

August 7, 2020



Financial Results for FY06/20 (July 1, 2019 to June 30, 2020) [Non-Consolidated]

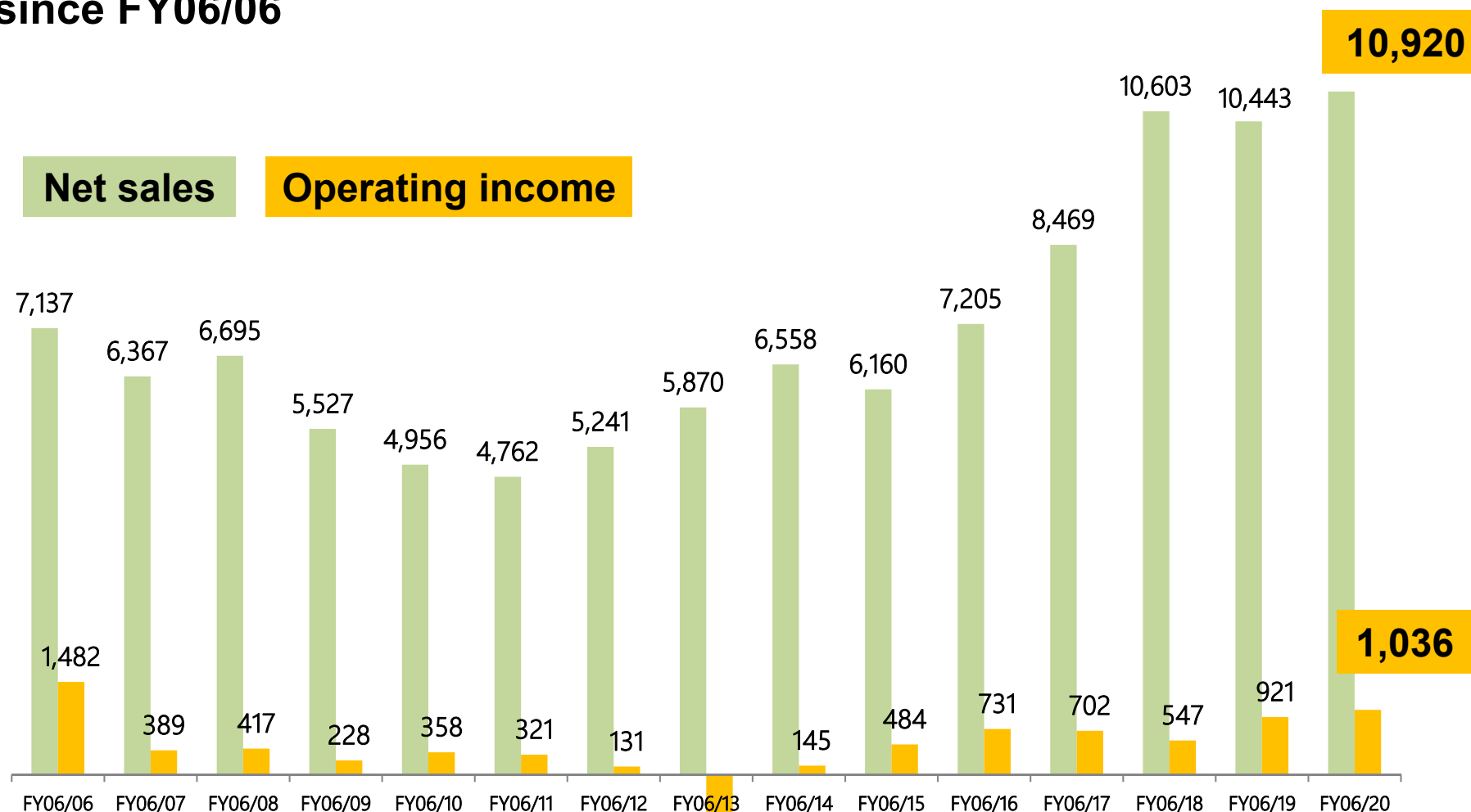
Financial and Operating Results FY06/20

Performance in FY06/20



Net sales and operating income both surpassed initial targets
Operating income was back above JPY1.0bn for the first time since FY06/06

Million yen



Note: Consolidated results are shown through FY06/15.

Revisions to the medium-term business plan



Medium- to long-term growth scenario unchanged
Over the long term, target an operating margin of 15%

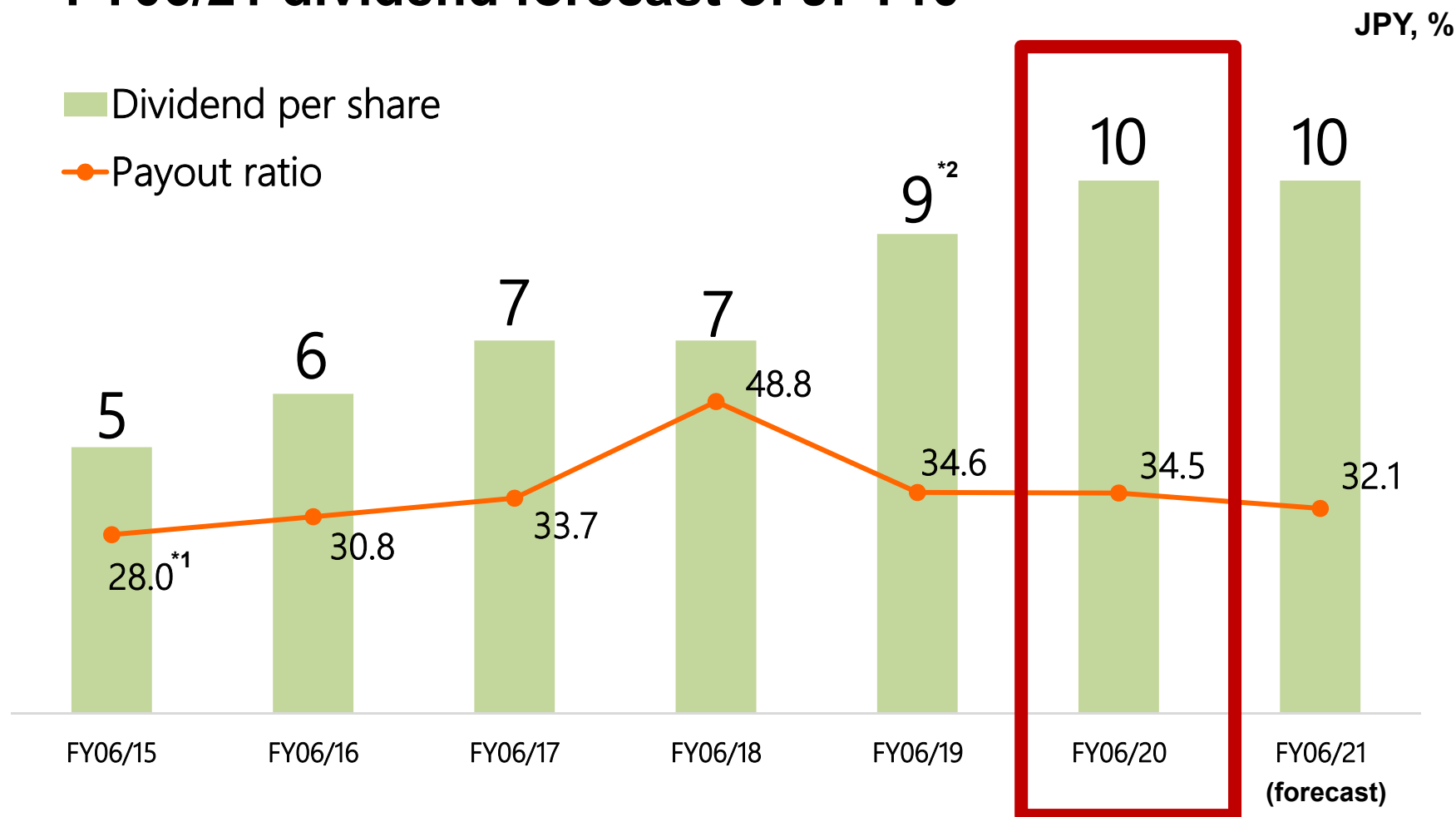
		Million yen			
New plan		FY06/20 (actual)	FY06/21 (forecast)	FY06/22 (target)	FY06/23 (target)
Net sales		10,920	11,000	12,000	13,500
Operating income [OM]		1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]
Old plan		FY06/20 (forecast)	FY06/21 (target)	FY06/22 (target)	
Net sales		10,600	11,200	12,000	
Operating income [OM]		1,000 [9.4%]	1,080 [9.6%]	1,200 [10.0%]	

Note: “OM” refers to the operating margin.

Shareholder returns



- Increased the year-end dividend to JPY10 per share
- FY06/21 dividend forecast of JPY10



*1. This payout ratio is based on consolidated figures.

*2. Includes a JPY1 dividend commemorating our listing on the First Section of the Tokyo Stock Exchange.

Financial Results FY06/20

FY06/20: Overview of results

YoY comparison



Net sales and income up

Million yen

	FY06/19	FY06/20	Change	Percentage change
Net sales	10,443	10,920	477	+4.6%
Operating income	921	1,036	115	+12.5%
Ordinary income	953	1,074	121	+12.7%
Net income	683	762	79	+11.6%

FY06/20: Overview of results

Vs. forecast



Net sales and income exceeded initial forecasts

Million yen

	FY06/20 forecast	FY06/20 actual	Vs. forecast
Net sales	10,600	10,920	+3.0%
Operating income	1,000	1,036	+3.6%
Ordinary income	1,040	1,074	+3.3%
Net income	720	762	+5.8%

Top three clients, by sales YoY comparison



Million yen

	FY06/19	FY06/20	Change	Main projects
1. DNP	1,952	2,270	318	Smartphone payments, payment platforms
2. Credit card issuer	684	832	148	Network gateway
3. System development company	313	740	427	Network gateway

FY06/20: Segment summary



Million yen

Financial Systems Solutions					
	FY06/19		FY06/20		
					Change Percentage change
Net sales	9,336		9,857		521 +5.6%
Operating income [OM]	890	[9.5%]	1,123	[11.4%]	233 +26.2%
Product Solutions					
	FY06/19		FY06/20		
					Change Percentage change
Net sales	1,106		1,063		(43) (3.9%)
Operating income [OM]	31	[2.8%]	(87)	[(8.2%)]	(118) —

Note: “OM” refers to the operating margin.

FY06/20

Financial Systems Solutions: Net sales



(+): Increases in cloud services and hardware

(-): Decline in in-house packages

			Million yen
	FY06/19	FY06/20	Change
Net sales	9,336	9,857	521
Software development	5,668	5,791	123
Hardware	1,140	1,526	386
In-house packages	512	244	(268)
Cloud services	637	828	191
Others	1,379	1,468	89
Operating income	890	1,123	233

FY06/20

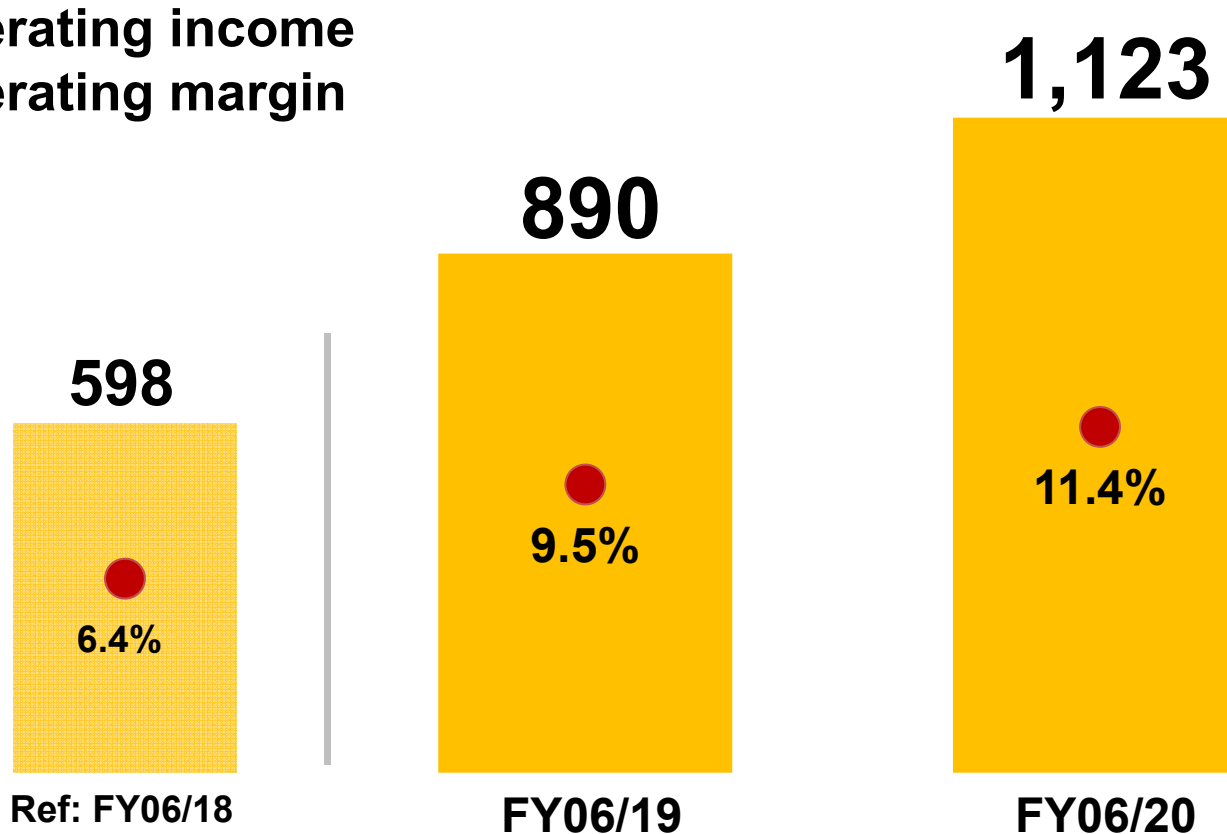
Financial Systems Solutions: Operating income

(+): Increased sales of hardware, improvement in income from software development and cloud services

(-): Lower sales of high-margin in-house packages

Million yen

■ ...Operating income
● ...Operating margin








+233
YoY

FY06/20

Product Solutions: Net sales



Sales of third-party product increased, but sales of high-margin in-house products declined

		Million yen	
	FY06/19	FY06/20	Change
Net sales	1,106	1,063	(43)
In-house products 	488	418	(70)
Third-party products    	617	644	27
Operating income (loss)	31	(87)	(118)

Medium-term business plan FY06/21 to FY06/23

Impact of the COVID-19 pandemic



(Response to date)

Basic policy: Continue operations

- **Established telework environment for all employees**
- **No employee has tested positive for the virus to date**

(Impact on the former medium-term business plan)

- **No major hindrance to production (development) activities**
- **Some sales efforts suspended, however**
- **Difficult to accurately assess impact, but revised figures due to risk that speed of growth might be curtailed**

“Evolving in three dimensions”

Expanding our scale of business

**Transition to subscriptions (recurring-revenue business),
centering on cloud services**

**In the longer term, target net sales of JPY15.0bn and an
operating margin of 15%**

Cultivating human resources

Become a company good at nurturing people

Improving our corporate culture

Be an enterprising and friendly workplace

Medium-term business plan

Priority measures



To grow over the medium to long term,
accelerate investment in new businesses

<Measures continuing from FY06/20>

Next-generation NET+1	R&D complete, marketing activities underway
Next-generation fraud detection (FARIS)	Planning to deploy at one company in Q2 (PoC project completed at one company, underway at one more)
EoM	Conducting marketing activities using web seminars

<New concepts for FY06/21>

Provide as
cloud services

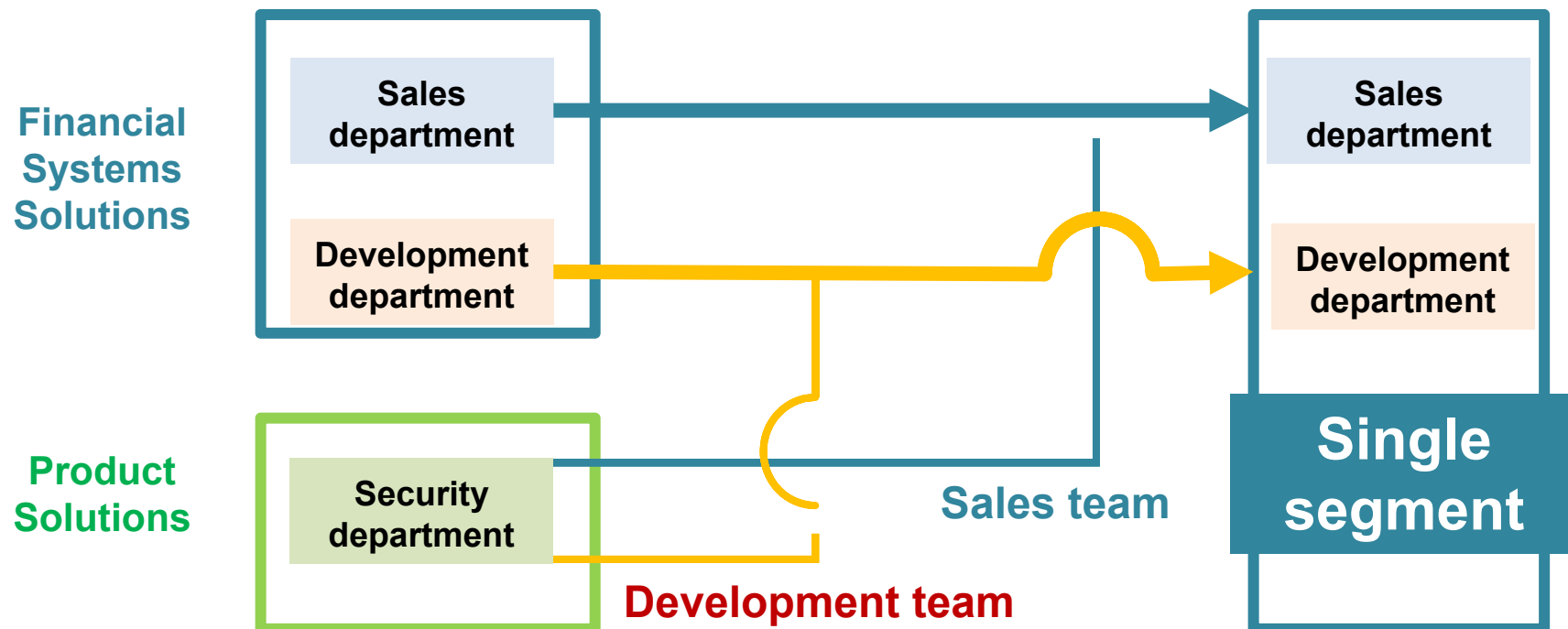
Provision of shared front-end systems	Leverage our strengths in the development of front-end processing (FEP) systems to provide shared-use front-end systems
Integrated security platforms	Configure integrated platforms to provide optimal security functions tailored to user environments

Medium-term business plan

Change in reportable segments



We will revise the organization and change our business management structure to invigorate sales activities and promote the development of new products and services



Medium-term business plan



FY06/23 targets:

Net sales of JPY13.5bn, operating income of JPY1.5bn

					Million yen
	FY06/20 (actual)	FY06/21 (forecast)	FY06/22 (target)	FY06/23 (target)	CAGR
Net sales	10,920	11,000	12,000	13,500	7.3%
Operating income [OM]	1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]	13.1%

Notes: “OM” refers to the operating margin.

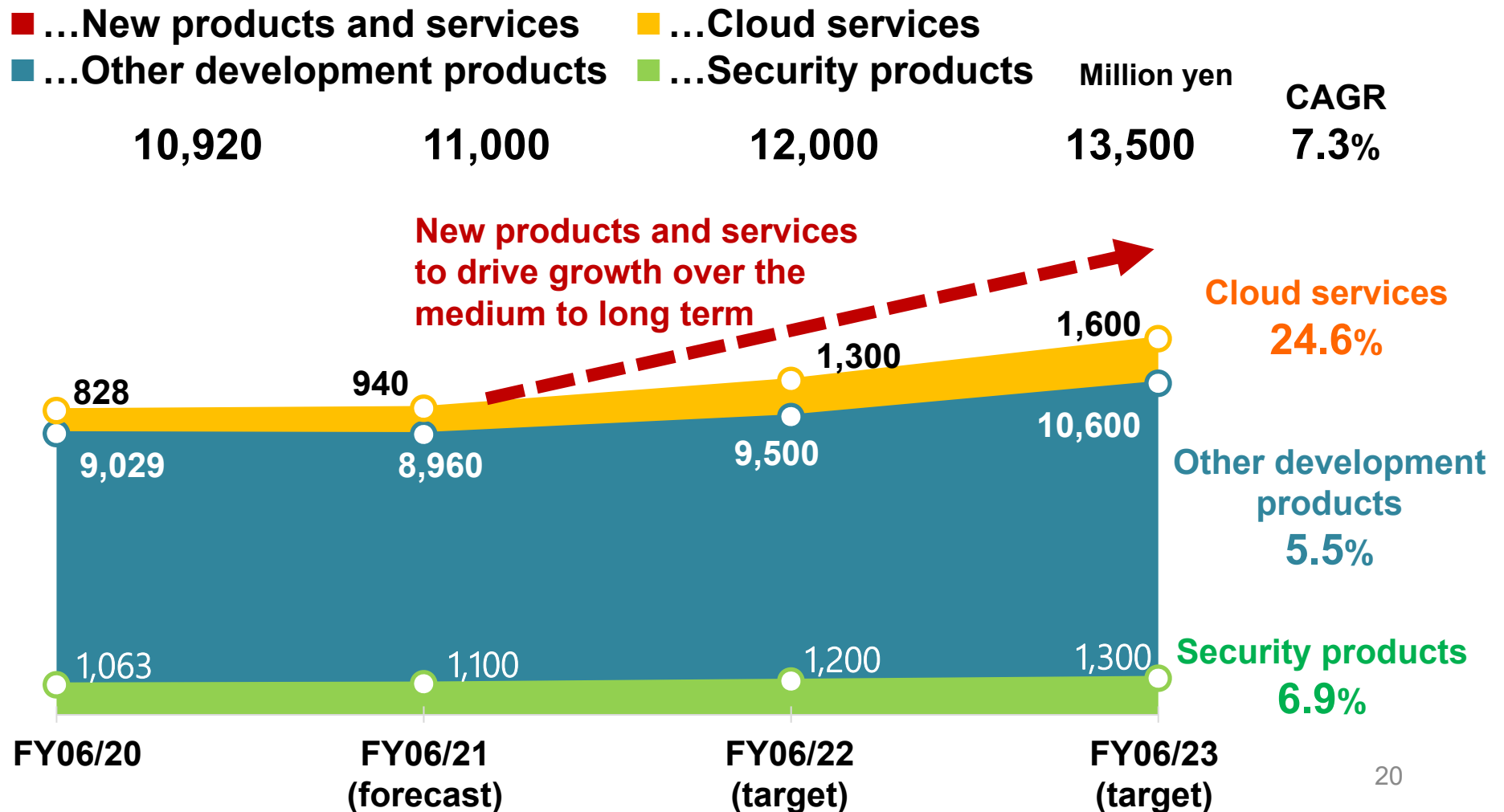
The company began reporting results as a single segment from FY06/21.

Medium-term business plan

Expanding our scale of business



New products and services to drive expansion



Medium-term business plan

Expanding our scale of business

Sales of cloud services (service charges)



IOASIS (merchant acquiring) ➤

IFINDS (fraud detection) ➤

IGATES (switching) ➤

IPRETS (point system) ➤

New services

Action plans

➤ Harness demand from regional banks and companies entering the market

➤ Introduce FARIS AI scores and enhance integrated proposal-making capabilities (including operational services), harnessing demand from credit card issuers

➤ Harness demand from existing payment providers and companies entering the market

➤ Provide point management systems for debit card members, and harness demand among regional banks promoting the use of debit cards

Million yen

386

FY06/18

637

FY06/19

828

FY06/20

940

FY06/21
(forecast)

1,300

FY06/22
(target)

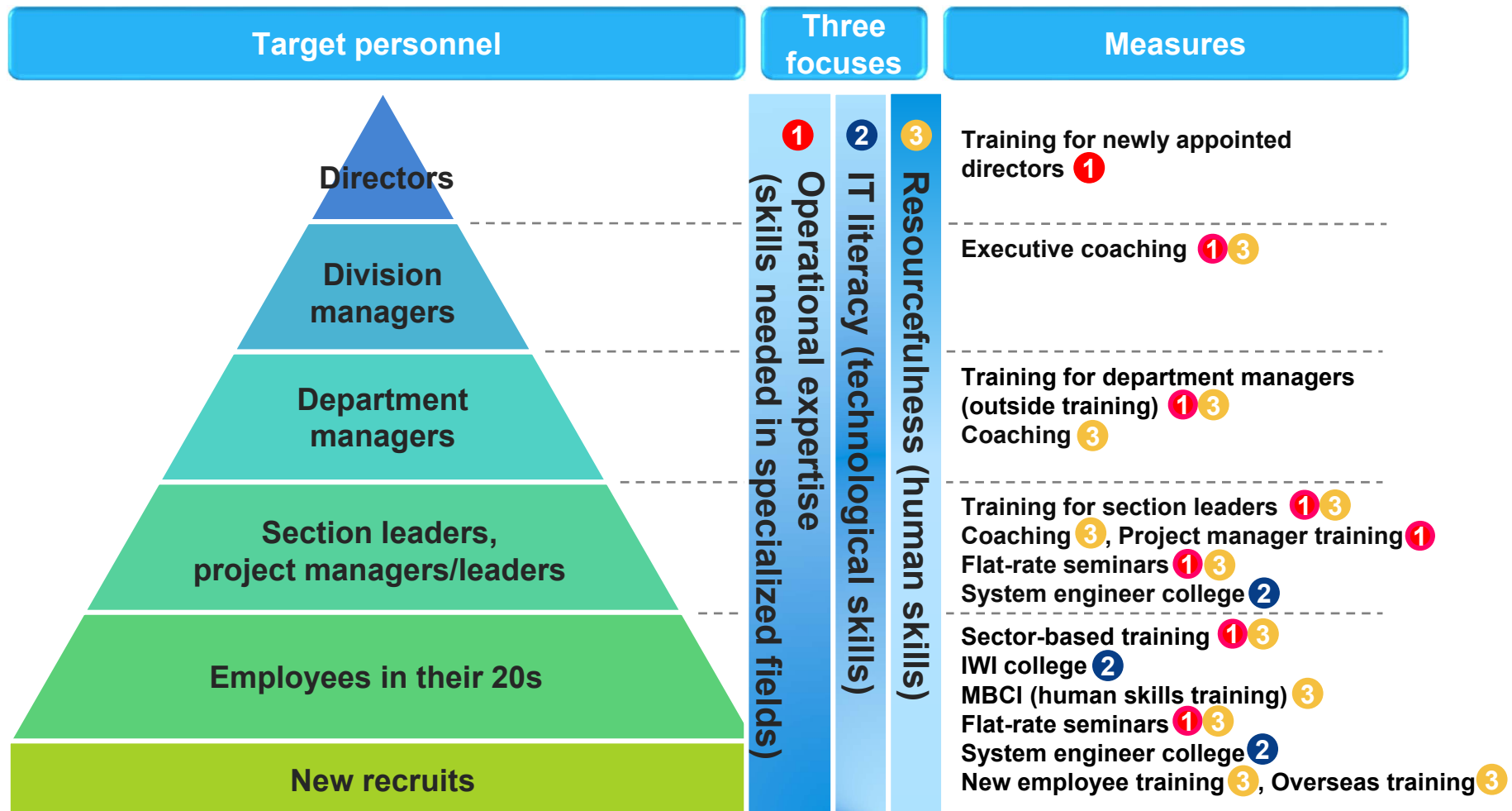
1,600

FY06/23
(target)

Medium-term business plan

Cultivating human resources

Developing operational expertise, IT literacy, and resourcefulness



Medium-term business plan

Improving our corporate culture



Bolster productivity by creating a worker-friendly environment

<A corporate culture that encourages taking vacation time>

Available leave taken	IWI*1	National average*2
Annual paid leave	79.8%	52.4%
Childcare leave	Men: 30.0% Women: 100.0%	Men: 7.4% Women: 83.0%

In 2020, encouraging people to take off **eight days per year** (statutory figure is five days)

<Promoting the active participation of women>

- Raise the percentage of female managers or women in advanced specialized roles from 3.5% at present to 7.0% by 2022 (**double**)
- Establish a working group (Intelligent Women's Wave) as a system for mentoring by other female employees

*1. Information for FY2019

*2. Information for FY2018, based on publications by the Ministry of Health, Labour and Welfare: the "FY2019 Basic Survey of Gender Equality in Employment Management" and the "2019 General Survey on Working Conditions"

Medium-term business plan

Improving our corporate culture



Measures for increasing engagement

<Revision of the personnel evaluation system>

- **Completely overhaul (for the first time in 12 years) an HR system that has grown out of tune with the times**
- **Appropriately reflect contribution to company performance and successes in evaluation results**

<Project awards>

- **Remarkable achievements for the year are highlighted, project members making a major contribution to enhancing corporate performance receive awards and are compensated based on their level of contribution**

<Business idea contest>

- **Aim to invigorate the company and create a sense of urgency among employees**
- **Bonuses paid to people whose proposals are selected**
- **Executives consider turning selected proposals into viable businesses and pursue R&D**

Medium-term business plan

Reinforcing Board of Directors functions



1. Making proceedings more efficient

- Make proceedings paperless
- Introduce online meetings

2. Enhancing function and effectiveness

- Establish nomination and remuneration committees
- Convene management council (made up of executives)
(Share knowledge and information about businesses, operations, and technologies in the aim of enhancing deliberation at the Board of Directors)
- Use questionnaire to assess Board of Directors effectiveness

Other reinforcement measures are also under consideration

Forecast for FY06/21

FY06/21: Forecasts



							Million yen
	FY06/20 actual			FY06/21			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	4,967	5,953	10,920	5,000	6,000	11,000	+0.7%
Operating income [OM]	368 [7.4%]	668 [11.2%]	1,036 [9.5%]	380 [7.6%]	770 [12.8%]	1,150 [10.5%]	+11.0%
Ordinary income [OM]	360 [7.2%]	714 [12.0%]	1,074 [9.8%]	400 [8.0%]	790 [13.2%]	1,190 [10.8%]	+10.8%
Net income [NM]	237 [4.8%]	525 [8.8%]	762 [7.0%]	280 [5.6%]	540 [9.0%]	820 [7.5%]	+7.6%

Note: “OM” refers to the operating margin or ordinary margin. “NM” is the net margin.

FY06/21

Progress on system development projects



Million yen

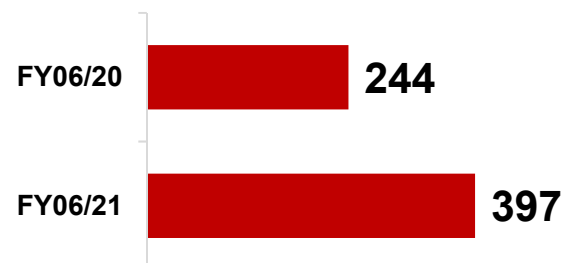
System development

We expect sales to fall, as no major development project are underway, but anticipate relatively stable income.



In-house products

We anticipate a number of FEP upgrade projects, boosting sales YoY.



Hardware

We expect several FEP upgrade projects and forecast flat YoY sales.



Cloud service business

Services and customers



IOASIS: No new additions **IGATES:** Expect to add two companies

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Reference

Responses to and impact from the COVID-19 pandemic



Ensuring employee safety

- Cancelled non-essential and non-urgent meetings, and postponed domestic and overseas business trips
- Made telework arrangements: Set up environment so all employees can work from home

(System development, operation services)

- No major hindrance to development activities

(Sales activities)

- Some activities suspended

Impact on performance

- FY06/20: Around JPY88mn likely to be delayed until FY06/21
- FY06/21: If the pandemic persists, net sales may fall temporarily

Access to cash

- Secured JPY4.2bn in lending commitment contracts and other agreements with major financial institutions (increase)

FY06/21: Forecasts



							Million yen
	FY06/20 actual			FY06/21			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	4,967	5,953	10,920	5,000	6,000	11,000	+0.7%
Operating income [OM]	368 [7.4%]	668 [11.2%]	1,036 [9.5%]	380 [7.6%]	770 [12.8%]	1,150 [10.5%]	+11.0%
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Note: “OM” refers to the operating margin or ordinary margin. “NM” is the net margin.

FY06/21: Forecasts

Sales by segment category



Million yen

	FY06/20 Actual	FY06/21 forecast	Remarks
Net sales	10,920	11,000	
System development	5,791	5,362	Sales from outsource system development projects
Maintenance	1,246	1,284	Revenue for maintaining the systems we developed
In-house products	244	397	Revenue from our sales of in-house products
Cloud services	828	940	Revenue from leasing our systems for a specific period of time
Hardware	1,526	1,494	Revenue from sales of servers and other hardware
Third-party products	220	423	Revenue from sales of other companies' products
Security products	1,063	1,100	Revenue from sales of our own and other companies' security products
Operating income	1,036	1,150	

Financial Systems Solutions

Initial FY06/21 forecast for sales of cloud services (service charge)



FY06/21: Up-front investment leading to higher costs; expect to add three new companies

Million yen

	FY06/17 actual	FY06/18 actual	FY06/19 actual	FY06/20 actual	FY06/21 forecast
Net sales	179	386	637	828	940
Gross profit (loss)	(166)	(296)	(105)	(24)	(75)

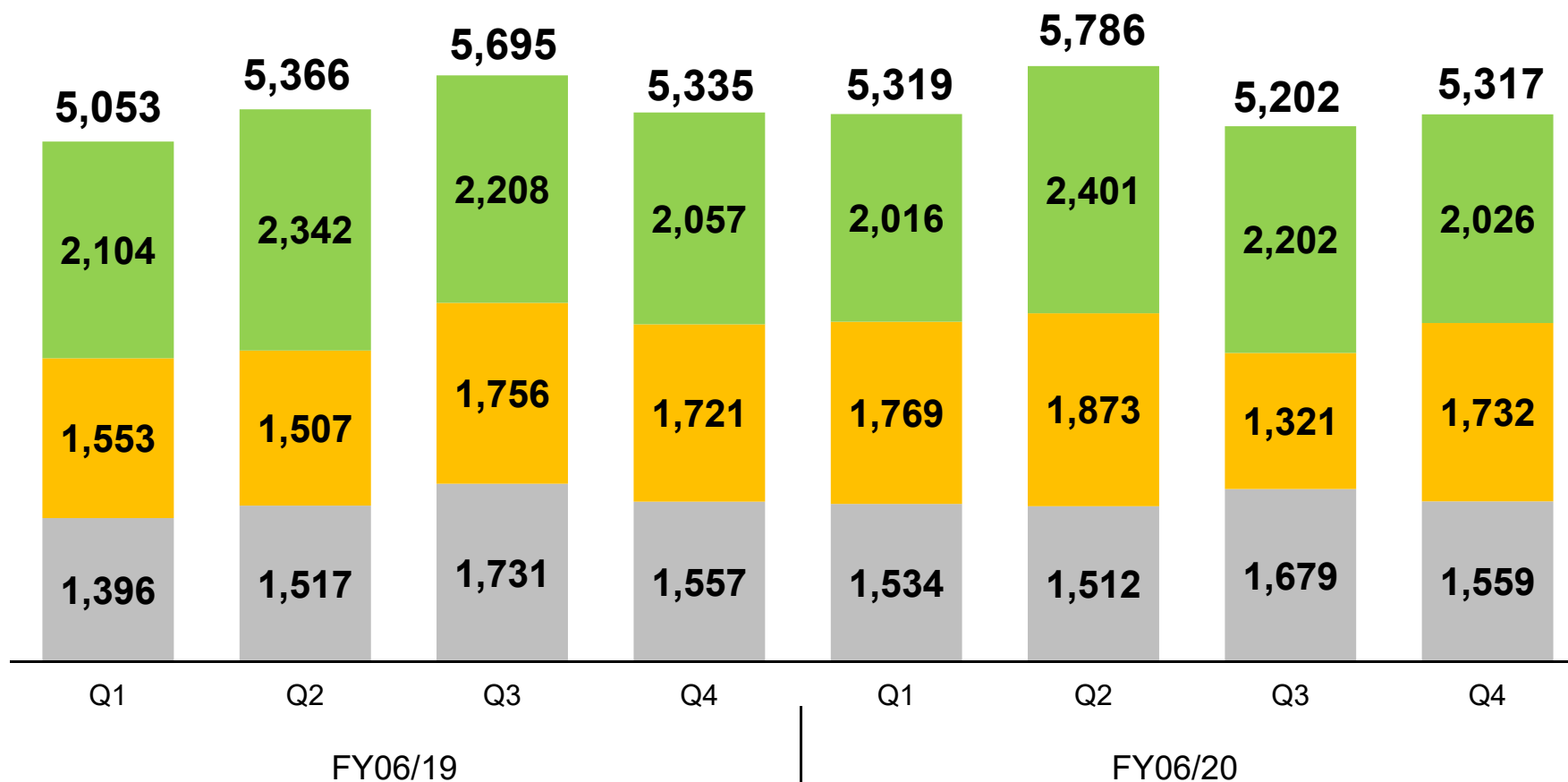
Services and customers	■ IPRETS	0	0	0	0	<u>1</u>
	■ IGATES	0	1	2	2	<u>4</u>
	■ IFINDS	0	1	3	3	3
	■ IOASIS	3	4	4	5	5

Orders on hand

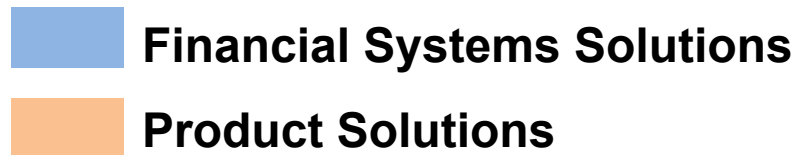


- ...Cloud service business
- ...Software development
- ...Other

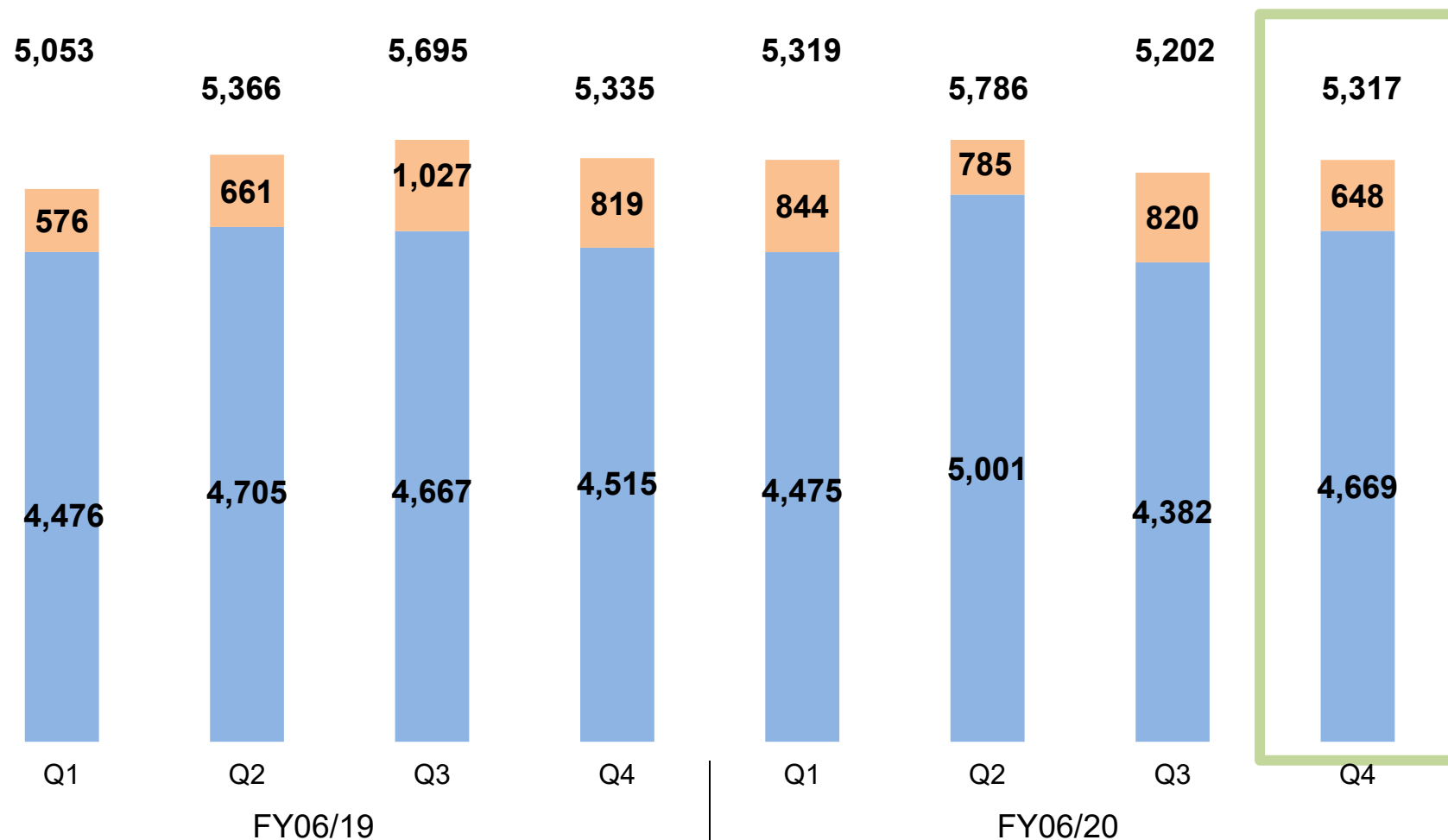
Million yen



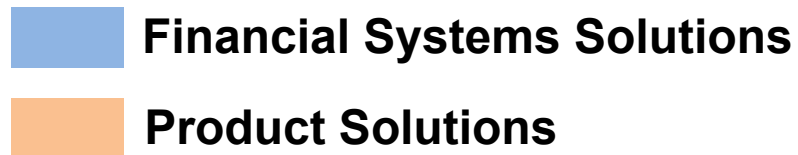
Orders on hand, by segment



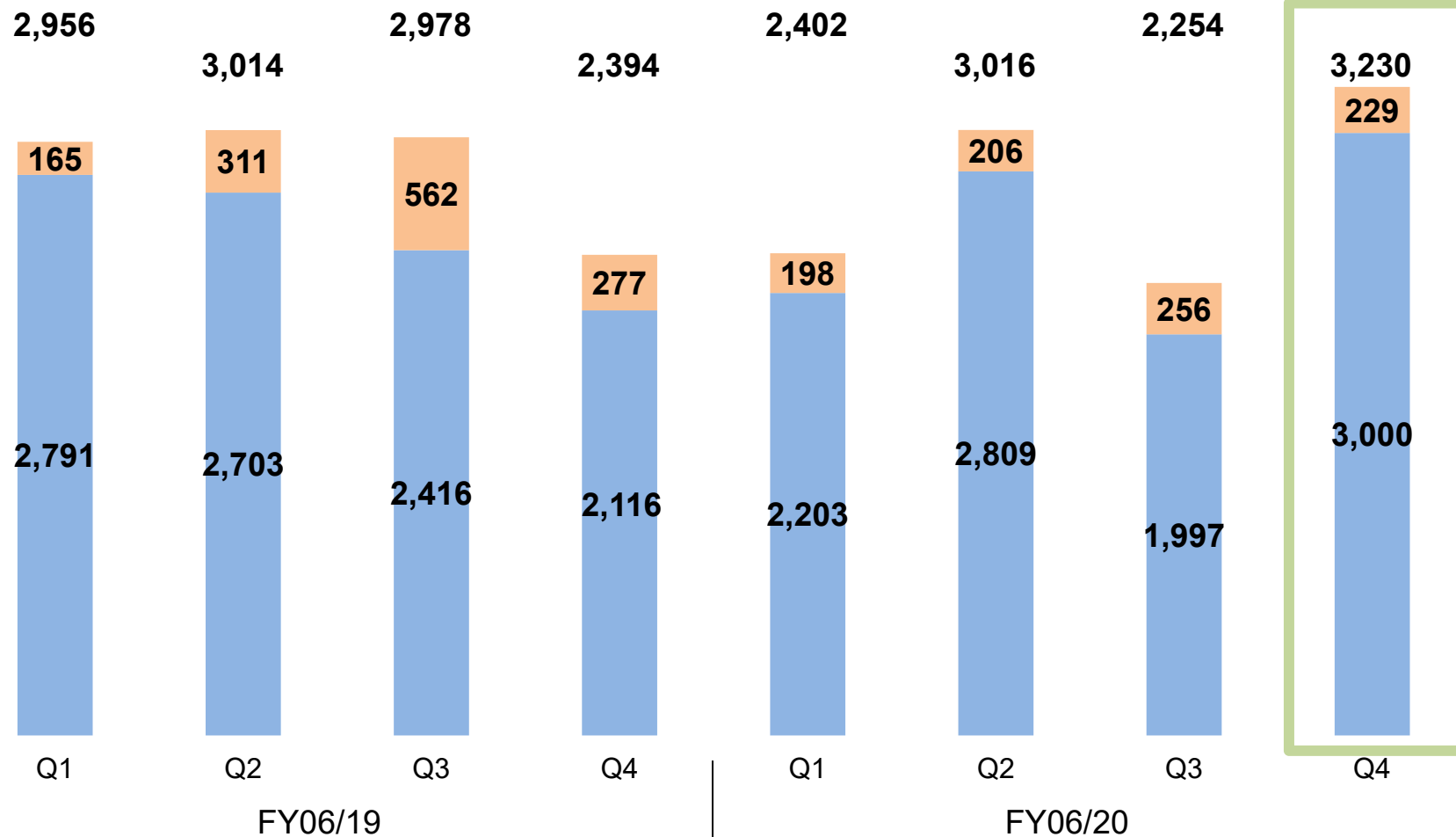
Million yen



Amount of orders, by segment



Million yen



Q4 FY06/20

YoY comparison



		Million yen	
	FY06/19	FY06/20	YoY
Net sales	2,754	3,115	+13.1%
Operating income	246	450	+82.9%
Operating margin	8.9%	14.4%	

Financial Systems Solutions

	FY06/19	FY06/20	YoY
Net sales	2,268	2,713	+19.6%
Operating income	141	391	+177.3%
Operating margin	6.2%	14.4%	

Product Solutions

	FY06/19	FY06/20	YoY
Net sales	485	401	(17.3%)
Operating income	104	59	(43.3%)
Operating margin	21.4%	14.7%	

FY06/20

Financial Systems Solutions

YoY comparison



Sales of hardware and cloud services rose, while sales of in-house packages decreased

			Million yen
	FY06/19	FY06/20	Change
Net sales	9,336	9,857	521
Software development	5,668	5,791	123
Maintenance	1,124	1,246	122
Hardware	1,140	1,526	386
In-house packages	512	244	(268)
Cloud services	637	828	191
Third-party packages	254	220	(34)
Operating income	890	1,123	233

FY06/20

Financial Systems Solutions

Vs. forecast



	Million yen		
	FY06/20 actual	FY06/20 forecast	Change
Net sales	9,857	9,400	457
Software development	5,791	5,960	(169)
Maintenance	1,246	1,220	26
Hardware	1,526	870	656
In-house packages	244	240	4
Cloud services	828	800	28
Third-party packages	220	310	(90)
Operating income	1,123	960	163

FY06/20

Financial Systems Solutions: Operating income



(+) Increased hardware sales

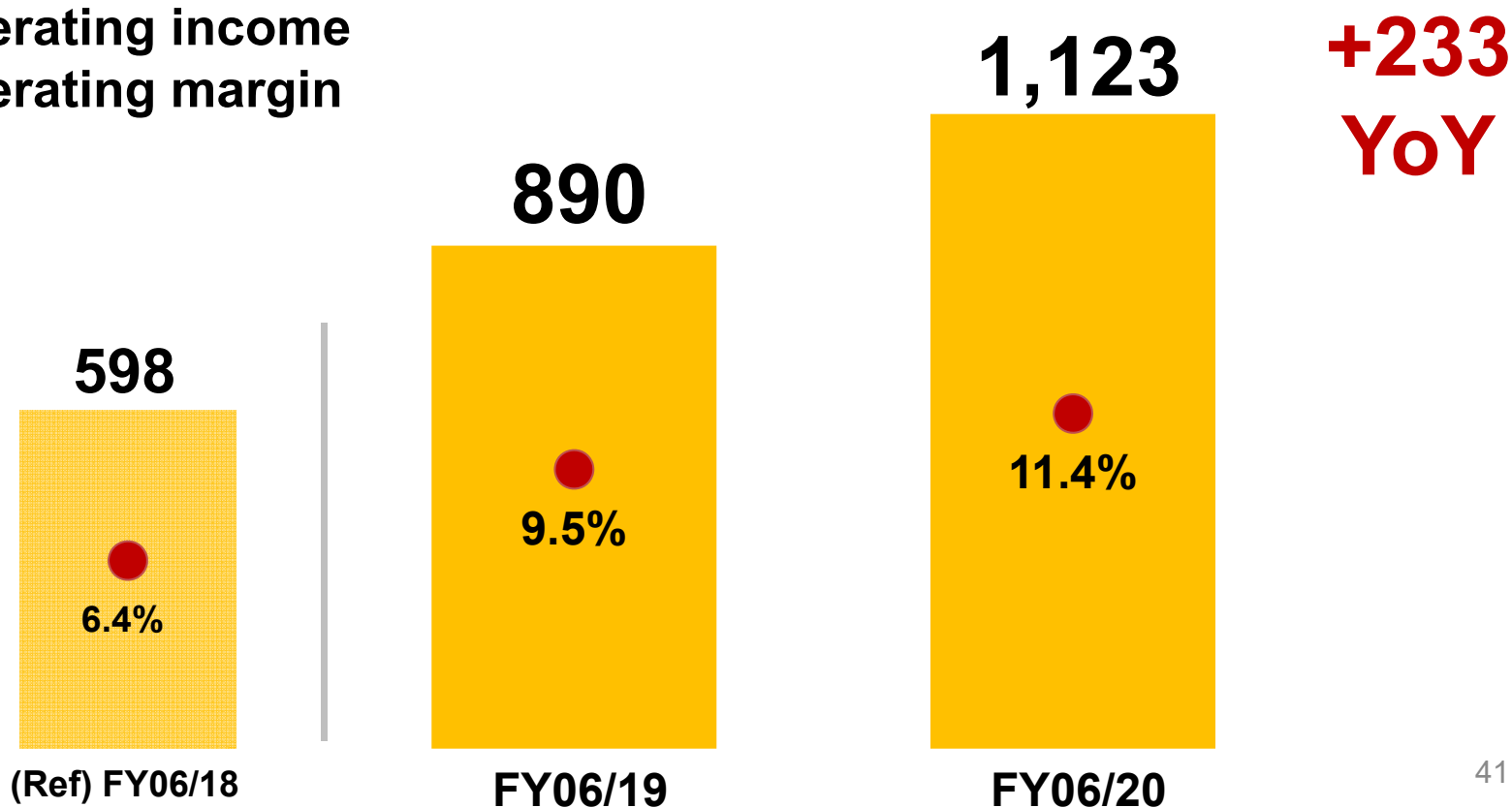
Improved earnings from software development and cloud services

(-) Decrease in sales of high-margin in-house packages

Million yen

■ ...Operating income

● ...Operating margin



FY06/20

Product Solutions

YoY comparison



Sales of third-party projects rose, while sales of high-margin in-house products decreased

	FY06/19	FY06/20	Change
Million yen			
Sales	1,106	1,063	(43)
Software development	72	53	(19)
Maintenance	282	276	(6)
Hardware	82	44	(38)
In-house packages	133	89	(44)
Third-party packages	534	600	66
Operating income	31	(87)	(118)

FY06/20

Product Solutions

Vs. forecast



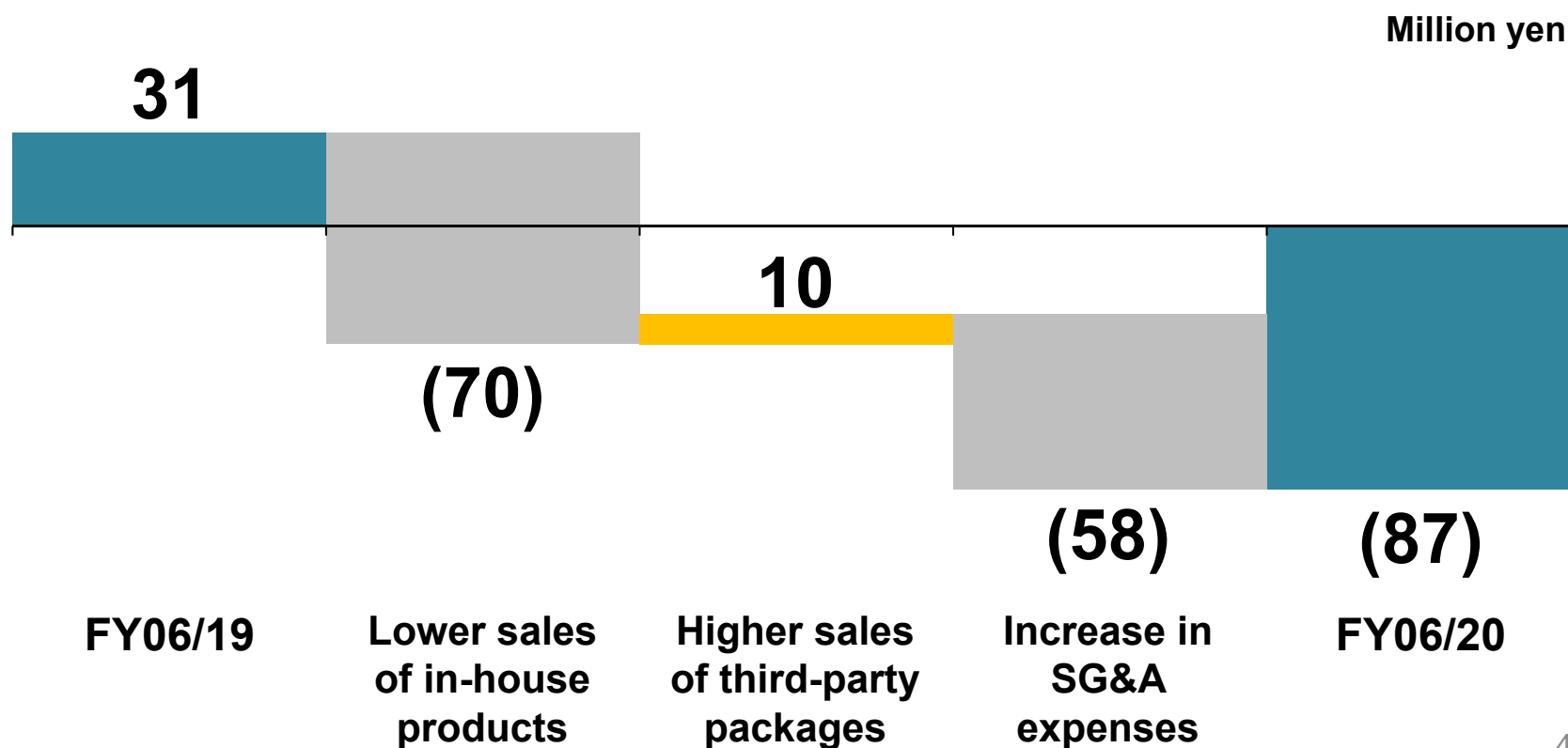
	Million yen		
	FY06/20 actual	FY06/20 forecast	Change
Sales	1,063	1,200	(137)
Software development	53	60	(7)
Maintenance	276	290	(14)
Hardware	44	40	4
In-house packages	89	80	9
Third-party packages	600	730	(130)
Operating income (loss)	(87)	40	(127)

FY06/20

Product Solutions: Operating income



Income down due to lower sales of in-house products and a rise in SG&A expenses



Quarterly results, by segment



Million yen

	FY06/19				FY06/20			
	Q1	Q2	Q3	Q4	Q2	Q2	Q3	Q4
Net sales	2,337	2,701	2,649	2,754	2,417	2,549	2,838	3,115
Financial Systems Solutions	2,140	2,474	2,453	2,268	2,243	2,283	2,617	2,713
Product Solutions	197	227	196	485	173	266	221	401
Operating income	70	198	406	246	141	227	216	450
Financial Systems Solutions	104	212	431	141	207	286	238	391
Product Solutions	(34)	(14)	(24)	104	(66)	(58)	(21)	59
Operating margin	3.0%	7.3%	15.3%	8.9%	5.8%	8.9%	7.6%	14.4%
Financial Systems Solutions	4.9%	8.6%	17.6%	6.2%	9.2%	12.5%	9.1%	14.4%
Product Solutions	(17.3)%	(6.2)%	(12.2)%	21.4%	(38.2)%	(21.8)%	(9.5)%	14.7%

Quarterly sales, by segment category



Million yen

	FY06/19				FY06/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Financial Systems Solutions	2,140	2,474	2,453	2,268	2,243	2,283	2,617	2,713
Software development	1,311	1,479	1,354	1,522	1,251	1,322	1,808	1,408
Maintenance	268	273	287	295	301	305	319	319
Hardware	265	484	239	150	353	327	188	657
In-house packages	103	38	342	29	98	82	28	37
Cloud services	126	158	174	178	178	211	219	218
Third-party packages	64	41	56	92	61	34	53	71
Product Solutions	197	227	196	485	173	266	221	401
Software development	15	14	8	34	5	23	17	6
Maintenance	23	25	84	150	17	26	80	152
Hardware	1	0	0	80	1	0	0	42
In-house packages	42	71	1	17	49	12	6	19
Third-party packages	115	115	102	201	100	202	116	180

FY06/20 production costs



Thousand yen

	FY06/19				FY06/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Materials cost	7,516	5,501	5,497	4,711	13,473	15,597	10,163	4,078
Labor cost	616,769	609,232	619,518	656,916	669,478	677,925	676,878	705,015
Expenses	291,097	311,326	386,922	374,934	322,071	324,894	324,855	333,834
Subcontracting cost	816,921	768,881	624,305	604,941	636,415	679,101	640,094	603,288
Total manufacturing cost	1,732,305	1,694,941	1,636,244	1,641,504	1,641,439	1,697,518	1,651,991	1,646,216
Work in progress (beginning of period)	518,826	627,821	677,435	747,638	626,309	741,783	839,812	460,178
Work in progress (end of period)	627,821	677,435	747,638	626,309	741,783	839,812	460,178	381,557
Transfer to other accounts	117,406	91,812	69,272	111,394	166,499	136,522	150,296	142,737
Provision for loss on order received	—	—	—	—	—	—	—	—
Provision for reserve for product warranties	(14,580)	—	—	—	—	—	—	—
Cost of sales	1,491,322	1,553,514	1,496,769	1,651,439	1,359,465	1,462,967	1,881,328	1,582,100

FY06/20 SG&A expenses



Thousand yen

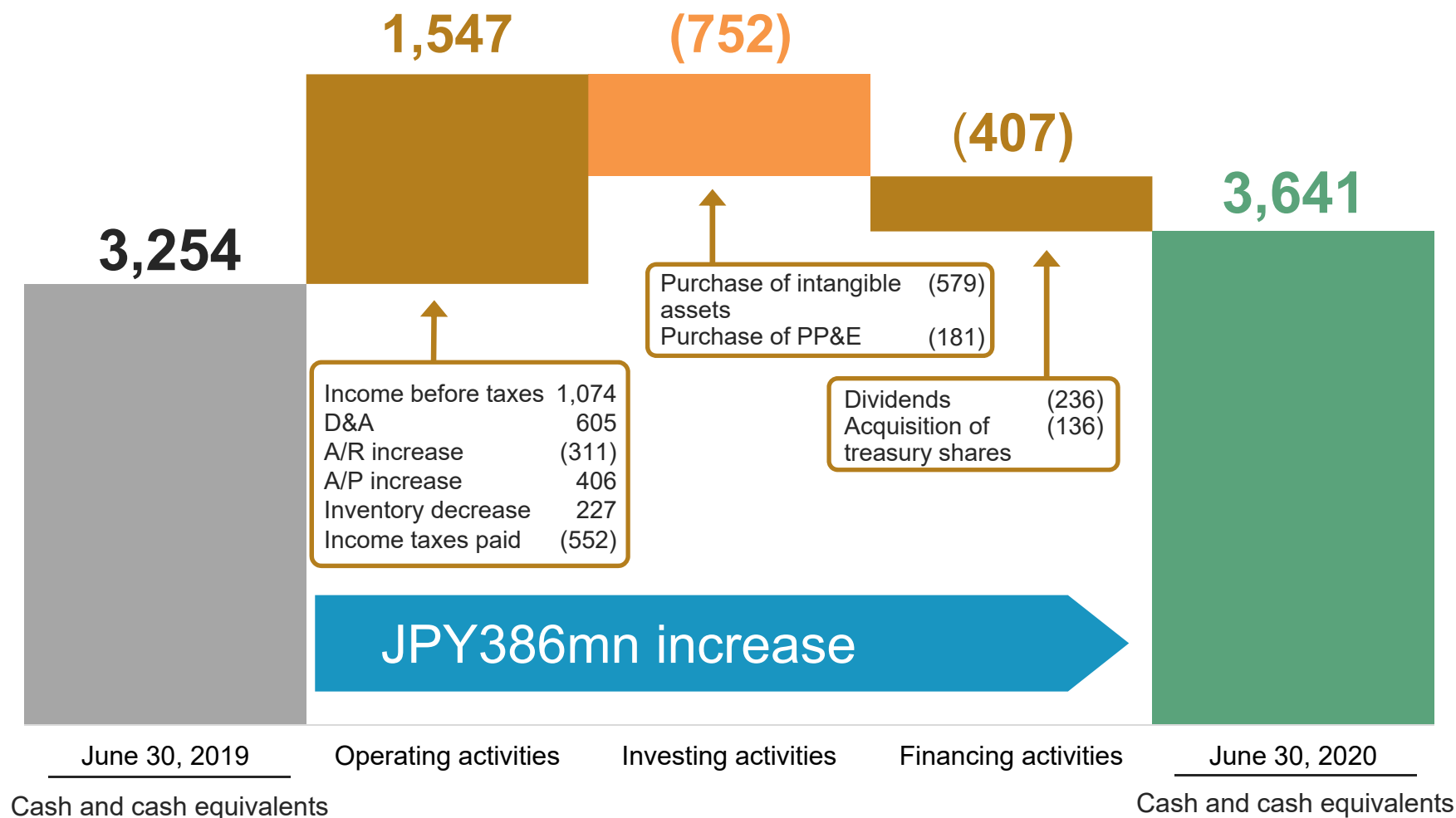
	FY06/19				FY06/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Salaries	278,760	282,336	313,790	289,932	302,437	294,538	295,482	342,620
Recruiting and training	8,152	7,760	12,931	20,165	13,243	18,471	18,739	6,860
Rent	16,485	18,007	18,042	26,436	21,204	17,334	17,849	18,116
Advertising	7,614	11,962	4,710	4,840	9,917	8,219	2,088	1,463
R&D	11,902	12,471	4,025	3,849	4,914	6,344	13,371	7,179
Depreciation and amortization	7,472	7,863	14,428	1,972	8,826	9,148	9,969	11,010

	FY06/19	FY06/20	Change	Million yen
SG&A expenses	1,885	1,944	59	
(Breakdown)				
			Increase in salaries	70
			Training and recruiting	8
			Advertising	(7)
			Others	(12)

FY06/20: Cash flows



Million yen



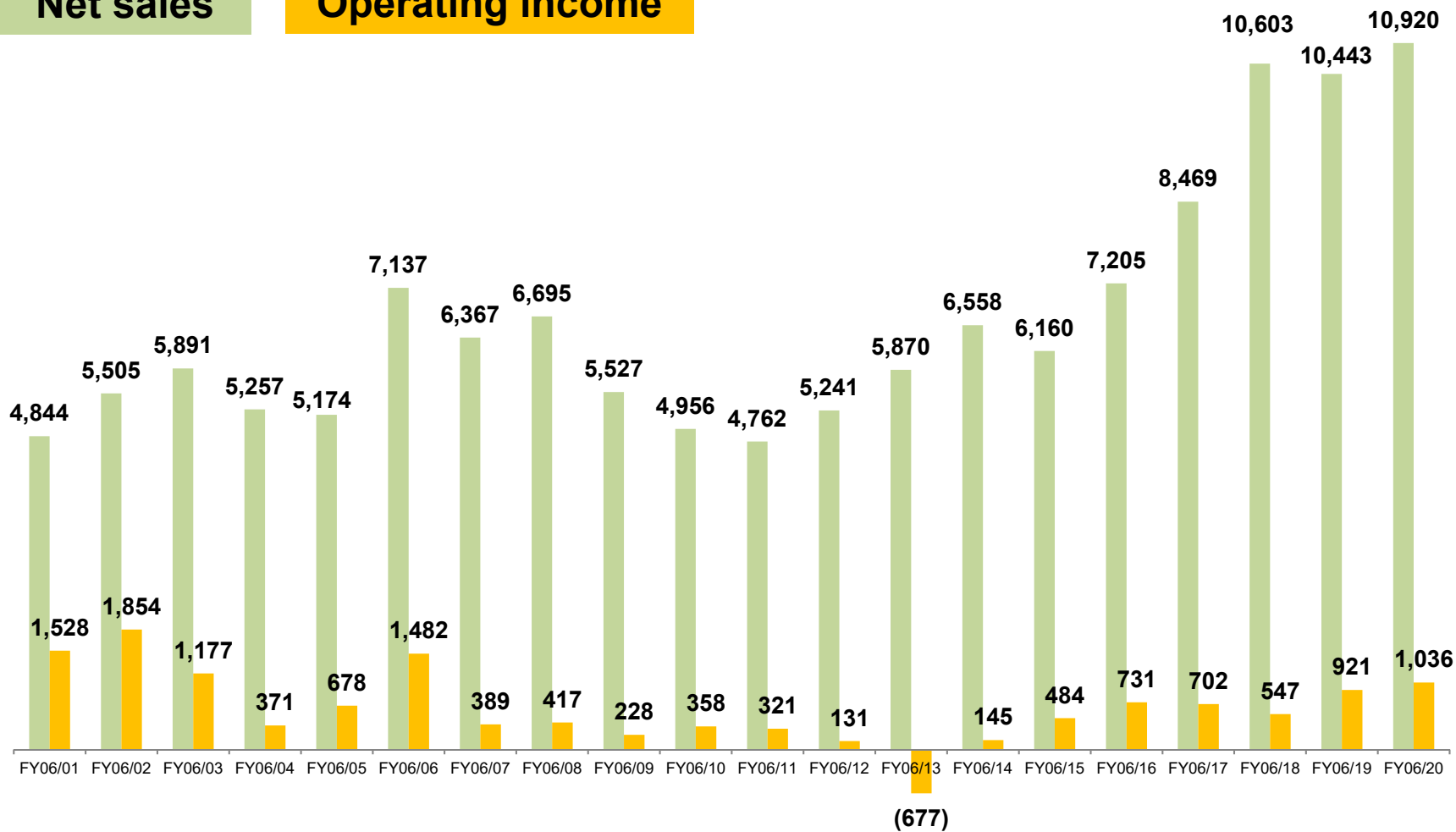
Historical performance



Million yen

Net sales

Operating income



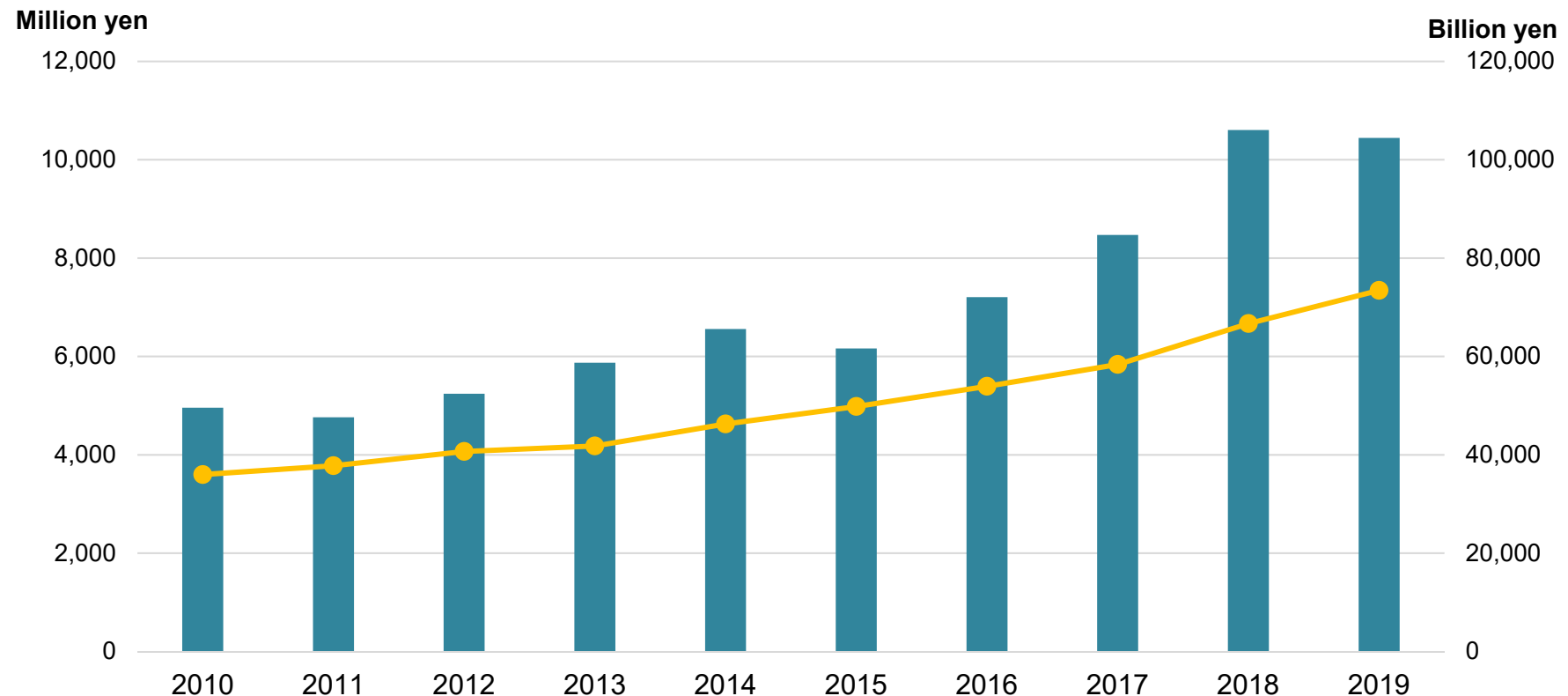
Note: Consolidated results are shown through FY06/15.

(Reference) Relationship between company performance and credit card use



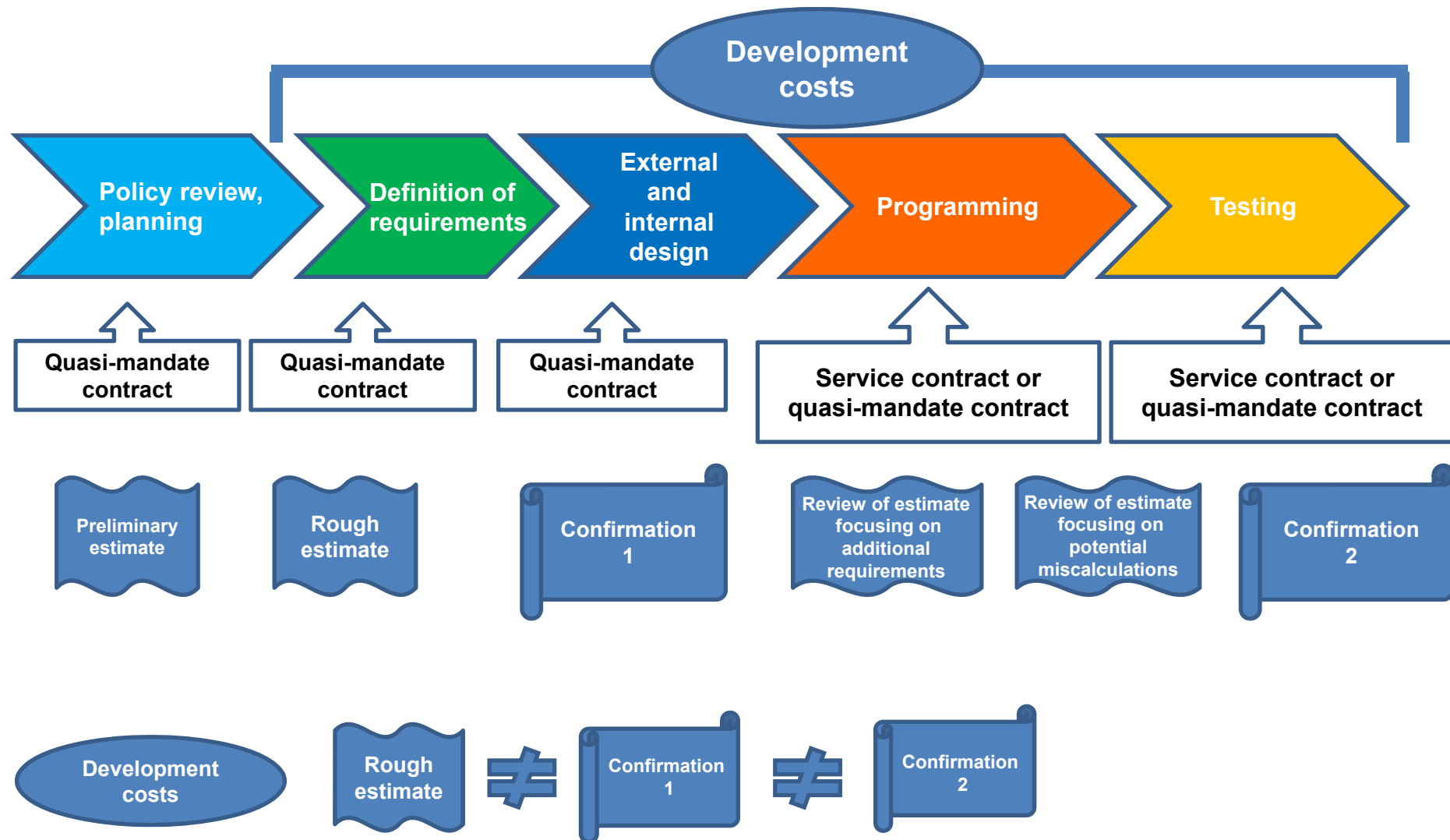
■ Net sales (left-hand scale): CAGR of 8.6%

● Expenditure on credit card shopping (right-hand scale): CAGR of 8.2%



Source: Compiled from "Credit Statistics of Japan (2019)," Japan Consumer Credit Association
Consolidated results are shown for the company's net sales through FY06/15.

(Reference) System development process, contract types, and accuracy of estimates



Company overview



(As of June 30, 2020)

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	435
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)
Capital stock	JPY843.75mn
Shares outstanding	26,340,000
Shareholders	10,738

Ownership (%)		% of shareholders	
Individuals, others	36.61%	Individuals, others	98.54%
Japanese financial institutions	6.61%	Japanese financial institutions	0.14%
Other Japanese corporations	51.07%	Other Japanese corporations	0.41%
Foreign corporations	4.84%	Foreign corporations	0.65%
Japanese securities firms	0.71%	Japanese securities firms	0.25%
Treasury stock	0.16%	Treasury stock	0.01%

These materials were produced to provide information concerning the company and its businesses. They are not intended as a solicitation for investment in securities issued by Intelligent Wave Inc. The opinions, forecasts, and other forward-looking statements in these materials are based on the company's judgment at the time they were produced, and Intelligent Wave Inc. makes no guarantees concerning the accuracy and completeness of the information contained herein. Please be aware that this information may also be revised without prior notice in the future.

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