



# Financial Results for Q3 FY06/23

(July 1 to March 31, 2023)  
[Non-Consolidated]

Intelligent Wave Inc.  
Announced on May 12, 2023

# Financial Results Q3 FY06/23

**Key initiatives in Q3 FY06/23**

**Forecast for FY06/23**

**Reference**

# Overview (1/2)

In the last 20 years, both sales and profits reached record highs.  
Orders on hand increased, particularly for Cloud services, exceeding a record high of 10 billion.

Million yen

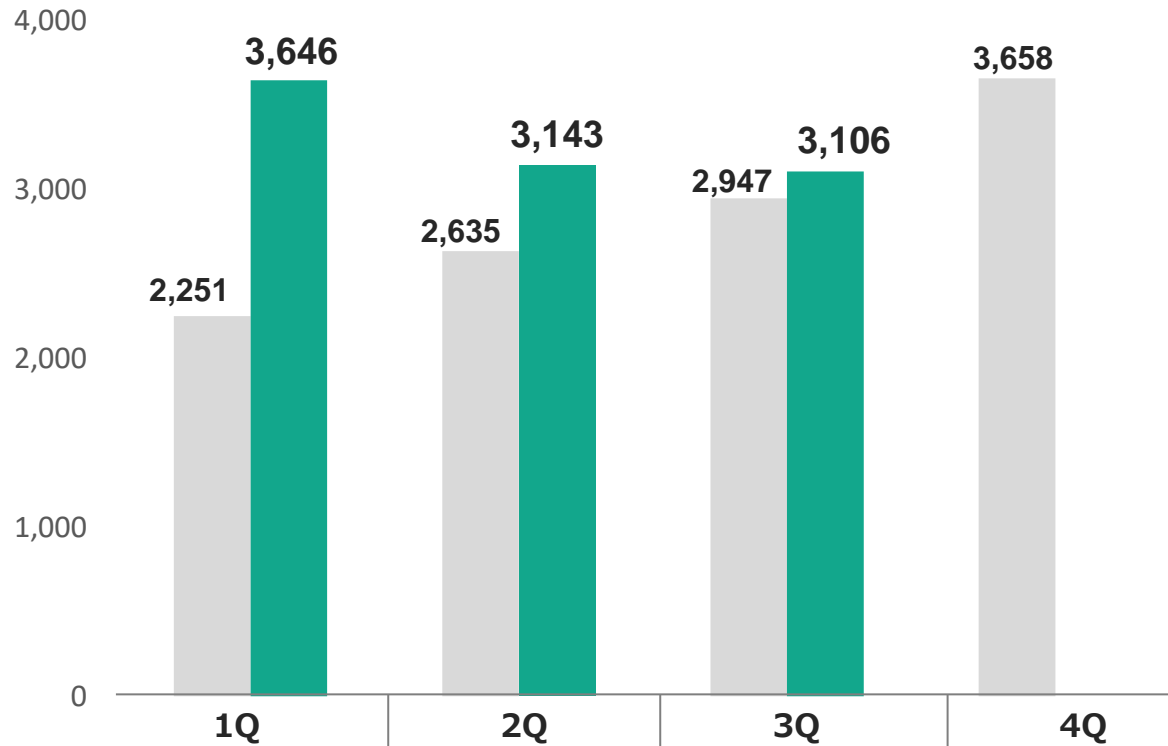
	Q3 FY06/22	Q3 FY06/23	Change (YoY)	
Net sales	7,834	9,896	+ 2,062	+ 26.3%
Operating income	943	1,136	+ 193	+ 20.5%
Ordinary income	964	1,157	+193	+ 20.0%
Net income	658	780	+122	+18.5%
Amount of orders	11,768	11,881	+ 113	+ 1.0%
Orders on hand	9,268	11,548	+ 2,280	+ 24.6%

# Overview (2/2)

In this fiscal year, there were FEP renewal projects in 1Q, and both sales and income grew. Cumulative 3Q sales and profits increased year on year. In 4Q, we expect further increases in net sales from System Development, Cloud services, etc.

## Net Sales

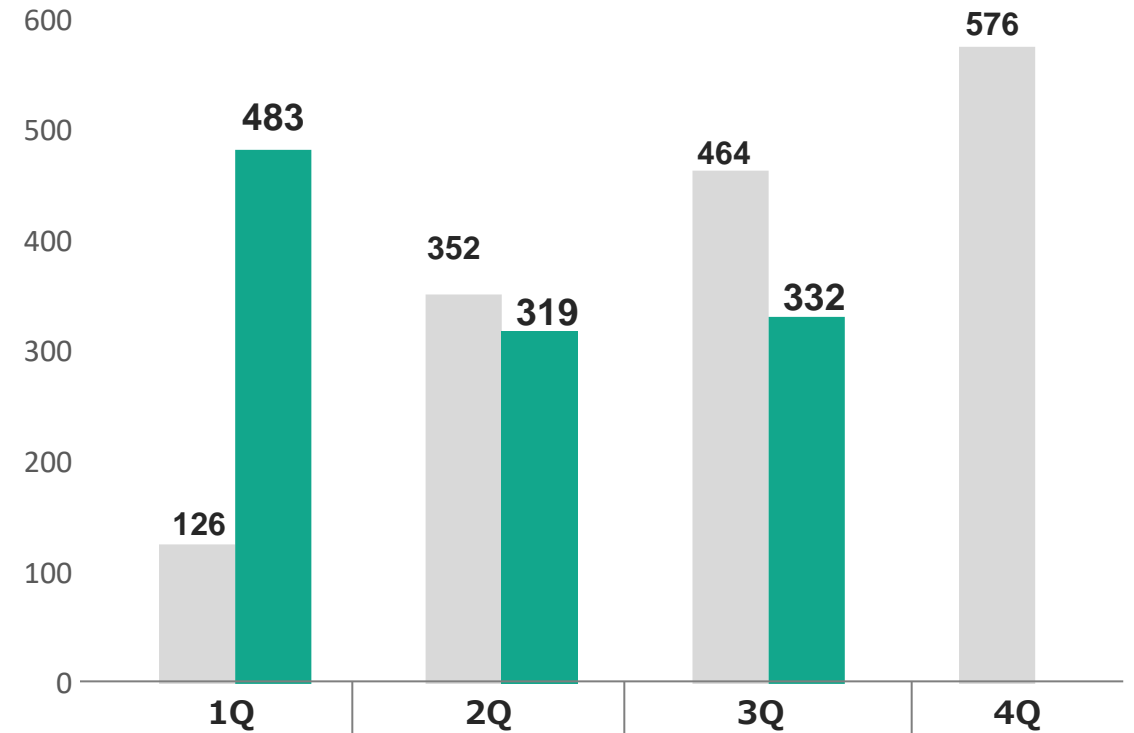
■ ...FY06/22 ■ ...FY06/23



## Operating income

Million yen

■ ...FY06/22 ■ ...FY06/23



\* FEP(Front-End Processor)system : Hardware and software with network connectivity, card usage authentication, and other functions required for credit card payment processing.

# Sales by categories

- (+) “Hardware” increased due to FEP system\* renewal for existing customers, “cloud services” increased, “system development” increased due to large projects for a credit card company.
- (△) “In-house products & Services” decreased mainly due to several license sales of in-house products in the previous fiscal year.

Million yen

	Q3 FY06/22	Q3 FY06/23	Change (YoY)	
<b>Net Sales</b>	<b>7,834</b>	<b>9,896</b>	<b>+2,062</b>	<b>+26.3%</b>
<b>Payment &amp; Finance</b>	<b>6,284</b>	<b>7,743</b>	<b>+1,459</b>	<b>+23.2%</b>
System Development	3,643	4,314	+671	+18.4%
Maintenance	1,107	1,230	+123	+11.1%
In-house Products & Services	482	315	△167	△34.6%
Third-party products & Services (Hardware, etc.)	1,050	1,882	+832	+79.2%
<b>Cloud Services</b>	<b>793</b>	<b>1,351</b>	<b>+558</b>	<b>+70.4%</b>
<b>Security</b>	<b>756</b>	<b>801</b>	<b>+45</b>	<b>+6.0%</b>

\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

\* FEP(Front-End Processor)system : Hardware and software with network connectivity, card usage authentication, and other functions required for credit card payment processing.

# Sales by Business Domain

(+) Sales increased due to FEP system renewal projects, an increase in the number of users of cloud services and a large-scale project for a credit card company.

Million yen

	Q3 FY06/22	Q3 FY06/23	Change (YoY)	
Net Sales	7,834	9,896	+ 2,062	+ 26.3%
Payment & Finance	6,284	7,743	+ 1,459	+ 23.2%
FEP · Fraud detection	4,191	5,118	+ 928	+ 22.1%
Payment Systems. etc	1,555	1,952	+ 397	+25.5%
Finance & Others	538	672	+ 134	+24.9%
Cloud Services	793	1,351	+ 558	+ 70.4%
Security	756	801	+ 45	+ 6.0%

# Top Three Clients by Sales

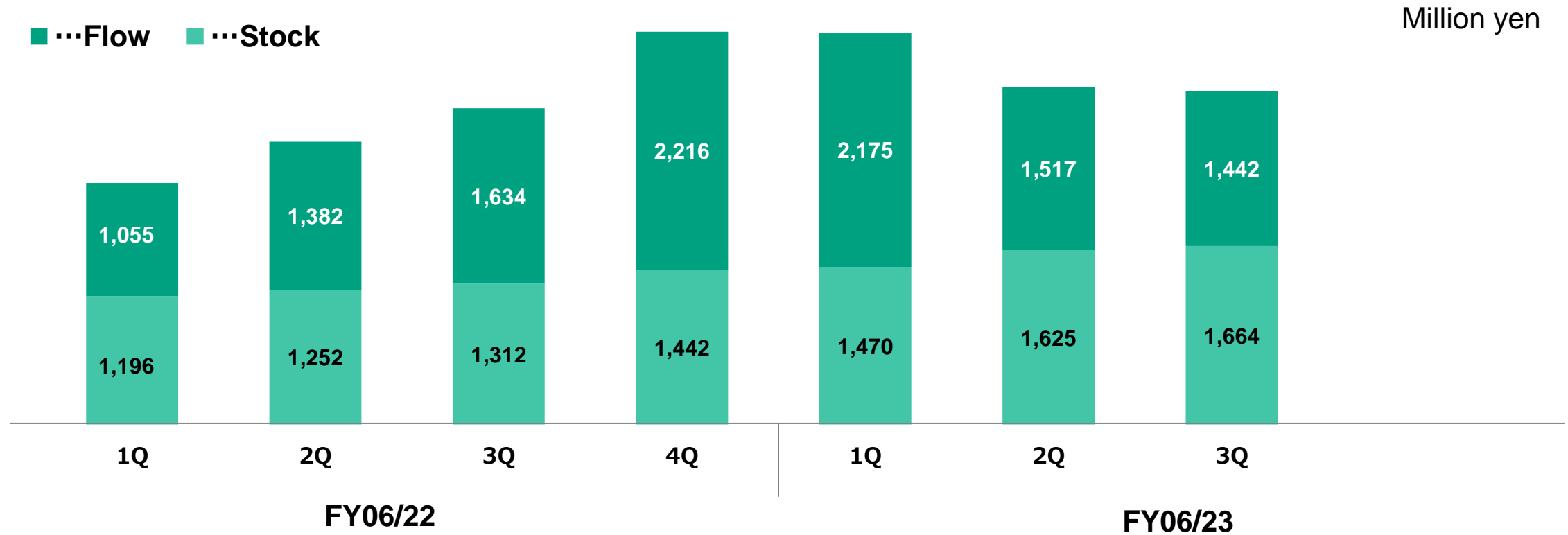
Million yen

		Q3 FY06/22	Q3 FY06/23	Change	Main projects
1.	System Integrator	696	1,403	+ 707	Hardware sales and system development due to FEP system renewal
2.	D N P	1,080	1,248	+ 168	Tokenization Service system (for Smartphone payment transaction) , Payment Platform* , System operations (24/7)
3.	System Integrator	505	824	+ 319	System development for credit card company

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

# Sales by “Stock” and “Flow”

Sales of “Stock” is steadily increasing due to higher sales of cloud services and maintenance.



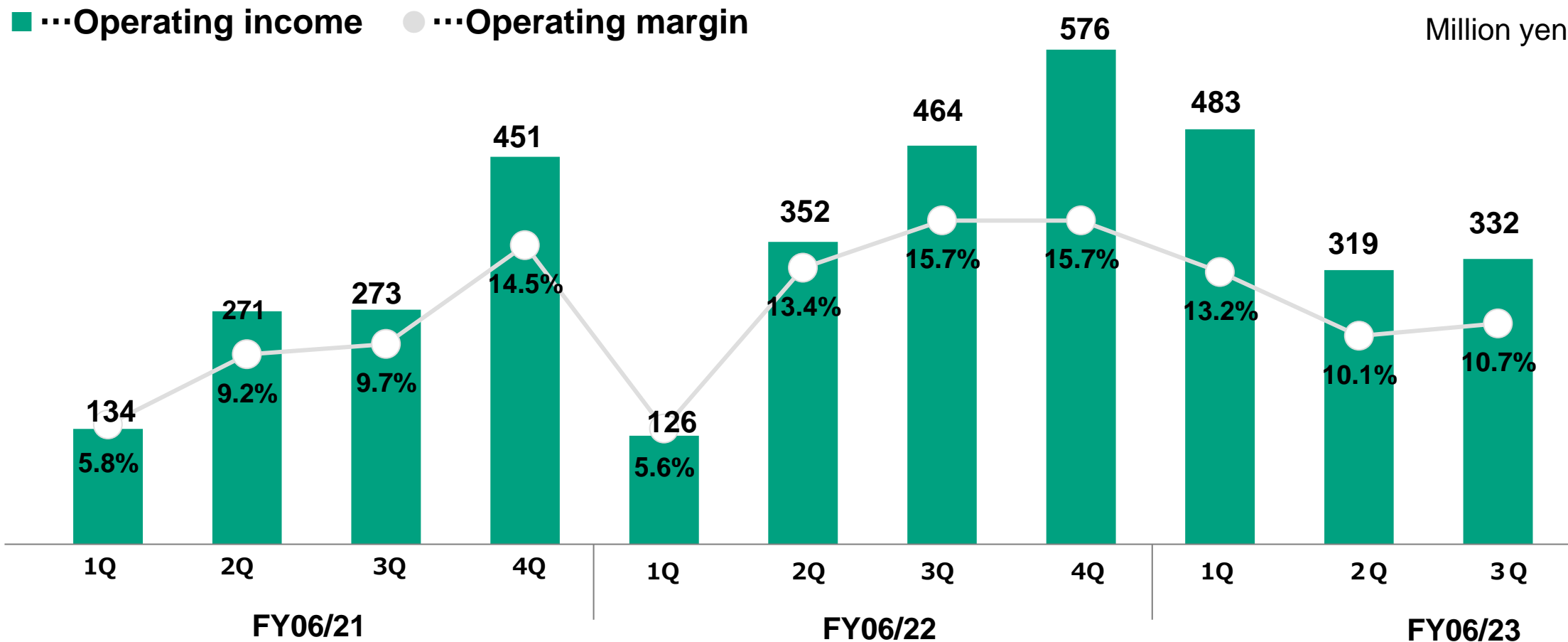
Stock: categories with contracts that allow us to record sales of a fixed amount on a regular basis  
Flow : categories with contracts that are not stationary in terms of the amount and timing

\* The classification of sales based on so-called "stock-type" and "flow-type" sales has been redefined from the previous year.



# Operating income

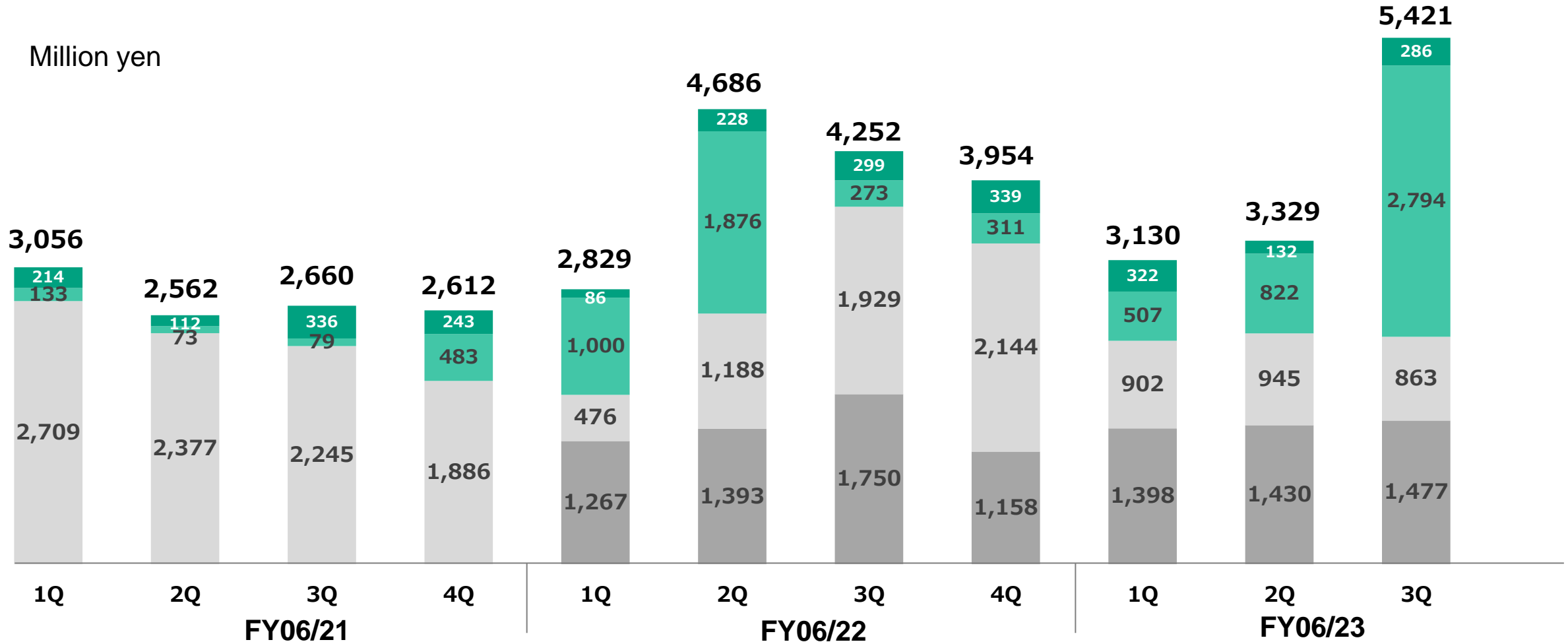
- (+) Increase in sales due to hardware sales and system development.
- (△) Increase expenses for Cloud services, and increase in SG&A expenses due to investment in human capital, etc.



# Amount of Orders

- ... Payment & Finance (System Development )
- ... Payment & Finance (Maintenance, Hardware, etc)
- ... Cloud Services
- ... Security

Million yen

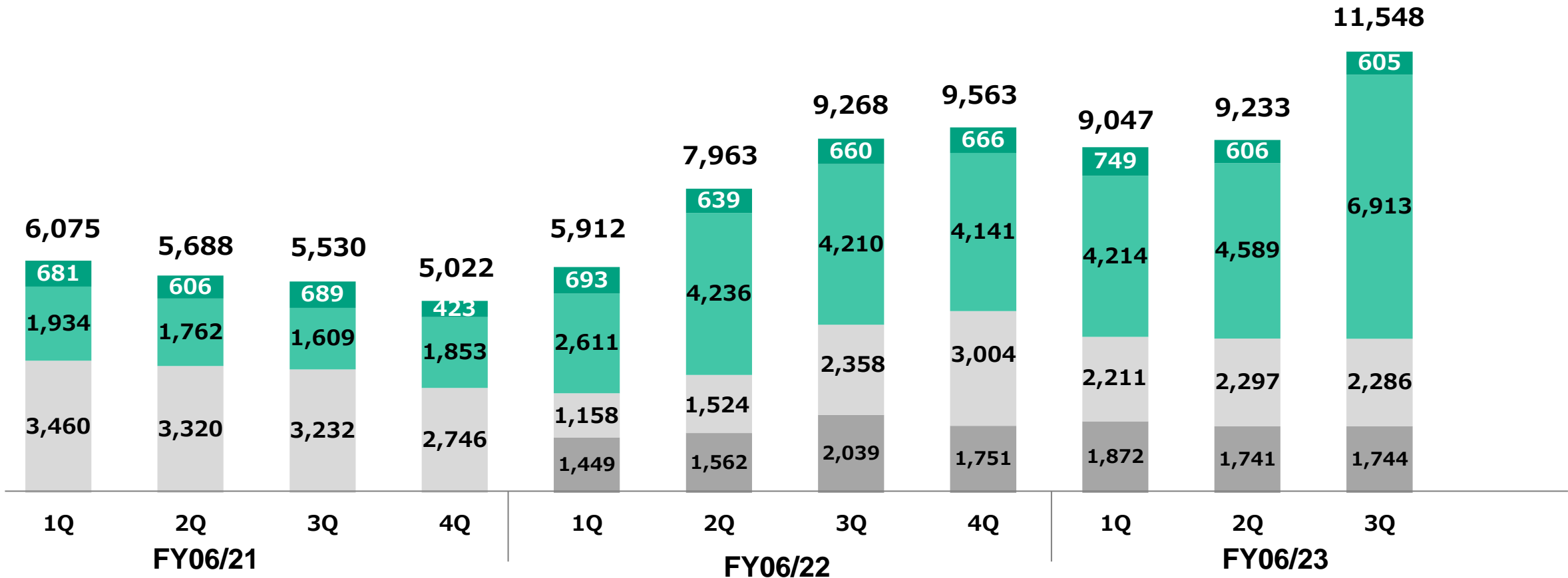


\* The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

# Orders on Hand

- ... Payment & Finance (System Development )
- ... Payment & Finance (Maintenance, Hardware, etc)
- ... Cloud Services
- ... Security

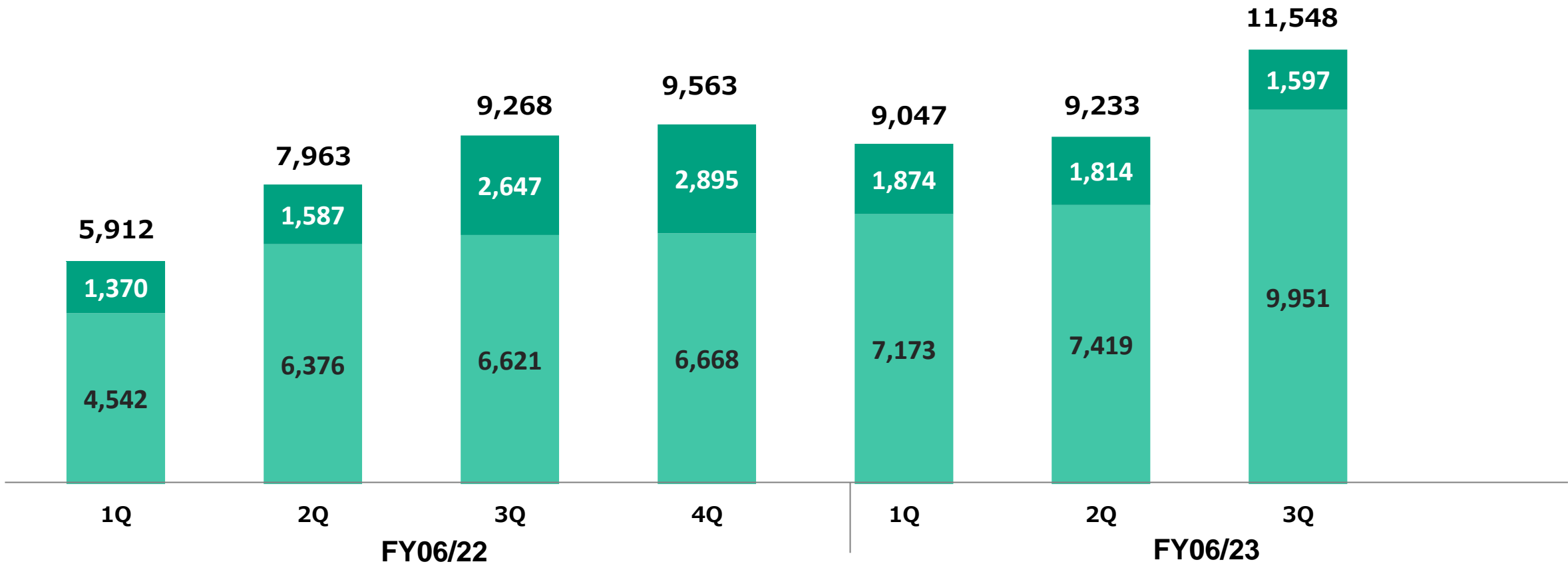
Million yen



\* The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

# Orders on Hand by “Stock” and “Flow”

■ ...Flow ■ ...Stock  
Million yen



\* The classification of sales based on so-called "stock-type" and "flow-type" sales has been redefined from the previous year.

# Cloud Service Business

Net sales grew significantly year on year with an increase in the number of users of nine companies. Gross profit declined due to an increase in costs for strengthening the operation system in line with an increase in the number of users in some service, but full year profit is expected to increase YoY. We are reviewing the operation system and working to improve profitability at an early stage.

		FY06/22					FY06/23				
Million yen		1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Net sales	Plan						430	450	470	650	2,000
	Actual	243	250	299	380	1,173	434	447	469		
Gross profit	Plan						33	67	62	138	300
	Actual	△19	31	84	25	120	△4	29	44		

## No. of customers by service lines (Actual)

	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	YoY
■ IOASIS	5	6	7	10	10	10	10	10			+ 3
■ IFINDS	3	3	3	3	3	4	5	5			+ 2
■ IGATES	4	4	5	6	6	6	7	9			+ 4
■ IPRETS	1	1	1	1	1	1	1	1			0

# Orders for Cloud Services

**IOASIS** received several large orders in the previous fiscal year. Orders and inquiries for **IFINDS** were strong due to increased damage from card-fraud. **IGATES** has expanded its customer base from new payment service providers to mid-size payment providers.

Million yen

	FY06/22				FY06/23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Amount of orders</b>	1,000	1,876	273	311	507	822	2,794	
<b>Orders on hand</b>	2,611	4,236	4,210	4,141	4,214	4,589	6,913	

	Overview
<b>IOASIS</b>	One new company plans to start using service in 4Q. Inquiries from 3 new companies.
<b>IFINDS</b>	2 companies plan to start using service in 4Q. 3 new companies has made an offer to use service in next fiscal year. 3 companies has made an offer to use the new service for shared scoring service for fraud detection.
<b>IGATES</b>	Expands customer base from new payment service providers to mid-size payment providers Received a partial order for a large project to develop a multi-user platform. (Scheduled start of use in June 2024)

## Financial Results Q3 FY06/23

# Key initiatives in Q3 FY06/23

## Forecast for FY06/23

## Reference

# Evolution of next-generation card fraud prevention

The amount of damage caused by card fraud in 2021 was 43.6 billion yen\*, the worst ever, and as the top vendor of card fraud management solutions, we began tackling co-creation resonance across industries.

## Rule & Monitoring

rule-based fraud detection\*

- Provision of BPO services on behalf of credit card companies to monitor fraud detection and to handle theft and loss report from card members (2 companies)

\* Rule-based fraud detection:  
The system for registering rules for fraud patterns that are known in advance and automatically detecting similar transactions when they occur

## Scoring

score-based fraud detection

- FARIS Joint Scoring Service is scheduled to be released in June in collaboration with PKSHA Technology to share fraudulent data among card companies (3 internally decided)

\* Score-based fraud detection:  
The system where AI automatically learns card transactions to score the suspicion in each transaction.

## Fraud Sharing

Fraudulent Information Sharing between issuers

- Developing a CPP (Common Point of Purchase, merchants suspected for information leakage) extraction service by consolidating issuers' data (scheduled for completion in June 2023)
- Consideration of improving the accuracy of cross-industry rules through the sharing of rules between issuers

## Alliance Resonance

Industry-wide resonance creation

- Improve fraud detection capabilities by sharing fraudulent information among payment players such as issuers, acquirers and brands
- In conjunction with JCB's delivery stop system against fraud transactions, reinforce linkage from fraud detection to delivery stop (scheduled to begin in 2024)

**IFINDS**



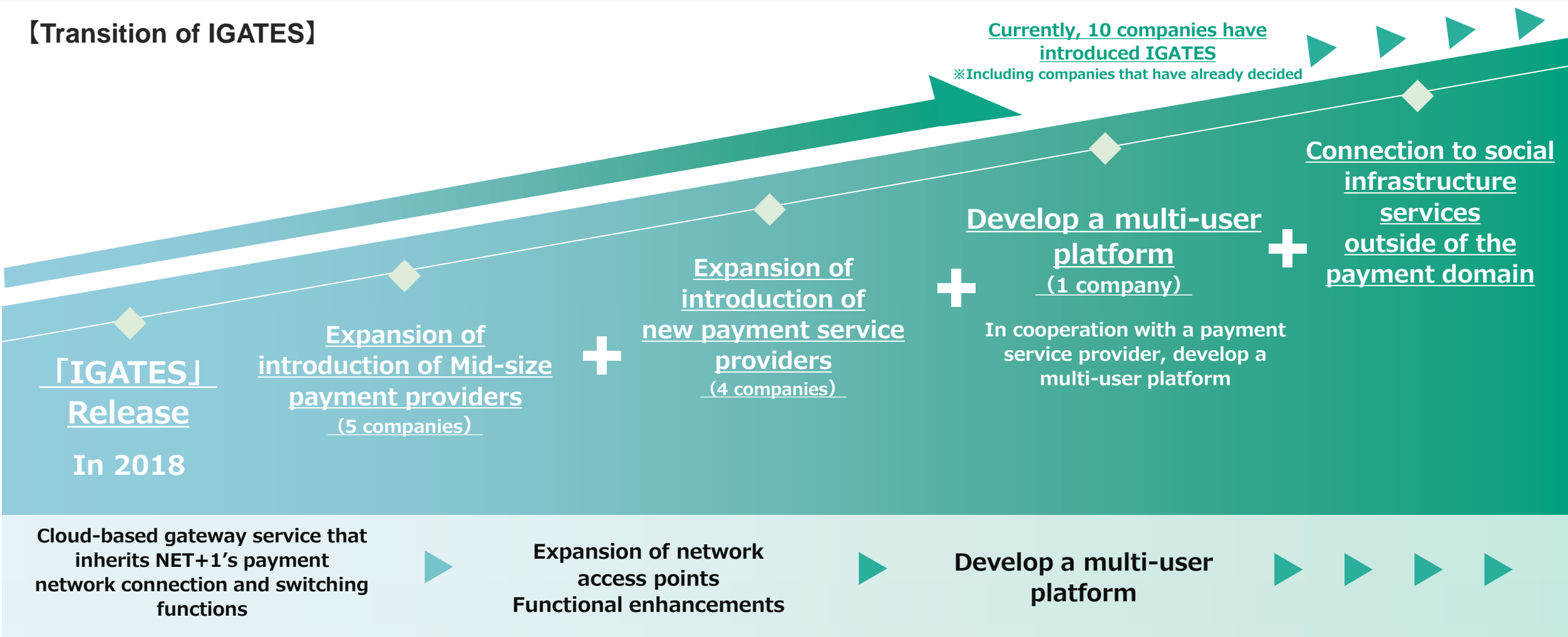
**Platform**



# Evolution of IGATES

Demand for the use of IGATES, a payment network connection and switching service, increased. With the trend of change in the payment industry, we are expanding our customer base and developing a multi-user platform.

## 【Transition of IGATES】



# Expansion of payment domains

Demand for modernization of systems (Utilization of new technologies) is growing in the payment industry. We will cultivate new domains of payment industry and develop new products by co-creating with customers from upstream processes. and co-creating with customers from higher process.

## Expansion of payment domains

### Existing domains

- FEP
- Fraud detection
- Acquiring System

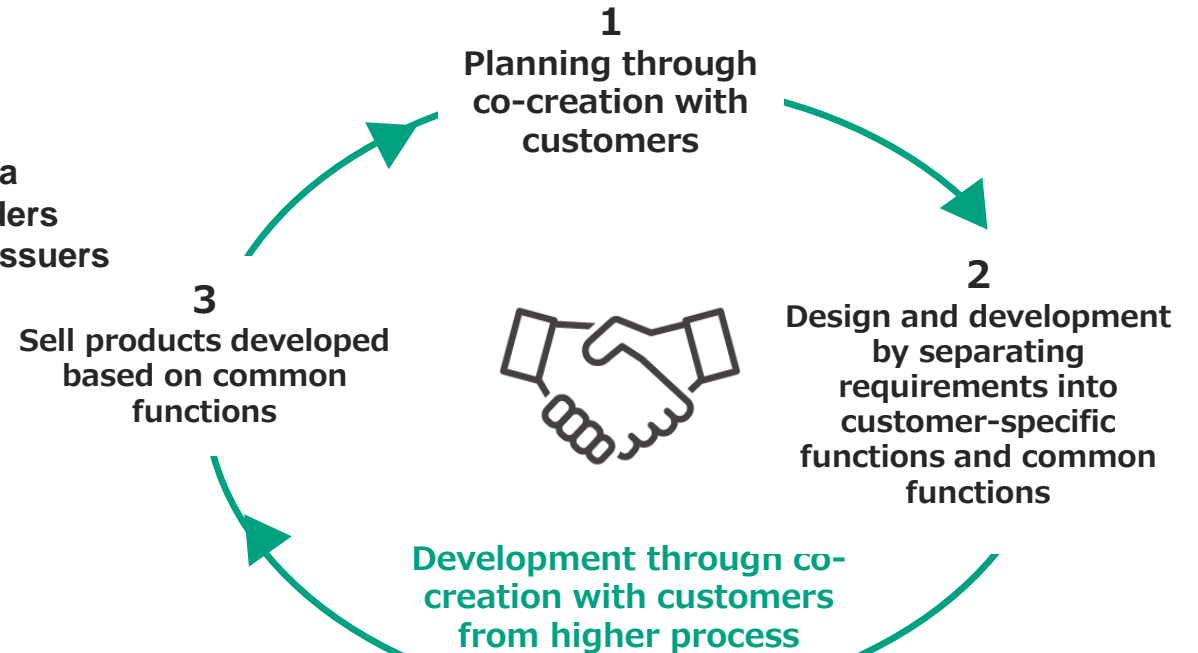


### Major Expanding Domains

- Acquiring System
- Utilization of payment data
- New services for cardholders
- Business Operations for Issuers
- System operation, etc.

### Modernization of Systems

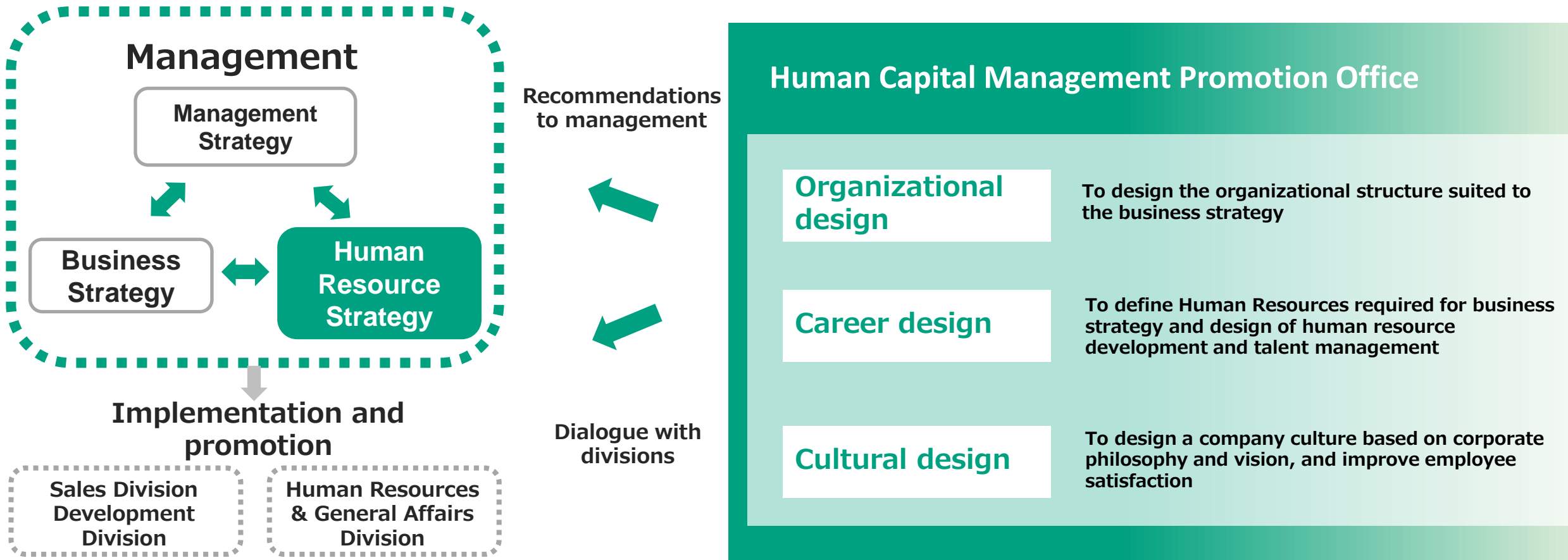
### Product Development Flow



# Establishment of Human Capital Management Promotion Office

Established the Human Capital Management Promotion Office to examine human resources and organization from the perspective of business divisions.

Began examining human resource strategies linked to business strategies and examining organizational structures and fostering and instilling IWI's culture for business expansion.

















# Identification of Material Issues

Four material issues and seven related key themes have been identified as important issues to be tackled through our business activities.

Specific initiatives and progress on material issues will be announced on the corporate website in phases.

## Enhance the reliability of our business and contribute to a sustainable society

Material Issues	Key themes	Relationship with the SDGs
Creating an environmentally friendly and sustainable future society	Harmonious coexistence with the global environment through individual environmental awareness and action	 
Creating a future society where people can shine in their own way	Creating an environment where diverse human resources can bring their strengths and enhancement of wellbeing	  
Creating a safe and prosperous future society through innovation	Fostering human resources for challenge, growth and independence and organizations	 
	Strengthen quality management to support a cashless society that never stops 24 hours a day, 365 days a year	 
Risk Management and Governance to enhance public trust	Reinforcement of information security	
	Reinforcement of BCP (Business Continuity Plan)	 
	Reinforcement of compliance (adherence to laws, regulations and codes of conduct)	 

# First to be recognized as one of the "White 500 "

Promoting health management to strengthen our human resources, our most important management resource.  
First to be recognized as one of the "White 500," which honors the top 500 corporations in the health and productivity management 2023.

## Purpose of Health Management Activities

In our business, where safety and security are required, we aim to achieve "well-being\* of each and every employee and sustainable growth of our company" in order to enhance both the reliability of our customers' and our company's business and contribute to a sustainable society.

\*A state of complete physical, mental, and social well-being and entire contentment.

## Progress in Health Management

- May 2021 Established the Declaration of Health Management
- March 2022 First certified as Excellent health and productivity management 2022
- July 2022 Established the Health Management Promotion Division
- March 2023 Recognized for the second consecutive year as an Excellent health and productivity management 2023, and First time to be recognized as a White 500 company



**We will continue to promote initiatives to ensure that our employees remain healthy both in body and mind.**

**Financial Results Q3 FY06/23**

**Key initiatives in Q3 FY06/23**

**Forecast for FY06/23**

**Reference**

# FY06/23 Forecasts

Million yen

	FY06/22 Actual			FY06/23 forecast			Change (full year)
	1 H	2 H	Full year	1 H (actual)	2 H(Full year-1H actual)	Full year	YoY
<b>Net sales</b>	<b>4,887</b>	<b>6,606</b>	<b>11,493</b>	<b>6,789</b>	<b>6,711</b>	<b>13,500</b>	<b>+17.5%</b>
Payment & Finance	3,915	5,313	9,229	5,393	4,757	10,150	+10.0%
Cloud Services	493	680	1,173	881	1,119	2,000	+70.5%
Security	478	612	1,090	514	836	1,350	+23.9%
Operating income [OM]	<b>478</b> (9.8%)	<b>1,041</b> (15.8%)	<b>1,519</b> (13.2%)	<b>803</b> (11.8%)	<b>997</b> (14.9%)	<b>1,800</b> (13.3%)	<b>+18.5%</b>
Ordinary income [OM]	<b>499</b> (10.2%)	<b>1,056</b> (16.0%)	<b>1,556</b> (13.5%)	<b>824</b> (12.1%)	<b>1,016</b> (15.1%)	<b>1,840</b> (13.6%)	<b>+18.3%</b>
Net income [NM]	<b>337</b> (6.9%)	<b>717</b> (10.9%)	<b>1,055</b> (9.2%)	<b>558</b> (8.2%)	<b>722</b> (10.8%)	<b>1,280</b> (9.5%)	<b>+21.3%</b>

\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

# FY06/23 Forecasts

Million yen

	FY06/22 (actual)			FY06/23 (forecast)			YoY (2H)
	1 H	2 H	Full year	1 H (actual)	2 H(Full year- 1H actual)	Full year	
<b>Net sales</b>	<b>4,887</b>	<b>6,606</b>	<b>11,493</b>	<b>6,789</b>	<b>6,711</b>	<b>13,500</b>	<b>+1.6%</b>
Payment & Finance	3,915	5,313	9,229	5,393	4,757	10,150	△10.5%
System Development	2,369	2,720	5,089	2,840	2,970	5,810	+9.2%
Maintenance	725	772	1,497	816	824	1,640	+6.7%
In-house Products & Services	377	190	567	218	182	400	△4.2%
Third-party products & Services (Hardware, etc.)	442	1,631	2,073	1,517	783	2,300	△52.0%
<b>Cloud Services</b>	<b>493</b>	<b>680</b>	<b>1,173</b>	<b>881</b>	<b>1,119</b>	<b>2,000</b>	<b>+64.6%</b>
<b>Security</b>	<b>478</b>	<b>612</b>	<b>1,090</b>	<b>514</b>	<b>836</b>	<b>1,350</b>	<b>+36.6%</b>
<b>Operating income [OM]</b>	<b>478</b> (9.8%)	<b>1,041</b> (15.8%)	<b>1,519</b> (13.2%)	<b>803</b> (11.8%)	<b>997</b> (14.9%)	<b>1,800</b> (13.3%)	<b>△4.2%</b>

\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.



**Financial Results Q3 FY06/23**

**Key initiatives in Q3 FY06/23**

**Forecast for FY06/23**

**Reference**

# Cost of manufacturing

Thousand yen

	FY06/22				FY06/23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Materials cost</b>	7,194	8,162	11,264	10,943	21,857	6,582	13,961	
<b>Labor cost</b>	718,848	734,397	714,332	724,102	731,531	737,858	696,398	
<b>Expenses</b>	431,898	413,397	403,356	501,360	486,571	517,615	512,983	
<b>Subcontracting cost</b>	603,162	668,363	757,872	831,229	892,098	911,802	929,561	
<b>Total manufacturing cost</b>	1,761,105	1,824,322	1,886,826	2,067,636	2,132,058	2,173,859	2,152,905	
<b>Work in progress (beginning of period)</b>	209,668	283,587	279,908	324,040	257,338	317,327	262,103	
<b>Work in progress (end of period)</b>	283,587	279,908	324,040	257,338	317,327	262,103	276,529	
<b>Transfer to other accounts</b>	247,200	344,251	396,910	376,174	337,209	382,237	380,374	
<b>Cost of sales</b>	1,439,985	1,483,749	1,445,783	1,758,164	1,734,864	1,846,841	1,758,103	

# SG&A expenses

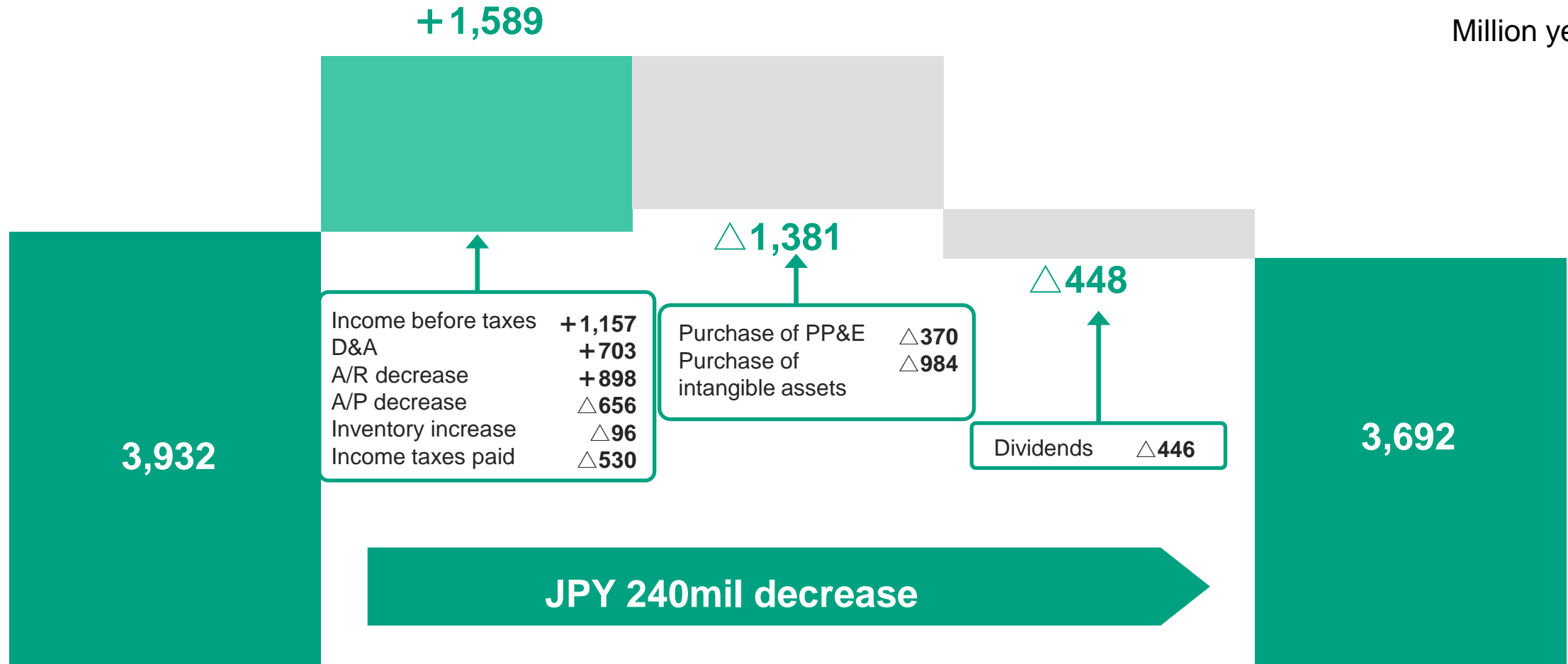
Thousand yen

	FY06/22				FY06/23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Salaries	290,810	310,527	335,648	361,087	384,909	388,481	372,704	
Training and recruiting	10,332	13,989	24,046	24,878	14,951	22,121	18,514	
Rent	18,793	18,328	16,822	17,320	24,509	25,362	24,550	
Advertising	12,691	11,432	12,179	9,110	9,994	13,631	20,482	
R&D	9,301	5,513	1,855	0	1,319	6,972	11,463	
Depreciation and amortization	9,570	9,705	10,193	11,260	9,125	10,246	10,045	

	Q3 FY06/22	Q3 FY06/23	Change	Million yen
SG&A	1,569	1,985	+ 416	
(breakdown)		salaries	+ 209	
		Training and recruiting	+ 7	
		Advertising	+ 7	
		Research and development	+ 3	
		Others	+ 190	

# Cash Flows

Million yen



30-Jun-22

Operating activities

Investing activities

Financing activities

31-Dec-22

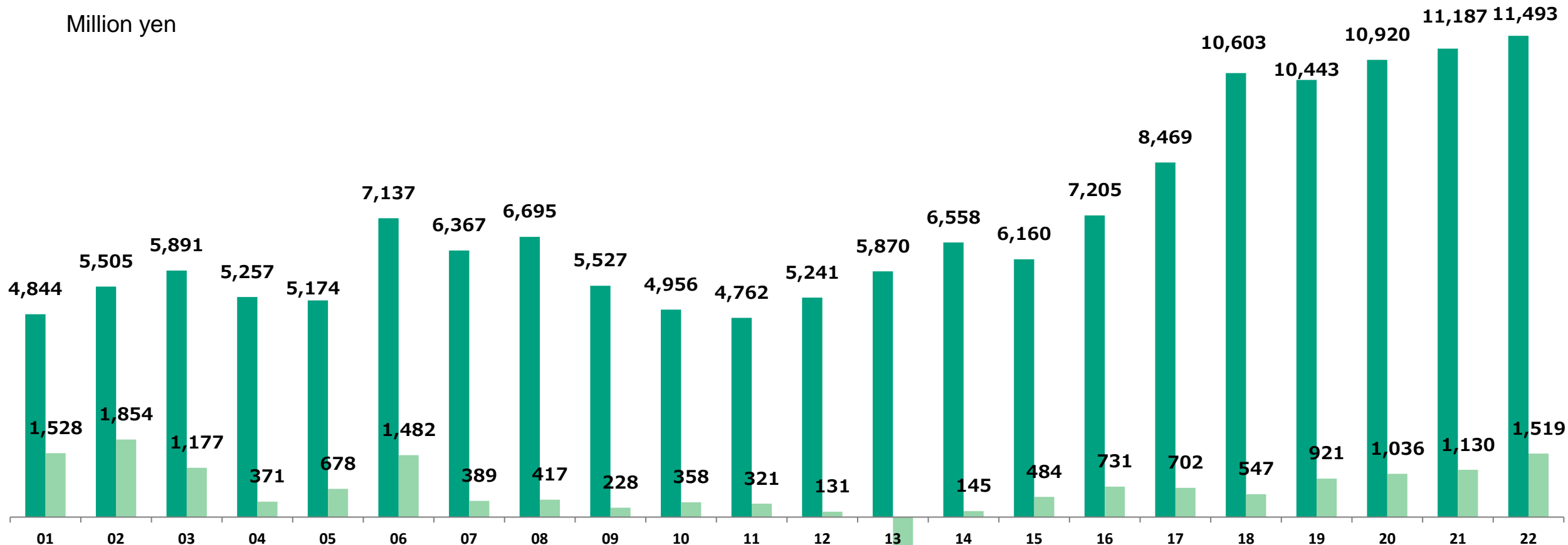
Cash and cash equivalents

Cash and cash equivalents

# Historical performance

■ Net sales    ■ Operating income

Million yen



Note: Consolidated results are shown through FY06/15.

# Reference) Our Cloud Services

## ■ **IOASIS**

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

## ■ **IPRETS**

- Point management system that grants points at the time of payment, etc.

## ■ **IGATES**

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

## ■ **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.

# Company overview



As of December 31,2022

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	449
Parent company	Dai Nippon Printing Co., Ltd. (50.71%)
Capital stock	JPY843.75k
Shares outstanding	26,340,000
	Shareholders 9,525

	Ownership (%)		% of shareholders
Individuals, others	35.68%	Individuals, others	98.00%
Japanese financial institutions	6.37%	Japanese financial institutions	0.10%
Other Japanese corporations	51.08%	Other Japanese corporations	0.44%
Foreign corporations	4.28%	Foreign corporations	1.11%
Japanese securities firms	2.36%	Japanese securities firms	0.33%
Treasury stock	0.23%	Treasury stock	0.01%



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**Intelligent Wave Inc.**

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