

## Summary of Financial Results of the Fiscal Year Ended June 2010

August 11, 2010

Listing: JASDAQ

Company name: INTELLIGENT WAVE INC.  
 Code: 4847 URL: <http://www.iwi.co.jp>  
 Representative: Yoshiyuki Yamamoto, President and Representative Director  
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 Scheduled Shareholders' meeting date: September 29, 2010  
 Scheduled financial accounts filing date: September 29, 2010  
 Scheduled dividend payment date: September 30, 2010

### 1. Consolidated financial results for the fiscal year ended June 30, 2010 (July 1, 2009 to June 30, 2010)

(Rounded down to the nearest million yen)

(1) Consolidated results of operations (Percentage represents year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2010	4,956	(10.3)	358	56.6	387	64.9	211	12.8
Year ended June 30, 2009	5,527	(17.5)	228	(45.3)	235	(41.8)	187	—

	EPS	Fully diluted EPS	ROE	Ordinary income to total assets ratio	Operating margin
	Yen	Yen	%	%	%
Year ended June 30, 2010	845.98	—	4.8	7.4	7.2
Year ended June 30, 2009	761.27	—	4.6	4.6	4.1

(Reference) Equity method of accounting income: Year ended June 2010: ¥- million; Year ended June 2009: ¥- million

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2010	5,451	4,642	85.2	17,626.31
As of June 30, 2009	5,011	4,117	82.2	16,684.38

(Reference) Shareholders' equity: As of June 30, 2010: ¥4,642 million; As of June 30, 2009: ¥4,117 million

### (3) Consolidated cash flow conditions

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
Year ended June 30, 2010	300	(199)	310	2,087
Year ended June 30, 2009	432	(106)	(122)	1,684

## 2. Dividends

(Base date)	Dividend per share					Total dividend payment	Dividend payout ratio (Consolidated)	Dividend to net asset ratio (Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million	%	%
Year ended June 30, 2009	—	—	—	500.00	500.00	123	65.7	3.0
Year ended June 30, 2010	—	—	—	500.00	500.00	131	59.1	2.9
Year ending June 30, 2011 (Forecast)	—	—	—	500.00	500.00		111.5	

### 3. Forecast of consolidated financial results for the year ending June 30, 2011 (July 1, 2010 to June 30, 2011)

(Percentage represents year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	1,720	(21.0)	(330)	—	(330)	—	(210)	—	(802.75)
Full year	5,330	7.5	230	(35.8)	250	(35.4)	120	(43.1)	448.56

#### 4. Other

- (1) Changes in significant subsidiaries during the year (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting principles and procedures, and presentation method (which are stated in the “Changes in the significant matters as the basis for preparation of the consolidated financial statements”)
- (i) Changes relating to revisions to accounting standards, etc.: Yes
- (ii) Changes other than (i) above: None
- (Note) For further details, please see “Changes in the significant matters as the basis for preparation of the consolidated financial statements” on page 21\*.
- (3) Number of shares issued (common stock)
- (i) Number of shares issued at year-end (including treasury stock):  
As of June 30, 2010: 263,400; As of June 30, 2009: 263,400
- (ii) Number of shares of treasury stock at year-end  
As of June 30, 2010: Nil; As of June 30, 2009: 16,618
- (Note) Please see “Per share information” on page 35\* for the number of shares as the basis for the calculation of consolidated net income per share.)

\* Pages are not provided with English translation.

#### (Reference) Summary of non-consolidated results of operations

##### 1. Non-consolidated results of operations for the fiscal year ended June 30, 2010 (July 1, 2009 to June 30, 2010)

##### (1) Non-consolidated results of operations (Percentage represents year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2010	4,957	(10.3)	412	31.6	436	25.7	177	(20.8)
Year ended June 30, 2009	5,524	(17.4)	313	(53.2)	347	(51.4)	224	—

	EPS	Fully diluted EPS
	Yen	Yen
Year ended June 30, 2010	708.98	—
Year ended June 30, 2009	908.26	—

##### (2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2010	5,402	4,638	85.9	17,610.94
As of June 30, 2009	5,032	4,142	82.3	16,784.20

(Reference) Shareholders' equity: As of June 30, 2010: ¥4,638 million; As of June 30, 2009: ¥4,142 million

##### 2. Forecast of non-consolidated financial results for the year ending June 30, 2011 (July 1, 2010 to June 30, 2011)

(Percentage represents year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	1,730	(20.5)	(330)	—	(320)	—	(210)	—	(812.51)
Full Year	5,330	7.5	240	(41.7)	260	(40.4)	130	(26.6)	486.73

##### \* Notes and explanations regarding the appropriate use of our earnings forecasts

The above-mentioned forecasts are based on the best information available at the time of writing. However, the actual results may differ from our forecasts due to unforeseen circumstances, changes in business trends, etc.

## 1. Business results

### (1) Analysis of our business results

During the Company's consolidated fiscal year ended June 30, 2010, the Japanese economy staged a moderate recovery from the serious deterioration reflecting the impact of the global financial crisis, which will lead to a turnaround in corporate business confidence and capital expenditure.

Despite such a background, however, there was little change in the trend of reduced investment in new computer systems and cutting system operation costs in the credit card, securities and financial industries, which are the Company's principal business fields.

Among others, the credit card companies have reduced investment in new computer systems because of the severe business environment affected by the worsening economy in addition to the amendments to the Money Lending Business Act and the Installment Sales Act. As a result, sales of our credit card-related software development faced a significant negative impact.

Following the full-scale enforcement of the amended Money Lending Business Act in June 2010, the credit card companies anticipate that their business environment will remain difficult. Consequently, we also expect that sales of relevant software development will continue to be affected by such trend.

Under these circumstances, net sales for the consolidated fiscal year ended June 2010 decreased by 570 million yen on a year-on-year basis, to 4,956 million yen, while operating income grew 129 million yen from the previous consolidated fiscal year, to 358 million yen, which is attributable to our efforts to efficiently manage projects, particularly in software development.

In the Retail Banking Online Systems Business, while net sales reached 2,407 million yen, exceeding our projection of 2,259 million yen, this amount is slightly less than that of the previous consolidated fiscal year due to the curtailed investment in computer systems by the credit card companies. To address this situation, the Company made the utmost efforts to efficiently control projects by reducing subcontracting expenses, etc., and cutting fixed costs, resulting in operating income increasing by 133 million yen on a year-on-year basis, to 887 million yen.

In the System Solutions Business, we focused sales activities on our main customers including credit card companies, securities firms and banks. As a result, net sales stood at 1,873 million yen, surpassing our initial projection of 1,740 million yen, but fell on a year-on-year basis. Operating income increased by 18 million yen compared with the previous consolidated fiscal year, to 354 million yen, attributable to our efforts to implement efficient project control in software development, as was done in the Retail Banking Online Systems Business.

In the Security Systems Business, we conducted aggressive sales activities under a strategy of meeting diversified demands for security countermeasures from customers to win orders while focusing on improvement of our services such as support service relevant to our product, "CWAT," etc. Despite such efforts, we achieved disappointing results in our attempts to gain new customers, failing to overcome the ongoing business trend of reduced investment in computer systems, particularly in the manufacturing industry. On the other hand, we received orders for additional licenses for "CWAT" from existing customers, which contributed significantly to the growth in sales, but net sales totaled 675 million yen, a year-on-year decrease of 208 million yen, and our operating loss stood at 267 million yen.

We discuss our business performance in each of our business segments below.

#### 1) Retail Banking Online Systems Business

In the Retail Banking Online Systems Business, the Company recorded sales from continuous development and changes in systems, development of additional functions and system maintenance for credit card companies, in addition to sales of the "NET+1" package and hardware. Net sales decreased by 6.8% year on year, to 2,407 million yen while operating income increased by 17.6% year on year, to 887 million yen.

#### 2) System Solutions Business

In the System Solutions Business, net sales decreased by 9.1% year on year, to 1,873 million yen while operating income increased by 5.4% year on year, to 354 million yen. This result is attributable to the sales from system changes, the development of additional functions and system maintenance for credit card companies, banks, etc., and system changes, maintenance and ASP service related to "ACE Plus," a fraudulent credit card use detection system, from new and existing customers, as well as sales of "Market Data Distribution System," one of our proprietary products, and "RIX" middleware to securities firms.

3) Security Systems Business

The Security Systems Business recorded net sales of 675 million yen (a year-on-year decrease of 23.6%) and an operating loss of 267 million yen (compared with an operating loss of 214 million yen in the previous consolidated fiscal year) from sales and maintenance service, etc., of “CWAT” and “EUCSecure,” which are internal information leakage prevention systems.

## Sales by business segment in the consolidated fiscal year ended June 2010

(In thousands of yen)

Business Segment	Net Sales (% of Total)
Retail Banking Online Systems	2,407,170 (48.6%)
System Solutions	1,873,945 (37.8%)
Security Systems	675,521 (13.6%)
Total	4,956,637 (100.0%)

(Forecasts for the consolidated fiscal year ending June 2011)

It is expected that the difficult economic environment for credit card companies will last well into the consolidated fiscal year ending June 2011 due to the changes in the business environment resulting from the amendment to the industry-related Acts. Therefore, we expect that investment in computer systems by the credit card companies, our main customers, will remain significantly sluggish.

On the other hand, demand for systems that require reduced levels of investment and have low operating costs are increasing. Therefore, the Company will strive to expand its business fields through enhancing the functionality of proprietary products and proposing appropriate systems development.

In the Retail Banking Online Systems Business, the Company will respond further to its customers' operational needs and expand its business fields by developing and introducing the Linux-compatible "NET+1" produced by the Company which boasts a good track record with credit card companies and banks.

In the System Solution Business, the Company aims to expand its sales by proposing that "ACE Plus," a fraudulent credit card use detection system, also be used as a system to detect illegal bank account transactions, and increase sales efforts targeting overseas credit card companies. Furthermore, in order to increase opportunities for winning orders, the Company will newly develop operating systems for securities firms and offer proposals of a wider variety of system products for securities firms from an expanded product selection.

In the Security Systems Business, the Company will continue to focus on generating demand for information security measures in a wider range of industries and types of business through strengthening relationships with distributors, centering on "CWAT v4.0" and "EUCSecure." We will achieve this target particularly through cooperative sales activities with Dai Nippon Printing Co., Ltd., the parent company.

In addition, the Company aims to enhance profitability in the medium-term by developing and launching new businesses in the security field to respond to the increasingly diverse demand for security measures from customers.

## (2) Analysis of financial position

### 1) Assets, liabilities, and net assets

#### a) Assets

Total assets as of the end of the consolidated fiscal year ended June 30, 2010 increased by 439 million yen from a year earlier, to 5,451 million yen. Current assets grew 322 million yen from the end of the previous consolidated fiscal year, to 3,449 million yen. This was mainly attributable to the increase of 403 million yen in cash and deposits and 203 million yen in notes and accounts receivable-trade, while deferred tax assets shrank by 78 million yen. Noncurrent assets expanded by 116 million yen from a year earlier, to 2,001 million yen. This was principally attributable to the increases of 234 million yen in investment securities and 100 million yen in long-term time deposits despite a decrease of 139 million yen in deferred tax assets.

#### b) Liabilities

At the end of the current consolidated fiscal year, total liabilities were down by 86 million yen from the end of the previous consolidated fiscal year, to 808 million yen. This mainly reflects the decrease of 185 million yen in notes and accounts payable-trade despite the increases of 36 million yen in provision for bonuses and 39 million yen in provision for loss on business of subsidiaries and affiliates.

#### c) Net assets

Net assets at the end of the current consolidated fiscal year were higher by 525 million yen from the end of the

previous consolidated fiscal year, to 4,642 million yen. This largely reflects the decreases of 749 million yen in retained earnings and 1,280 million yen in treasury stock.

## 2) Cash flow

Cash and cash equivalents at the end of the current term under review rose by 403 million yen from the end of the previous year to 2,087 million yen. We provide a summary of our cash flows below.

### a) Cash flow from operating activities

Net cash generated by operating activities in the current consolidated fiscal year amounted to 300 million yen (a decrease of 30.4% year on year). This was mainly attributable to 424 million yen in income before income taxes and an increase of 220 million yen in accounts receivable.

### b) Cash flow from investing activities

Net cash outflow from investing activities in the current consolidated fiscal year was 199 million yen (compared with a cash outflow of 106 million yen in the previous consolidated fiscal year). This was mainly attributable to the cash outflows of 100 million yen in payments into time deposits and 300 million yen for the purchase of investment securities, against a cash inflow of 213 million yen in dividend distributions received from investment in partnerships.

### c) Cash flow from financing activities

Net cash generated from financing activities in the current consolidated fiscal year was 310 million yen (compared with a cash outflow of 122 million yen in the previous consolidated fiscal year). This was mainly attributable to a cash inflow of 433 million yen in proceeds from the sale of treasury stock against a cash outflow of 123 million yen in cash dividends paid.

Trends in our cash flow indicators are listed below.

	Fiscal Year ended June 2008	Fiscal Year ended June 2009	Fiscal Year ended June 2010
Shareholders' equity ratio (%)	79.5	82.2	85.2
Shareholders' equity ratio at market value (%)	92.1	83.7	134.3
Debt redemption period (years)	—	—	—
Interest coverage ratio (times)	—	—	—

(Notes)

1. Shareholders' equity ratio: Shareholders' equity / Total assets
2. Shareholders' equity ratio at market value: Market capitalization / Total assets
3. Debt redemption period: Interest-bearing debt / Operating cash flow  
Interest-bearing debt is the sum of all liabilities that incur interest payments.
4. Interest coverage ratio: Operating cash flow / Interest payments

## (3) Basic policy on profit sharing, and dividends for the current and next fiscal years

The Company positions the return of profits to our shareholders as one of the highest priority management targets, and has a basic policy on profit sharing by maintaining stable dividend payments to shareholders in line with the enhancement of the management base, aggressive development of businesses, business reforms and strengthening of financial position.

During the current and the next consolidated fiscal years, we plan to pay a dividend of 500 yen per share.

The Company's Articles of Incorporation provide that "the Company may pay an interim dividend by a resolution of the Board of Directors with a base date of December 31 of each year."

## (4) Business risks

### 1) Industry trends

The credit card industry faces drastic changes in its business environment due to the amendments to the industry-related Acts following the industry reorganization led by the megabanks. Therefore, the Company's market

may shrink in the long run due to further industry reorganizations.

While the Company is making efforts towards expanding the business fields it covers, the business performance of the Company may be adversely affected depending on the impact of future amendments to the industry-related Acts and the responses by the relevant companies to such changes.

## 2) Consigned product development

The Company endeavors on a daily basis to eliminate the risk of starting unprofitable projects particularly in the case of long-term projects at the time of receiving an orders for system development services, by adopting the phased contract method by which renewed quotations are implemented even after fixing the functional requirements, and by improving and enhancing project management systems through improvement of the accuracy of estimates, full-scale risk management as well as management of development methods.

Despite the above-mentioned efforts, when orders for system development services are received, some projects may become unprofitable under system integration agreements or lump-sum contracts, as it is often the case, due to changes in requirements, man-hours exceeding the initial estimates, or inability to meet delivery date, even though projects were expected to be profitable at the time of receiving orders. This may have a negative impact on the Company's business performance.

## 3) Recognition of loss on valuation of investment securities, etc.

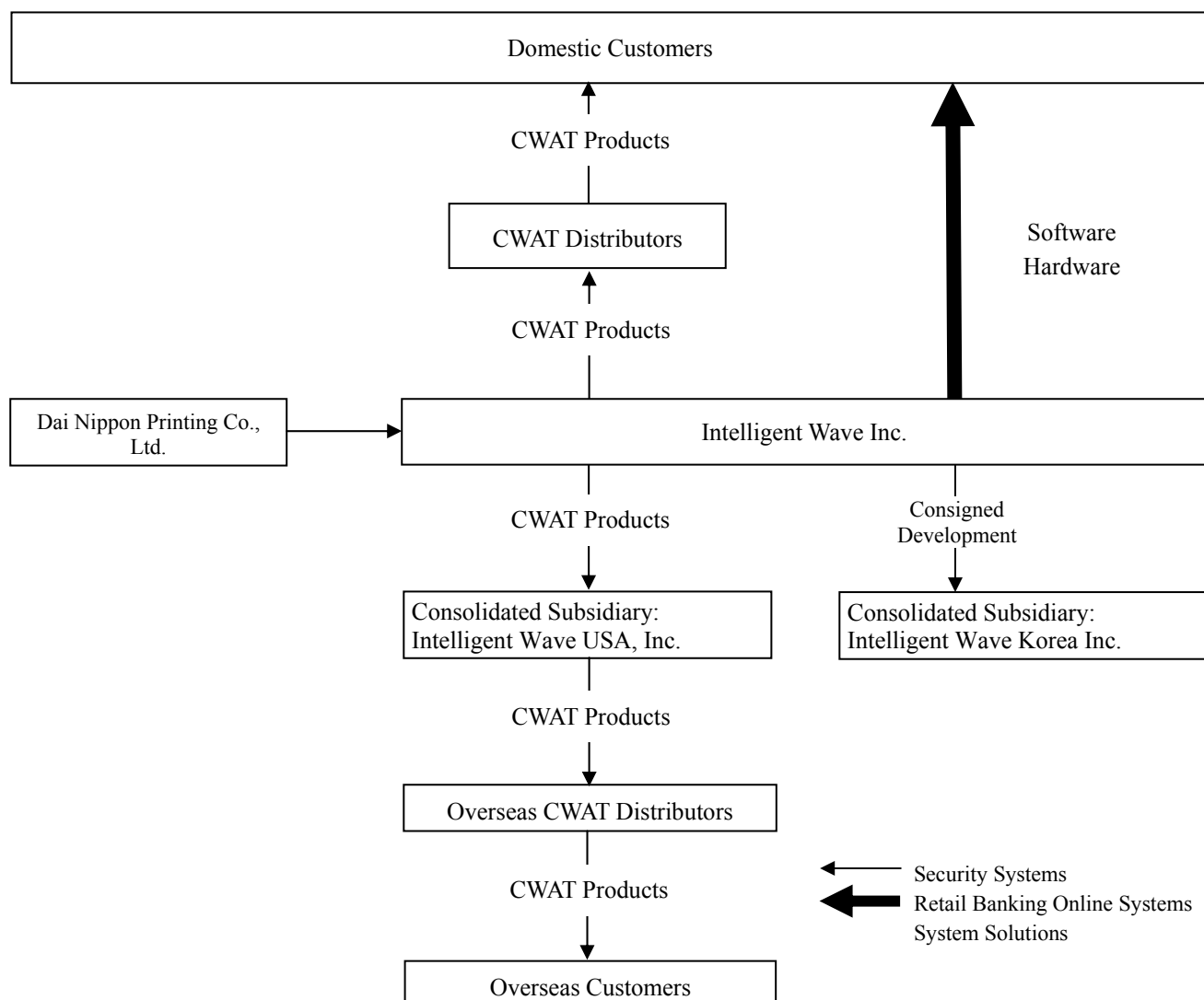
While investing in companies whenever the need arises from a strategic standpoint, the Company implements appropriate valuations of the investments for each fiscal period in compliance with generally accepted accounting standards for financial instruments and internal administrative regulations.

In the event that the net asset value of any of the companies in which we invest is seriously damaged and diminished due to the downturn of their businesses, the Company's business performance may be adversely affected.

## 2. Corporate structure

The corporate group comprises the Company, its parent company and two subsidiaries. While Dai Nippon Printing Co., Ltd., our parent company, is engaged mainly in the printing business, the main businesses of the Company's group are the development and maintenance of computer software and the sale of both proprietary products and products manufactured by other companies.

We provide a schematic diagram of our Group and businesses below.



### Affiliated Companies

Company Name	Location	Capital Stock (Million yen)	Main Business	Percentage of voting rights held (investment in us) (%)	Relationship
(Parent company) Dai Nippon Printing Co., Ltd.	Shinjuku-ku, Tokyo	114,464	Printing business, Soft drink business	(50.61)	Sale and consigned development of the Company's products
(Consolidated subsidiaries) Intelligent Wave USA, Inc.	New York City, U.S.A.	US\$6.1 million	Sale of CWAT internal information leakage prevention system in the United States	100.0	Import and sale of our products, One interlocking director (1)
Intelligent Wave Korea Inc.	Seoul, Korea	400 million Won	Development, maintenance and user support of "CWAT" internal information leakage prevention system in South Korea	100.0	Customer support for our products One interlocking director (2)

- (Notes) 1. The number in parenthesis after “Interlocking director” in “Relationship” represents the number of the Company’s interlocking employees.
2. As a result of a tender offer through which Dai Nippon Printing Co., Ltd. acquired the Company’s shares, the Company became a consolidated subsidiary.
3. Dai Nippon Printing Co., Ltd., the Company’s parent company, files Securities Reports.

### 3. Management policies

#### (1) Basic management policy

The Company recognizes that a company has social responsibilities, and the three main constituent elements of a company are the customers, shareholders and employees.

We believe that our most important task is to offer our customers high quality products and services. Furthermore, in order to provide high quality products and services, we need to create an environment in which we uphold the following four management philosophy principles: 1) stable and continuous management; 2) established group of superior engineers; 3) quick response to the diverse requests of our customers; and 4) maintenance of the environment in which our cutting-edge technologies can be rapidly adopted.

Furthermore, we are aware of the importance of keeping abreast with the latest technological innovations, and maintaining the high technological capabilities necessary to meet the needs of our customers.

Based on the above-mentioned management policies, we will improve our management efficiency, emphasize quick disclosure, and adhere to our shareholder-oriented management policy.

#### (2) Target management indicators

The Company applies ROE (Return on Equity) as an important indicator of management performance, and intends to enhance its profitability and capital efficiency from the shareholders' point of view.

Our mid-term ROE target is 20%. We will make the utmost efforts to achieve this target by steadily improving from 10% to 15% and toward 20% by expanding our business fields and increasing sales and profits.

#### (3) Medium- to long-term management strategies

On the back of the reorganization of the credit card industry and amid the changes in the business environment due to the amendments to the industry-related Acts, the credit card companies are in the midst of the business process reengineering (BPR) on a broad scale.

To respond to this situation, the Company plans to propose efficient system development and the development and sale of new products aggressively in the Retail Banking Online Systems Business, our main business, by applying the technologies accumulated through our past experience.

In the System Solutions Business, the Company aims to develop and distribute systems that improve the efficiency of our customers' businesses while expanding sales in Japan and abroad of key proprietary products such as "ACE Plus," a fraudulent credit card use detection system and operation systems for securities firms.

In the Security Systems Business, the Company will seek to satisfy demand for information leakage prevention measures across a broader range of industries and business types, focusing on "CWAT" and "EUCSecure." In particular, the Company will enhance profitability over a medium term by strengthening cooperative sales activities with Dai Nippon Printing Co., Ltd., the parent company, and jointly developing and quickly launching new businesses in the field of security.

(4) Key management issues

In order to strengthen the operation-specific business models, the Company will develop and enhance systems to focus on the following three areas:

1. Online network systems for credit cards and debit cards
2. Development of fraudulent credit card use detection systems and applications for financial institutions and securities firms
3. Security systems business

The Company will strive to address the management issues listed below, improve profitability, create higher corporate and shareholder value to fulfill our shareholders' expectations.

1) Expansion of business fields

After the reorganization of the credit card industry, credit card companies are reducing their investment in computer systems and cutting operating costs in an effort to respond to changes in the business environment triggered by the amendments to the industry-related Acts. As a result, our orders have been decreasing.

Thus, it is anticipated that the Company's business opportunities will continue to shrink in the future. To address this situation, the Company intends to expand its business fields to increase opportunities to win orders from a wider customer base than previously through the development of new products, while offering proposals for system development that can satisfy customer demand for higher operating efficiency.

2) Development of new businesses

Corporate demand for security measures has been diversifying and the trend of focusing the cost-effectiveness of the measures after their introduction is becoming remarkable among corporations.

The Company intends to enhance mid-term profitability by developing and quickly launching new businesses in the security area in cooperation with Dai Nippon Printing Co., Ltd., the parent company.

Sales activities will be enhanced by the Company through an aggressive proposal-based business strategy seeking to meet demand for diverse security measures from a broad range of industries and business types.

(5) Improvement and operational status of the internal control system

The relevant issues are stated in the "Basic Policy on Internal Control System and Its Improvement Status" section of the report on corporate governance.

(6) Other important management issues

There are no specific matters to report herein.

## (Segment Information)

## 1. Earnings Information by Business Segment

Consolidated fiscal year ended June 30, 2009 (July 1, 2008 to June 30, 2009)

(In thousands of yen)

	Retail Banking Online Systems	System Solutions	Security Systems	Total	Eliminations (corporate)	Consolidated
I. Net sales and operating income /loss						
Net sales						
(1) Sales to external customers	2,581,691	2,061,700	883,958	5,527,350	—	5,527,350
(2) Sales within our Group	—	—	—	—	—	—
Total	2,581,691	2,061,700	883,958	5,527,350	—	5,527,350
Operating expenses	1,827,606	1,725,326	1,098,289	4,651,222	647,494	5,298,717
Operating income (loss)	754,085	336,374	(214,331)	876,127	[647,494]	228,633
II. Assets, depreciation and amortization, impairment loss and capital expenditure						
Assets	2,003,742	1,237,797	779,330	4,020,870	991,124	5,011,995
Depreciation and amortization	23,073	47,713	19,306	90,093	7,583	97,677
Impairment loss	—	—	2,816	2,816	—	2,816
Capital expenditure	49,009	37,762	13,720	100,492	10,524	111,016

## (Notes)

1. Business segments are determined by the method used for internal administration.
2. Major products, services in each segment:
  - (1) Retail Banking Online Systems  
Provision of credit network systems and information delivery systems based on our in-house developed “NET+1” credit system package solutions.
  - (2) System Solutions  
Sale of “ACE Plus,” a fraudulent credit card use detection system, sale of market information delivery systems for banks and securities firms, and sale and provision of technical support relating to “RIX,” a proprietary communication middleware product, and foreign products.
  - (3) Security Systems  
Sale of “CWAT,” systems for prevention of internal information leakage
3. Principal items of unallocatable operating expense (647,494 thousand yen) included in Eliminations (corporate) are expenses associated with the administrative divisions such as the Administrative Department and Accounting Department, etc., of the head office of the parent company.
4. Assets of the Company included in Elimination (corporate) amount to 991,124 thousand yen, out of which the principal assets relate to the administrative divisions such as the Administrative Department and Accounting Department, etc., of the head office of the parent company.
5. As described in “Significant matters as basis for the preparation of consolidated financial statements,” the Company amended its internal regulations for salary-payment method starting from the current consolidated fiscal year. As a result, the estimated amount of salary to be incurred in the current consolidated fiscal year is stated under the provision for bonuses. This resulted in operating expenses for the current consolidated fiscal year increasing by 17,341 thousand yen in Retail Banking Online Systems Business, 18,191 thousand yen in System Solutions Business, 14,981 thousand yen in Security Systems Business and 6,564 thousand yen in the Administrative divisions, while operating income decreased by the same amounts.

## Consolidated fiscal year ended June 30, 2010 (July 1, 2009 to June 30, 2010) (In thousand yen)

	Retail Banking Online Systems	System Solutions	Security Systems	Total	Eliminations (corporate)	Consolidated
I. Net sales and operating income /loss						
Net sales						
(1) Sales to external customers	2,407,170	1,873,945	675,521	4,956,637	—	4,956,637
(2) Sales within our Group	—	—	—	—	—	—
Total	2,407,170	1,873,945	675,521	4,956,637	—	4,956,637
Operating expenses	1,520,023	1,519,251	943,177	3,982,452	616,148	4,598,601
Operating income (loss)	887,146	354,694	(267,655)	974,185	[616,148]	358,036
II. Assets, depreciation and amortization, impairment loss and capital expenditure						
Assets	2,203,518	1,422,906	648,609	4,275,034	1,176,115	5,451,150
Depreciation and amortization	21,567	46,907	21,952	90,427	7,835	98,262
Impairment loss	—	—	3,198	3,198	—	3,198
Capital expenditure	17,466	14,814	69,479	101,760	10,475	112,236

## (Notes)

1. Business segments are determined by the method used for internal administration.
2. Major products, services in each segment:
  - (1) Retail Banking Online Systems  
Provision of credit network systems and information delivery systems based on our in-house developed “NET+1” credit system package solutions.
  - (2) System Solutions  
Sale of “ACE Plus,” a fraudulent credit card use detection system, sale of market information delivery systems for use in banks and securities firms, and sale and provision of technical support relating to “RIX,” a proprietary communication middleware product, and foreign products.
  - (3) Security Systems  
Sale of “CWAT,” systems for the prevention of internal information leakage, sale of “EUCSecure,” document encryption software.
3. Principal items of unallocatable operating expense (616,148 thousand yen) included in Eliminations (corporate) are expenses associated with the administrative divisions such as the Administrative Department and Accounting Department, etc., of the head office of the Company.
4. Assets of the Company included in Elimination (corporate) amount to 1,176,115 thousand yen, out of which the principal assets relate to the administrative divisions such as the Administrative Department and Accounting Department, etc. of the head office of the Company.

## 2. Segment Information by Location

Consolidated fiscal year ended June 30, 2009 (July 1, 2008 to June 30, 2009)

Segment information by geographical location is omitted as both our consolidated net sales and assets in Japan accounted for over 90% of the total net sales and assets of all the segments.

Consolidated fiscal year ended June 30, 2010 (July 1, 2009 to June 30, 2010)

Segment information by geographical location is omitted as both our consolidated net sales and assets in Japan accounted for over 90% of the total net sales and assets of all the segments.

## 3. Overseas Sales

Consolidated fiscal year Ended June 30, 2009 (July 1, 2008 to June 30, 2009)

Overseas sales are omitted as they accounted for less than 10% of our total consolidated net sales.

Consolidated fiscal year ended June 30, 2010 (July 1, 2009 to June 30, 2010)

Overseas sales are omitted as they accounted for less than 10% of our total consolidated net sales.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In thousands of yen)

	As of June 30, 2009	As of June 30, 2010
<b>Assets</b>		
Current assets		
Cash and deposits	1,685,585	2,089,529
Notes and accounts receivable-trade	894,354	1,097,711
Merchandise and finished goods	96,797	31
Work in process	107,716	127,352
Raw materials and supplies	4,713	5,153
Deferred tax assets	151,970	73,690
Other	196,075	68,079
Allowance for doubtful accounts	(10,250)	(11,898)
Total current assets	3,126,962	3,449,649
Noncurrent assets		
Tangible fixed assets		
Buildings and structures	382,340	374,350
Accumulated depreciation	(145,526)	(154,225)
Buildings and structures (net value)	236,814	220,125
Machinery, equipment and vehicles	2,386	2,793
Accumulated depreciation	(2,125)	(2,625)
Machinery, equipment and vehicles (net value)	261	167
Land	124,299	124,299
Other	230,857	268,499
Accumulated depreciation	(187,078)	(209,663)
Other (net value)	43,779	58,835
Total tangible fixed assets	405,154	403,429
Intangible assets		
Software	150,167	111,675
Software under development	3,078	12,966
Other	3,806	3,806
Total intangible assets	157,052	128,448
Investments and other assets		
Investment securities	529,672	764,223
Long-term loans receivable	26,440	26,440
Deferred tax assets	210,482	71,269
Lease and guarantee deposits	288,123	—
Long-term time deposits	—	300,000
Other	366,123	404,934
Allowance for doubtful accounts	(98,017)	(97,243)
Total investments and other assets	1,322,825	1,469,623
Total noncurrent assets	1,885,032	2,001,501
Total assets	5,011,995	5,451,150

(In thousands of yen)

	As of June 30, 2009	As of June 30, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	289,820	103,849
Income taxes payable	—	7,506
Provision for bonuses	59,024	95,124
Provision for directors' bonuses	24,273	27,720
Provision for loss on business of subsidiaries and affiliates	—	39,284
Other	323,918	313,868
Total current liabilities	<u>697,036</u>	<u>587,355</u>
Noncurrent liabilities		
Provision for retirement benefits	143,898	161,346
Provision for directors' retirement benefits	51,970	58,050
Other	1,685	1,628
Total noncurrent liabilities	<u>197,554</u>	<u>221,024</u>
Total liabilities	<u>894,591</u>	<u>808,380</u>
Net assets		
Shareholders' equity		
Capital stock	843,750	843,750
Capital surplus	568,778	559,622
Retained earnings	3,999,812	3,250,667
Treasury stock	(1,280,609)	—
Total shareholders' equity	<u>4,131,731</u>	<u>4,654,039</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	34,913	43,615
Foreign currency translation adjustment	(49,241)	(54,885)
Total valuation and translation adjustments	<u>(14,327)</u>	<u>(11,269)</u>
Total net assets	<u>4,117,404</u>	<u>4,642,770</u>
Total liabilities and net assets	<u>5,011,995</u>	<u>5,451,150</u>

## (2) Consolidated Income Statement

(In thousands of yen)

	Previous Consolidated Fiscal Year (July 1, 2008 to June 30, 2009)	Current Consolidated Fiscal Year (July 1, 2009 to June 30, 2010)
Net sales	5,527,350	4,956,637
Cost of sales	3,506,948	3,120,095
Gross profit	2,020,401	1,836,542
Selling, general and administrative expenses		
Advertising expenses	68,889	54,238
Provision of allowance for doubtful accounts	—	874
Directors' compensations	61,347	63,409
Salaries and allowances	468,660	501,052
Bonuses	98,593	90,297
Provision for directors' bonuses	22,588	24,501
Provision for bonuses	18,148	22,327
Retirement benefit expenses	30,601	26,373
Provision for directors' retirement benefits	5,790	6,080
Welfare expenses	83,478	80,358
Travel and transport expenses	39,126	41,914
Communication expenses	30,071	14,118
Supplies expenses	18,665	18,949
Depreciation and amortization	20,579	18,716
Rent	135,532	114,208
Compensation payments	48,494	40,455
Business consignment expenses	116,548	122,244
Research and development expenses	339,641	71,167
Other	185,008	167,216
Total selling, general and administrative expenses	1,791,768	1,478,505
Operating income	228,633	358,036
Non-operating income		
Interest income	2,856	915
Dividend income	15,918	20,706
Foreign exchange gains	—	1,960
Subsidy income	23,332	—
Other	6,669	12,528
Total non-operating income	48,776	36,111
Non-operating expenses		
Interest expenses	—	110
Commitment fee	5,563	5,176
Foreign exchange losses	26,292	—
Loss on investments in partnership	9,151	—
Rent	—	1,114
Other	1,234	38
Total non-operating expenses	42,241	6,440
Ordinary income	235,168	387,707

(In thousands of yen)

	Previous Consolidated Fiscal Year (July 1, 2008 to June 30, 2009)	Current Consolidated Fiscal Year (July 1, 2009 to June 30, 2010)
Extraordinary income		
Reversal of allowance for doubtful accounts	11,831	—
Gain on investment in silent partnerships	34,267	138,596
Gain on the sale of investment securities	59,656	—
Reversal of provision for loss on office closures	41,776	—
Total extraordinary income	147,532	138,596
Extraordinary loss		
Loss on retirement of noncurrent assets	105	3,094
Impairment loss	2,816	3,198
Extraordinary amortization of software	2,151	43,223
Loss on valuation of investment securities	3,901	6,408
Provision for loss on business of subsidiaries and affiliates	—	39,284
Office transfer expenses	36,568	—
Retirement benefit expenses for prior periods	13,021	—
Compensation for damage	11,607	—
Other	4,239	6,754
Total extraordinary loss	74,413	101,965
Income before income taxes	308,287	424,339
Income taxes-current	40,476	20,242
Refund of income taxes for prior periods	—	(19,519)
Income taxes-deferred	79,942	211,647
Total income taxes	120,418	212,369
Net income	187,868	211,969

## (3) Consolidated Statements of Changes in Shareholders' Equity

(In thousands of yen)

	Previous Consolidated Fiscal Year (July 1, 2008 to June 30, 2009)	Current Consolidated Fiscal Year (July 1, 2009 to June 30, 2010)
Shareholders' equity		
Capital		
Balance at end of previous fiscal year	843,750	843,750
Balance at end of current fiscal year	843,750	843,750
Capital surplus		
Balance at end of previous fiscal year	568,778	568,778
Changes during current fiscal year		
Disposal of treasury stock	—	(9,156)
Total changes of items during the period	—	(9,156)
Balance at end of current fiscal year	568,778	559,622
Retained earnings		
Balance at end of previous fiscal year	3,931,555	3,999,812
Changes during current fiscal year		
Dividends from surplus	(123,391)	(123,391)
Increase resulting from exclusion of subsidiaries from consolidation	3,780	—
Net income	187,868	211,969
Disposal of treasury stock	—	(837,723)
Total changes of items during the period	68,257	(749,145)
Balance at end of current fiscal year	3,999,812	3,250,667
Treasury stock		
Balance at end of previous fiscal year	(1,280,609)	(1,280,609)
Changes during current fiscal year		
Disposal of treasury stock	—	1,280,609
Total changes of items during the period	—	1,280,609
Balance at end of current fiscal year	(1,280,609)	—
Total shareholders' equity		
Balance at end of previous fiscal year	4,063,473	4,131,731
Changes during current fiscal year		
Dividends from surplus	(123,391)	(123,391)
Increase resulting from exclusion of subsidiaries from consolidation	3,780	—
Net income	187,868	211,969
Disposal of treasury stock	—	433,729
Changes during current fiscal year	68,257	522,308
Balance at end of current fiscal year	4,131,731	4,654,039
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at end of previous fiscal year	44,056	34,913
Changes during current fiscal year		
Net changes of items other than shareholders' equity	(9,142)	8,701
Total changes of items during the period	(9,142)	8,701
Balance at end of current fiscal year	34,913	43,615

(In thousands of yen)

	Previous Consolidated Fiscal Year (July 1, 2008 to June 30, 2009)	Current Consolidated Fiscal Year (July 1, 2009 to June 30, 2010)
Foreign currency translation adjustment		
Balance at end of previous fiscal year	(25,220)	(49,241)
Changes during current fiscal year		
Net changes of items other than shareholders' equity	(24,021)	(5,643)
Total changes of items during the period	(24,021)	(5,643)
Balance at end of current fiscal year	(49,241)	(54,885)
Total valuation and translation adjustments		
Balance at end of previous fiscal year	18,836	(14,327)
Changes during current fiscal year		
Net changes of items other than shareholders' equity	(33,163)	3,057
Total changes of items during the period	(33,163)	3,057
Balance at end of current fiscal year	(14,327)	(11,269)
Total net assets		
Balance at end of previous fiscal year	4,082,310	4,117,404
Changes during current fiscal year		
Dividends from surplus	(123,391)	(123,391)
Increase resulting from exclusion of subsidiaries from consolidation	3,780	—
Net income	187,868	211,969
Disposal of treasury stock	—	433,729
Net changes of items other than shareholders' equity	(33,163)	3,057
Total changes of items during the period	35,093	525,366
Balance at end of current fiscal year	4,117,404	4,642,770

## (4) Consolidated Cash Flow Statement

(In thousands of yen)

	Previous Consolidated Fiscal Year (July 1, 2008 to June 30, 2009)	Current Consolidated Fiscal Year (July 1, 2009 to June 30, 2010)
Cash flow from operating activities		
Income before income taxes	308,287	424,339
Depreciation and amortization	97,677	98,988
Increase (decrease) in allowance for doubtful accounts	(34,985)	874
Increase (decrease) in provision for bonuses	59,024	36,100
Increase (decrease) in provision for loss on order received	(7,500)	—
Increase (decrease) in provision for directors' bonuses	13,319	3,447
Increase (decrease) in allowance for loss on office closures	(85,790)	—
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	—	39,284
Increase (decrease) in provision for retirement benefits	45,546	17,447
Increase (decrease) in provision for directors' retirement benefits	5,352	6,080
Interest and dividend income	(18,775)	(21,622)
Loss (gain) on investment in partnerships	9,151	(901)
Interest expenses	—	110
Commitment fee	5,563	5,176
Loss (gain) on investment in silent partnerships	(34,267)	(138,596)
Loss (gain) on sales of investment securities	(59,656)	—
Loss on retirement of noncurrent assets	105	3,094
Extraordinary amortization of software	2,151	43,223
Impairment loss	2,816	3,198
Loss (gain) on valuation of investment securities	3,901	6,408
Decrease (increase) in accounts receivable-trade	267,805	(220,807)
Decrease (increase) in inventories	104,453	76,689
Increase (decrease) in notes and accounts payable-trade	(66,704)	(169,437)
Other	(13,773)	31,088
Subtotal	603,702	244,187
Interest and dividend income received	19,267	21,774
Interest expenses paid	—	(110)
Commitment fee paid	(4,950)	(4,859)
Refund of Income taxes	—	76,747
Income taxes paid	(185,857)	(36,856)
Net cash provided by (used in) operating activities	432,161	300,883

(In thousands of yen)

	Previous Consolidated Fiscal Year (July 1, 2008 to June 30, 2009)	Current Consolidated Fiscal Year (July 1, 2009 to June 30, 2010)
Cash flow from investing activities		
Time deposits	—	(100,000)
Purchase of investment securities	(13,459)	(300,600)
Proceeds from the sale of investment securities	2,409	62,980
Dividend distributions received from investment in partnerships	17,725	213,686
Purchase of property, plant and equipment	(39,672)	(44,097)
Purchase of intangible assets	(61,338)	(76,067)
Payments for lease and guarantee deposits	(43,235)	(16,405)
Proceeds from collection of lease and guarantee deposits	32,146	65,249
Purchase of insurance funds	(18,764)	(13,006)
Proceeds from cancellation of insurance funds	9,723	12,523
Other	7,695	(4,127)
Net cash provided by (used in) investment activities	(106,771)	(199,865)
Cash flow from financing activities		
Increase in short-term loans payable	—	300,000
Decrease in short-term loans payable	—	(300,000)
Proceeds from the sale of treasury stock	—	433,729
Cash dividends paid	(122,568)	(123,596)
Net cash provided by (used in) financing activities	(122,568)	310,133
Effect of exchange rate change on cash and cash equivalents	(8,814)	(7,447)
Net increase (decrease) in cash and cash equivalents	194,006	403,703
Cash and equivalents at beginning of period	1,532,819	1,684,179
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(42,646)	—
Cash and equivalents at end of period	1,684,179	2,087,883