
Financial Results for 1H FY06/22

(July 1 to December 31, 2021)
[Non-Consolidated]

Announced on Feb 4, 2022
Intelligent Wave Inc.



Financial Results 1H FY06/22

Key initiatives in 1H FY06/22

Reference

Million yen

	1H FY06/21	1H FY06/22	Change	
Net sales	5,247	4,887	-360	-6.9%
Operating income	405	478	+73	+18.0%
Ordinary income	421	499	+78	+18.5%
Net income	285	337	+52	+18.2%

Million yen

	1H FY06/22 forecast	1H FY06/22 actual	Change	
Net sales	5,000	4,887	-113	-2.3%
Operating income	410	478	+68	+16.6%
Ordinary income	430	499	+69	+16.0%
Net income	300	337	+37	+12.3%

1H FY06/22 Sales by categories YoY comparison

- (+) Steadily increase in sales of System Development and In-house products for new customers.
- (△) Hardware sales decrease due to the short of major system development project.

	1H FY06/21	1H FY06/22	Change
Net Sales	5,247	4,887	-360
System Development	2,437	2,519	+ 82
Maintenance	647	728	+ 81
In-house products	209	268	+ 59
Cloud service	470	493	+ 23
Hardware	872	272	-600
Third-party products	240	168	-72
Security products	369	438	+ 69

Million yen

1H FY06/22 Sales by categories vs. Forecast

- (△) Orders for additional projects from existing customers decreased
- (+) Progress in other categories as the initial plan

Million yen

	1H FY06/22 forecast	1H FY06/22 actual	Change
Net Sales	5,000	4,887	-113
System Development	2,713	2,519	-194
Maintenance	725	728	+3
In-house products	265	268	+3
Cloud service	489	493	+4
Hardware	188	272	+84
Third-party products	120	168	+48
Security products	500	438	-62

1H FY06/22 Top three clients by sales



Million yen

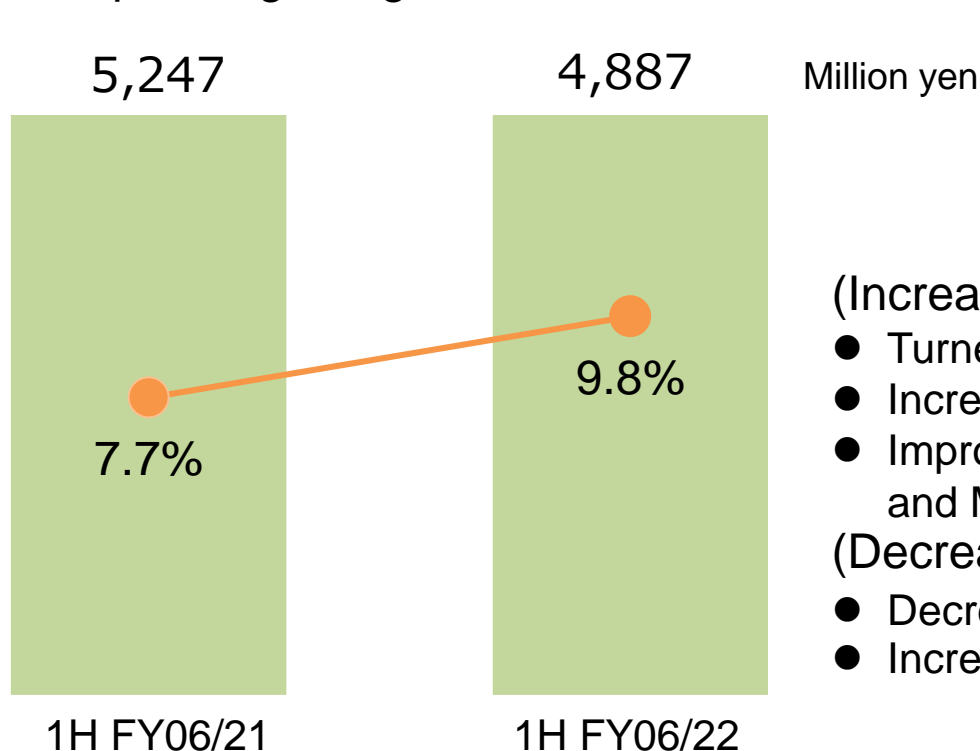
	1H FY06/21	1H FY06/22	Change	Main projects
1 . DNP	867	691	-176	Tokenization Service system (for Smartphone payment transaction) , System operations (24/7), Payment Platform*
2 . System Integrator	550	497	-53	Disaster recovery System for FEP* and Fraud detection system
3 . System Integrator	110	261	+ 151	Initial development for the introduction of IOASIS and license fee

* Payment Platform: System services operated by DNP, which enables customers to launch cashless payment business.

* FEP (Front-End Processor) : Sub-system, which communicates between network and main-frame and manages flood of transaction data.

- (+) Cloud service turned profitable and In-house product sales increased. Improved margin of System Development and Maintenance.
- (△) Decreased in sales of hardware. Increased in SG & A expenses

- ...Net Sales
- ...Operating margin



+73 YoY

Reasons for changes

(Increase)

- Turned profitable in Cloud service
- Increased in sales of In-house products
- Improved profitability of System Development and Maintenance

(Decrease)

- Decreased in sales of hardware
- Increased in SG & A expenses



Financial Results 1H FY06/22

Key initiatives in 1H FY06/22

Reference

Stable progress of sales as the initial plan. Gross profit exceeded the plan by the sales growth and the streamlined operating job.

Million yen

		FY06/21					FY06/22				
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net sales	Plan						240	248	296	343	1,130
	Actual	224	246	232	239	942	243	250			
Gross profit	Plan						-18	18	46	33	80
	Actual	-37	-12	-28	-3	-81	-19	31			

No. of customers by service lines (Actual)

■ IOASIS	5	5	5	5	5	5	6		
■ IFINDS	3	3	3	3	3	3	3		
■ IGATES	2	4	4	4	4	4	4		
■ IPRETS	1	1	1	1	1	1	1		

New contracts are going satisfactory in IOASIS. Received an order for a large project in IGATES. These contracts start to be booked sales from April and contribute next fiscal year's earnings.

Million yen

	FY06/21				FY06/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Orders on hand	133	73	79	483	1,000	1,876		
Amount of orders	1,934	1,762	1,609	1,853	2,611	4,236		

No. of orders

New

Add,
update

Overview

■ IOASIS	3	3	• New orders from a major credit card company and a retailer.
■ IFINDS	-	1	• Steadily increasing inquiries from credit card companies • Developing a shared score model generated by the aggregation of customers' fraud transaction data.
■ IGATES	-	1	• Ordered large scale project from an international credit company • Strong inquiries from Fintech Start-Ups.

■ **IOASIS**

- SaaS product for providing operation system and supporting customers to launch acquiring business
- Offer 24/7 system operation
- System launched in 2016

■ **IGATES**

- Provides 24/7 non-stop operation for payment network transaction internationally.
- SaaS product derived from NET+1, in-house product enjoying the overwhelming share in the domestic market.

■ **IFINDS**

- Credit card fraud detection solution
- SaaS product derived from ACEPlus, in-house product with the highest market share.



- Next generation fraud detection service
- Utilizing AI with advanced algorithm

Rule-based method

IFINDS automatically detects frauds by referencing the record of frauds cases.

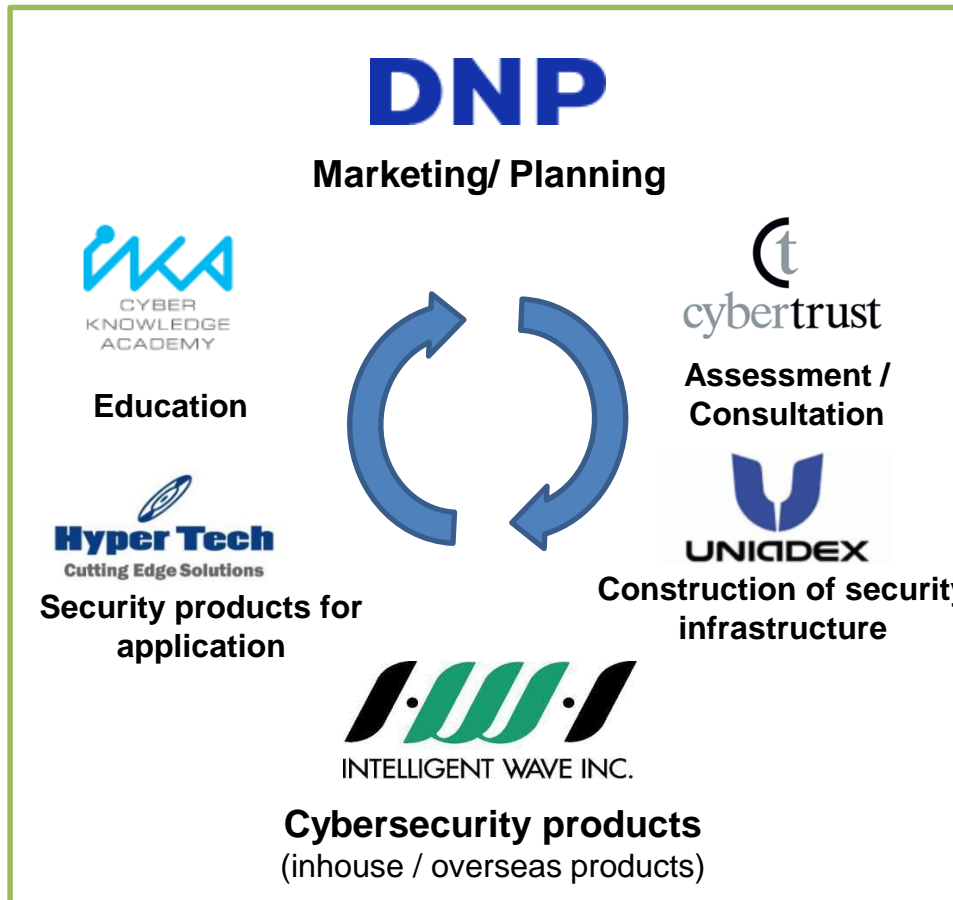


AI scoring method

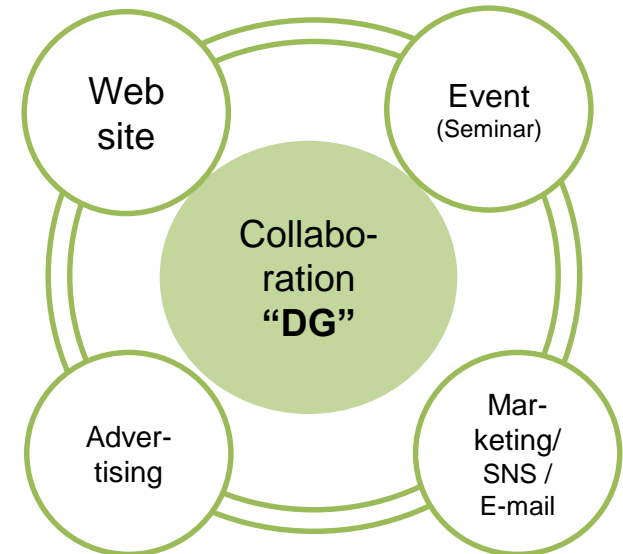
Generates score of the fraudulent rating of the transaction automatically. Detecting the unknown frauds methods.

Pursuing DNP group synergy and strengthen the group's commitment on our security solution business.

Proposing one-stop service to customers by taking advantage of our technological strengths.



Started Collaboration
“Demand Generation (DG)”
as an initial phase



Applied to the certified Health and productivity management organization 2022 and promote good working environment in terms of employees' health.

Declaration of Health and productivity management

“We will promote initiatives for our employees to remain healthy both physically and mentally.”

① Measures to promote employees' health

- covering full payment of health screening (for over 35-year-old employees and dependents) and gynecological exam (for the all female employees)
- Group Long Term Disability (GLTD)
- self-care and line-care training for mental health
- vaccination leave

② Work Style Reform

- curtailing overtime work
- breakfast service promoting early bird shift
- All employees taking 8 days a year for paid leave

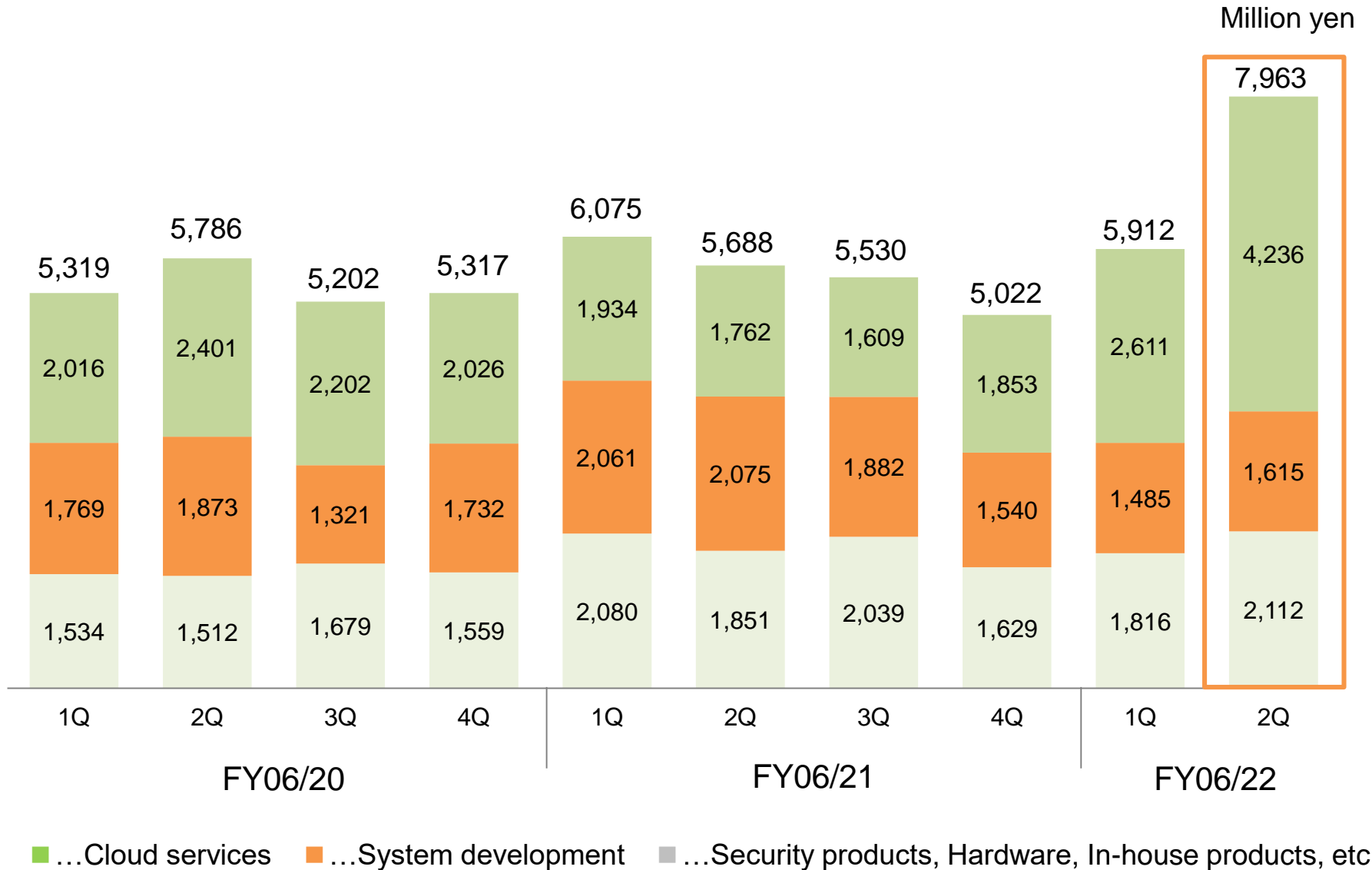


Financial Results 1H FY06/22

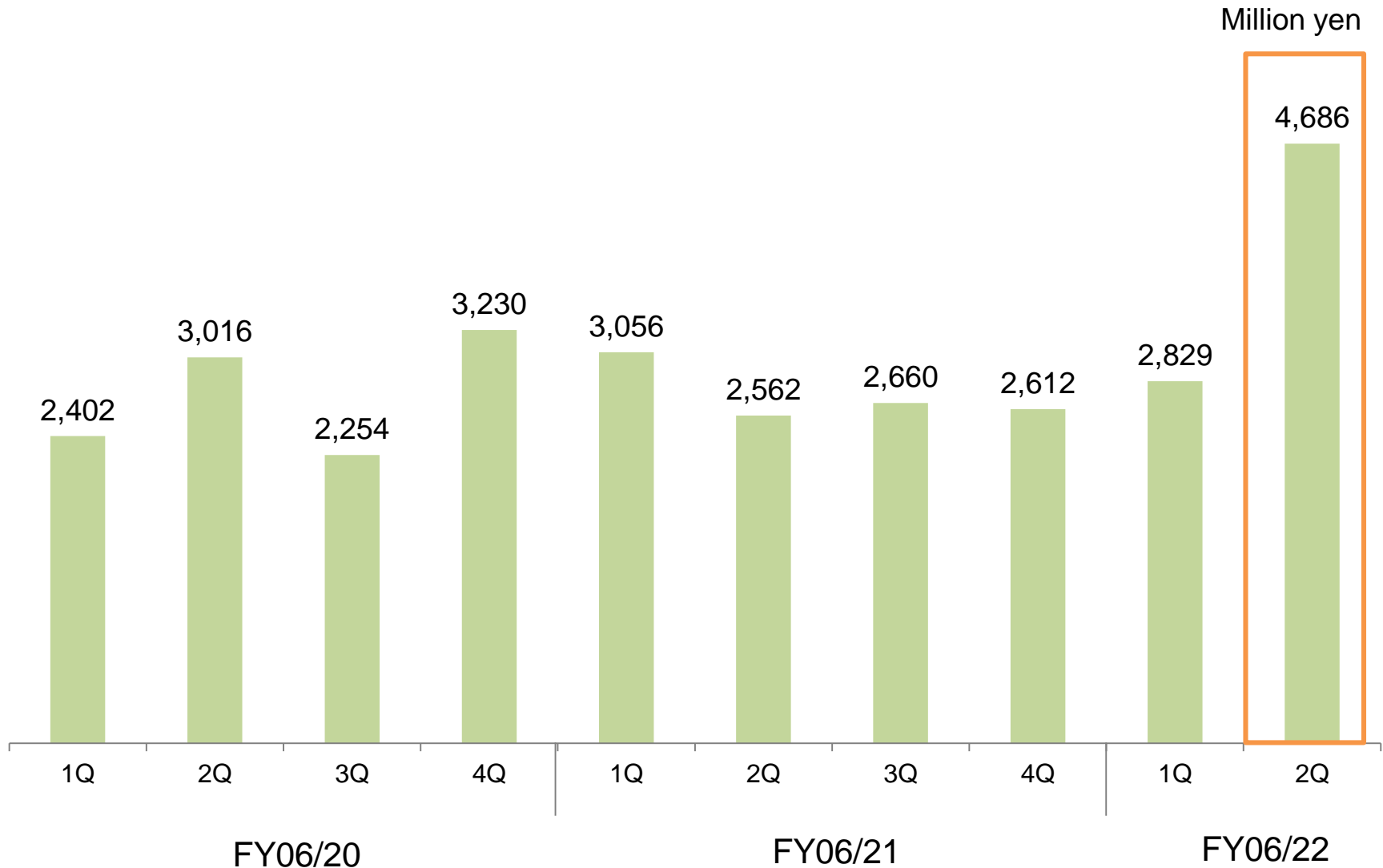
Key initiatives in 1H FY06/22

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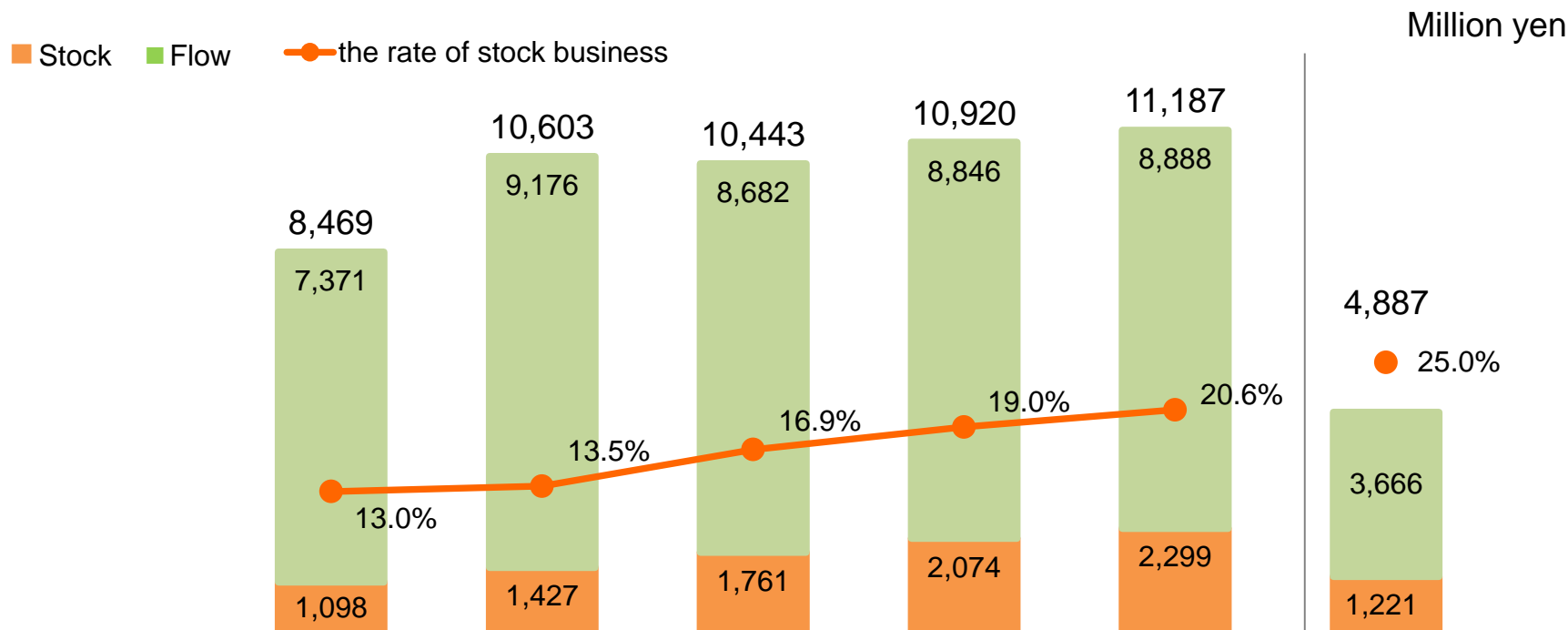
Orders on hand



Amount of orders



Historical net sales (Stock/Flow)



	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	1H FY06/22
Stock	1,098	1,427	1,761	2,074	2,299	1,221
(YoY)		+30.0%	+23.4%	+17.8%	+10.8%	+9.3%
Flow	7,371	9,176	8,682	8,846	8,888	3,666
(YoY)		+24.5%	-5.4%	+1.9%	+0.5%	-11.2%

* Stock: categories with contracts that allow us to record sales of a fixed amount on a regular basis
 Flow : categories with contracts that are not stationary in terms of the amount and timing

1H FY06/22 production costs

Thousand yen

	FY06/21				FY06/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Materials cost	4,890	6,337	8,255	8,940	7,194	8,162		
Labor cost	708,202	739,778	712,358	732,866	718,848	734,397		
Expenses	363,448	353,011	368,936	399,624	431,898	413,397		
Subcontracting cost	581,894	546,583	565,629	555,601	603,162	668,363		
Total manufacturing cost	1,658,435	1,645,711	1,655,180	1,697,032	1,761,105	1,824,322		
Work in progress (beginning of period)	381,557	515,004	503,982	534,449	209,668	283,587		
Work in progress (end of period)	515,004	503,982	534,449	355,789	283,587	279,908		
Transfer to other accounts	100,020	87,206	124,252	182,951	247,200	344,251		
Cost of sales	1,424,967	1,569,526	1,500,459	1,692,741	1,439,985	1,483,749		

1H FY06/22 SG&A expenses

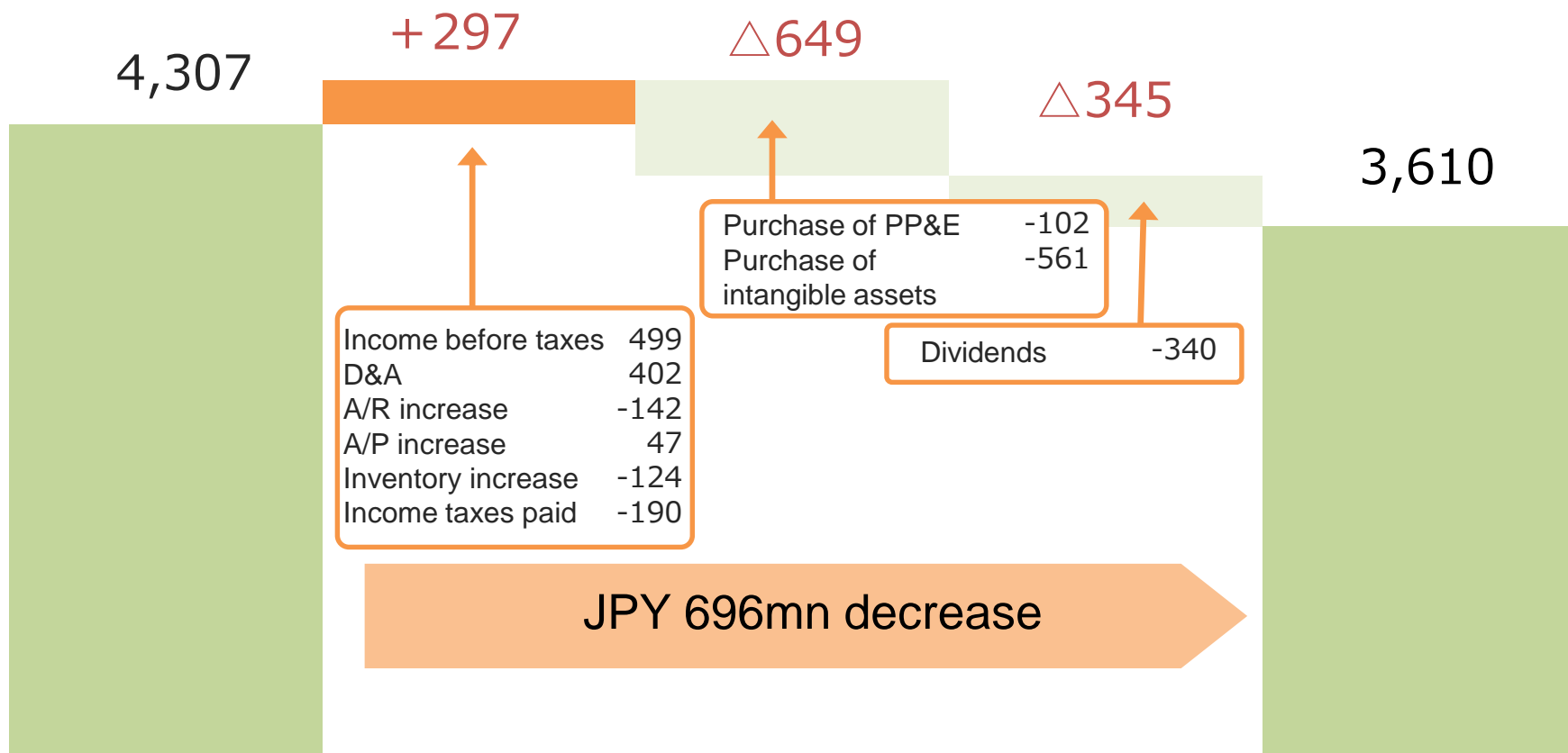
Thousand yen

	FY06/21				FY06/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Salaries	287,425	323,927	312,972	339,842	290,810	310,527		
Training and recruiting	5,321	17,463	13,352	16,789	10,332	13,989		
Rent	17,621	17,615	17,918	18,164	18,793	18,328		
Advertising	1,586	4,239	3,228	7,145	12,691	11,432		
R&D	8,723	22,254	19,250	30,232	9,301	5,513		
Depreciation and amortization	9,457	9,952	10,291	10,674	9,570	9,705		

	1H FY06/21	1H FY06/22	Change	Million yen
SG&A	984	1,018	+34	
(breakdown)		salaries	-10	
		Training and recruiting	+2	
		Advertising	+18	
		Research and development	-16	
		Others	+40	

1H FY06/22 Cash flows

Million yen



30-Jun-21

Operating activities

Investing activities

Financing activities

31-Dec-21

Cash and cash equivalents

Cash and cash equivalents

We have revised categories to show the classification of sales based on the so-called “stock” and “flow” type in more precise than before. Judged from the type of contract and the actual status of the services, we have classified projects and contracts that can generate a certain amount of sales on a regular basis as “stock” and the rest of those as “flow”.

Old Category

Category	
System Development	Flow
Maintenance	Stock
In-house products	Flow
Cloud service	Stock
Hardware	Flow
Third-party products	Flow
Security products	Flow



New Category

Million yen

Category		FY12/2021	
Software Development	Flow	1,978	40.5%
In-house products	Flow	285	5.8%
System Service	Flow	16	0.3%
Third-party products	Flow	157	3.2%
Sum of “flow” type sales		2,437	49.9%
Maintenance	Stock	1,277	26.1%
Maintenance of Third-party products	Stock	307	6.3%
Own Services	Stock	624	12.8%
Other Services	Stock	238	4.9%
Sum of “stock” type sales		2,449	50.1%

Million yen

	FY06/21 actual			FY06/22 forecast			YoY (full year)
	1H	2H	Full year	1H (actual)	2H (Full year - 1H actual)	Full year	
Net sales	5,247	5,940	11,187	4,887	7,113	12,000	+7.3%
Operating income [OM]	405 (7.7%)	725 (12.2%)	1,130 (10.1%)	478 (9.8%)	842 (11.8%)	1,320 (11.0%)	+16.8%
Ordinary income [OM]	421 (8.0%)	750 (12.6%)	1,171 (10.5%)	499 (10.2%)	861 (12.1%)	1,360 (11.3%)	+16.1%
Net income [NM]	285 (5.4%)	555 (9.3%)	840 (7.5%)	337 (6.9%)	603 (8.5%)	940 (7.8%)	+11.9%

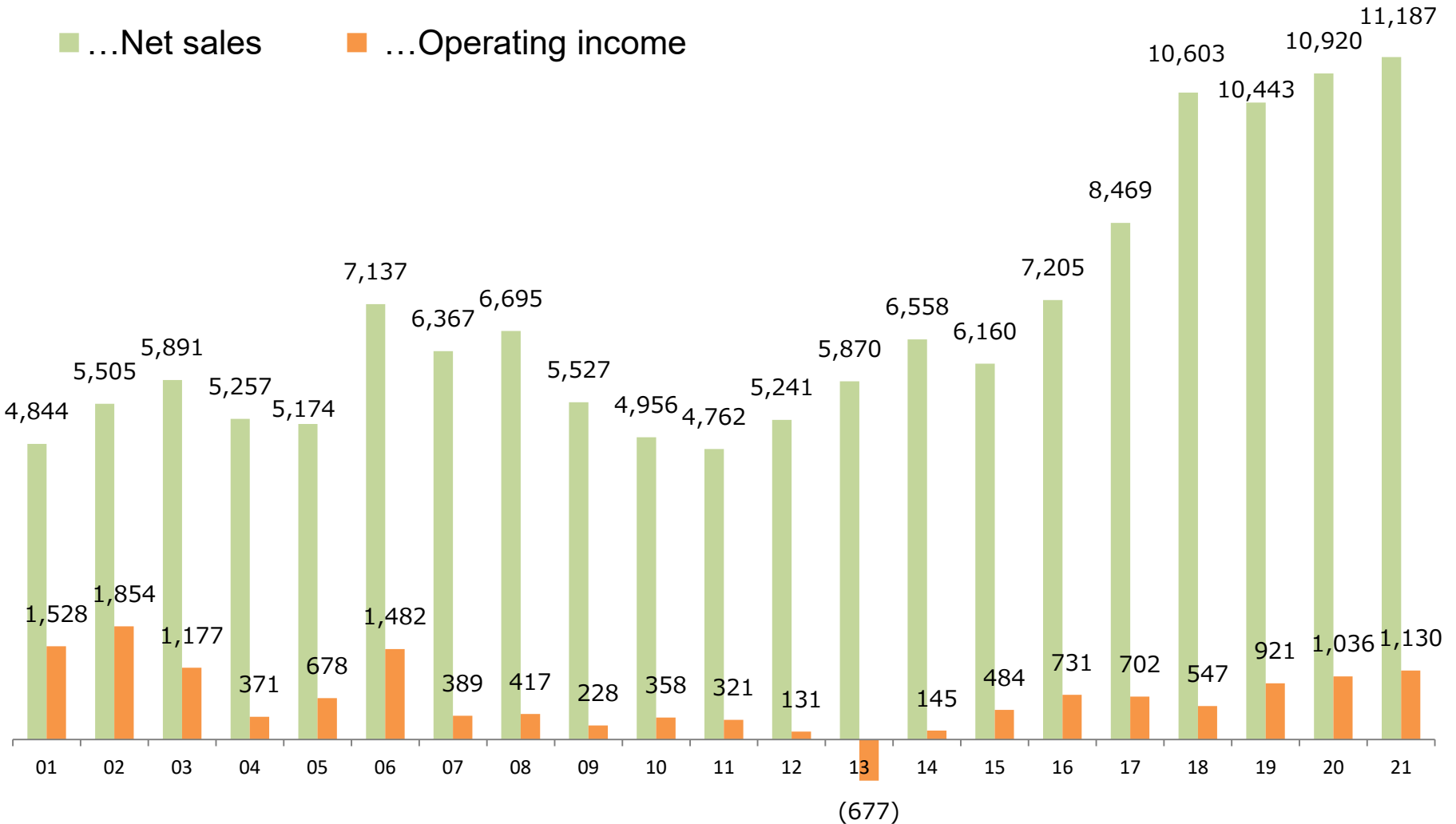
Million yen

	FY06/21			FY06/22			YoY (1H)
	1H	2H	Full year	1H (actual)	2 H (Full year- 1H actual)	Full year	
Net Sales	5,247	5,940	11,187	4,887	7,113	12,000	+7.3%
System Development	2,437	2,835	5,272	2,519	3,331	5,850	+11.0%
Maintenance	647	710	1,357	728	712	1,440	+6.1%
In-house products	209	126	335	268	132	400	+19.4%
Cloud service	470	472	942	493	637	1,130	+20.0%
Hardware	872	766	1,638	272	1,458	1,730	+5.6%
Third-party products	240	269	509	168	82	250	-50.9%
Security products	369	762	1,131	438	762	1,200	+6.1%

Historical performance

Million yen

■ ...Net sales ■ ...Operating income



Note: Consolidated results are shown through FY06/15.

As of Dec 31,2021

Established	December 27, 1984		
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo		
Employees	434		
Parent company	Dai Nippon Printing Co., Ltd. (50.71%)		
Capital stock	JPY843.75k		
Shares outstanding	26,340,000	Shareholders	9,536

	Ownership (%)		% of shareholders
Individuals, others	37.45%	Individuals, others	98.29%
Japanese financial institutions	7.70%	Japanese financial institutions	0.10%
Other Japanese corporations	51.06%	Other Japanese corporations	0.41%
Foreign corporations	2.10%	Foreign corporations	0.87%
Japanese securities firms	1.48%	Japanese securities firms	0.31%
Treasury stock	0.20%	Treasury stock	0.01%

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Intelligent Wave Inc.

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