal year according to our readings; and, the ¥0.5 billion risk of unprofitable projects that had been reflected in our H1 report. These negatively impacted our gross profit forecast by ¥0.5 billion.

Q : We are interested in the sales situation of BankVision. Are you on track for ensuring the potential order in the next period? Or, would it seem that the likelihood is a long shot for the foreseeable future? Help us to get the sense of the situation.

A : We have continued our negotiations with multiple banks as we have done before. Decent developments have been witnessed in our talks with each of them. However, we do not think that they are capable of enabling contracts soon at this point in time.

Q : System service orders decreased in Q3 (from October through December) by ¥1.7 billion, compared with Q3 of the previous fiscal year. Also, its gross margin was lowered by 1.2 points from the previous Q3. We are enquiring why.

A : We won the BankVision's 11th order, enabling approx. ¥2.0 billion in Q2 and leaving the rest of slightly more than approx. ¥1.0 billion to be received in Q4. This also contributes to the slightly small amount of orders witnessed in Q3.

In short, there were not significant changes that caused the Q3 order situation.

Likewise, gross margin did not experience any changes of great magnitude, either. It was lower than Q3 of the previous fiscal year, due to mixed impacts of all system development projects, each of which suffers variability in profitability by project phase

(Note)

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Also, the information is subject to change without prior notice in future.

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Q : We are interested in the progress of your mobile payment business. When announcing your H1 performance report, you referred to a possibility of costs incurred from server strengthening efforts in the second half (H2). We are enquiring about the situation.

A : We have enhanced our mobile payment service menu with a focus on Alipay[®], a Chinese payment/settlement service.

Having witnessed no great contributions to our corporate performance portfolio enabled by the business, we recognize that future income contributions can be expected due to its steady growth.

We have witnessed a slight increase in costs incurred from server efforts of our value card business. However, we have continued the efforts as we have done, and the cost increase hardly impacts our performance.

[Questioner B]

Q : We remember that your software business led by a mainframe project and customer interaction solutions contributed to your income performance in H1. May we ask how it did in Q3? Tell us about your software business forecast in the future.

A : We did not have large-scale projects posted in Q3. However, our in-house-developed open mission-critical system software products increased by approx. ¥1.0 billion, compared with Q3 of the previous fiscal year. Also, this quarter witnessed a continued strength of customer-interaction software products for financial institutions. We think that continued stable contributions can be expected in this business domain.

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