

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



# **Financial and Operating Results**

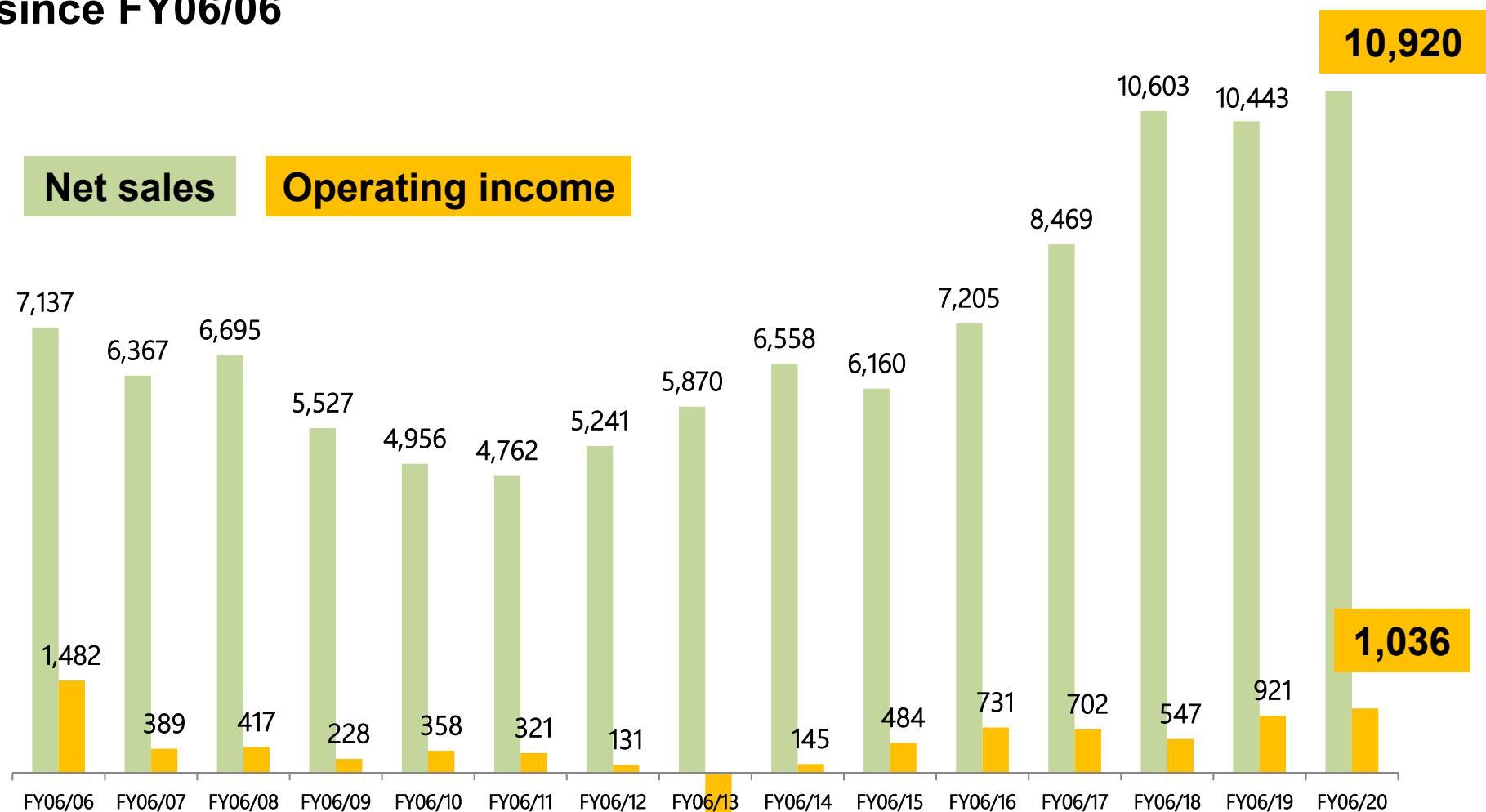
## **FY06/20**

# 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%**

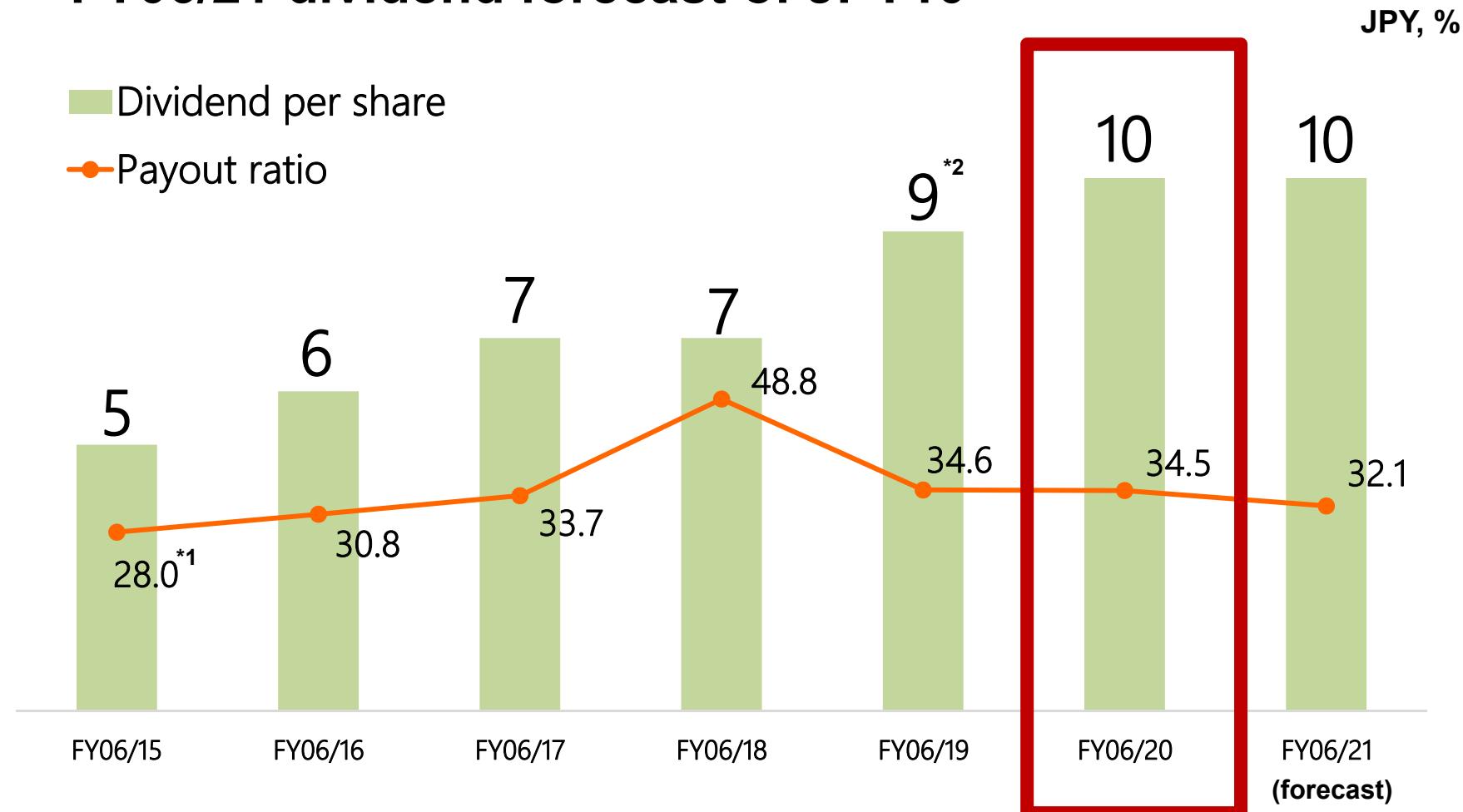
				Million yen
	FY06/20 (actual)	FY06/21 (forecast)	FY06/22 (target)	FY06/23 (target)
<b>New plan</b>				
Net sales	10,920	11,000	12,000	13,500
Operating income [OM]	1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]

	FY06/20 (forecast)	FY06/21 (target)	FY06/22 (target)
<b>Old plan</b>			
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
<b>Net sales</b>	<b>10,443</b>	<b>10,920</b>	<b>477</b>	<b>+4.6%</b>
<b>Operating income</b>	<b>921</b>	<b>1,036</b>	<b>115</b>	<b>+12.5%</b>
<b>Ordinary income</b>	<b>953</b>	<b>1,074</b>	<b>121</b>	<b>+12.7%</b>
<b>Net income</b>	<b>683</b>	<b>762</b>	<b>79</b>	<b>+11.6%</b>

# FY06/20: Overview of results Vs. forecast



**Net sales and income exceeded initial forecasts**

Million yen

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

# Top three clients, by sales YoY comparison



	FY06/19	FY06/20	Change	Million yen	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
<b>Net sales</b>	9,336	9,857	521	+5.6%
<b>Operating income [OM]</b>	890 [9.5%]	1,123 [11.4%]	233	+26.2%

Product Solutions				
	FY06/19	FY06/20	Change	Percentage change
<b>Net sales</b>	1,106	1,063	(43)	(3.9%)
<b>Operating income [OM]</b>	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**

	FY06/19	FY06/20	Million yen Change
<b>Net sales</b>	<b>9,336</b>	<b>9,857</b>	<b>521</b>
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
<b>Operating income</b>	<b>890</b>	<b>1,123</b>	<b>233</b>

FY06/20

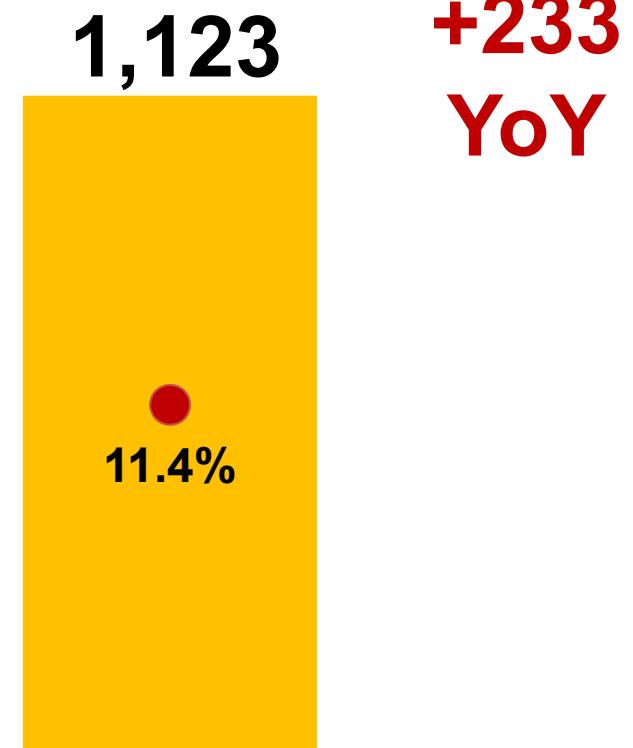
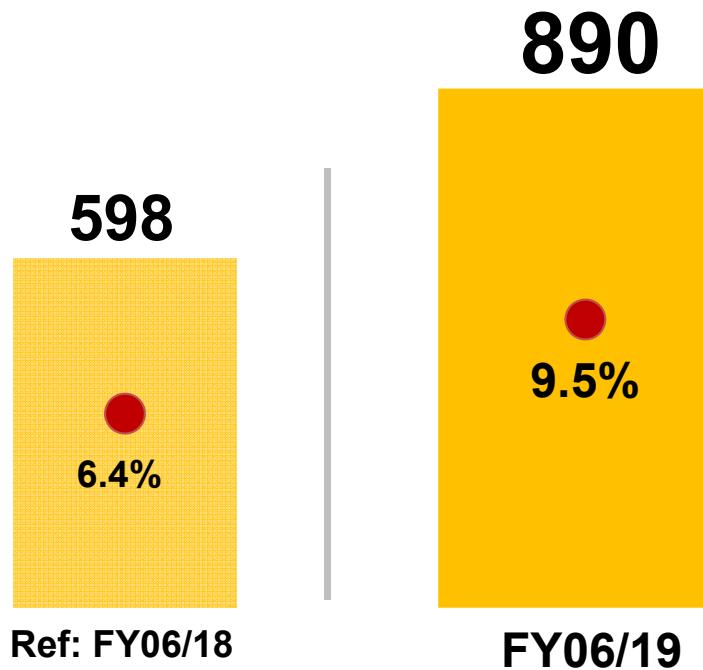
## Financial Systems Solutions: Operating income

(+): 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**

Ref: FY06/18

12

FY06/20

## Product Solutions: Net sales



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

	FY06/19	FY06/20	Change
<b>Net sales</b>	1,106	1,063	(43)
<b>In-house products</b> <b>CWAT®</b>	488	418	(70)
<b>Third-party products</b> <b>Traps</b>  <b>illusive</b> <b>ayehu</b>  <b>MORPHISEC</b> Moving Target Defense	617	644	27
<b>Operating income (loss)</b>	31	(87)	(118)

# **Medium-term business plan**

## **FY06/21 to FY06/23**

**(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>

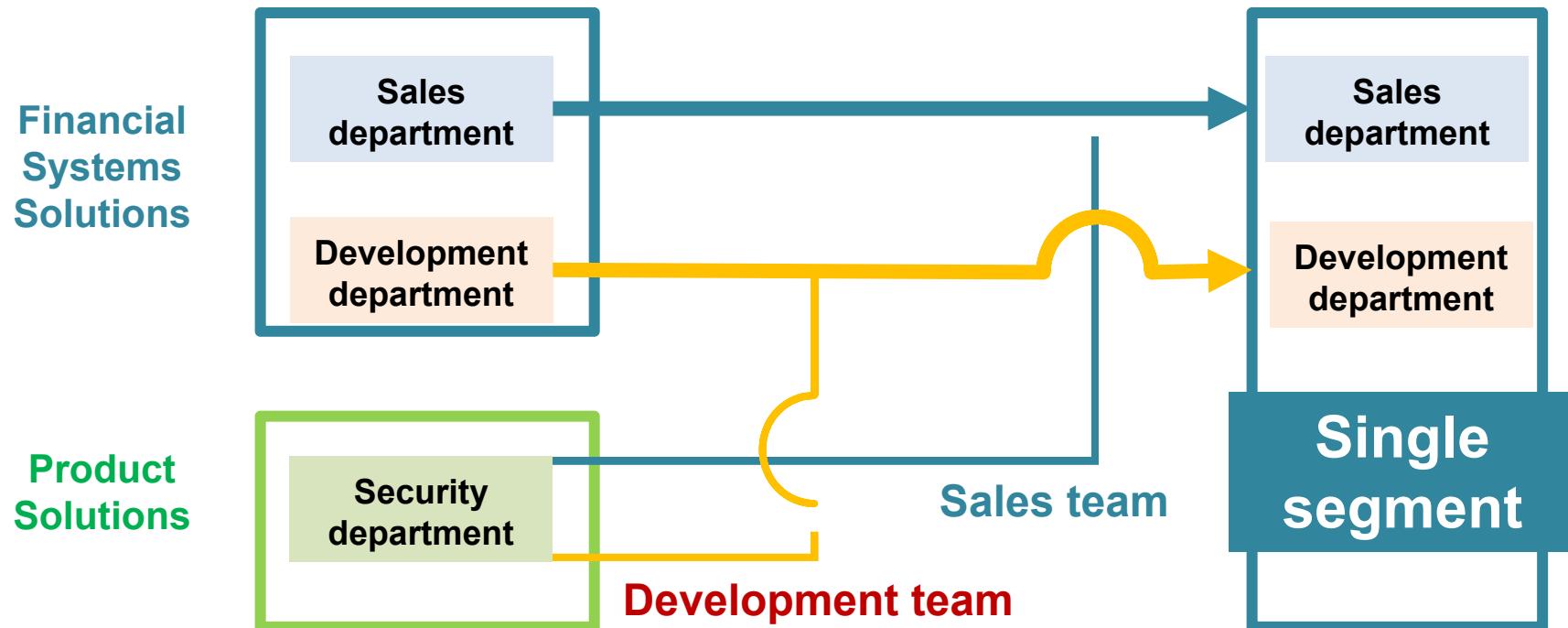
Provide as  
cloud services

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

# 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**

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

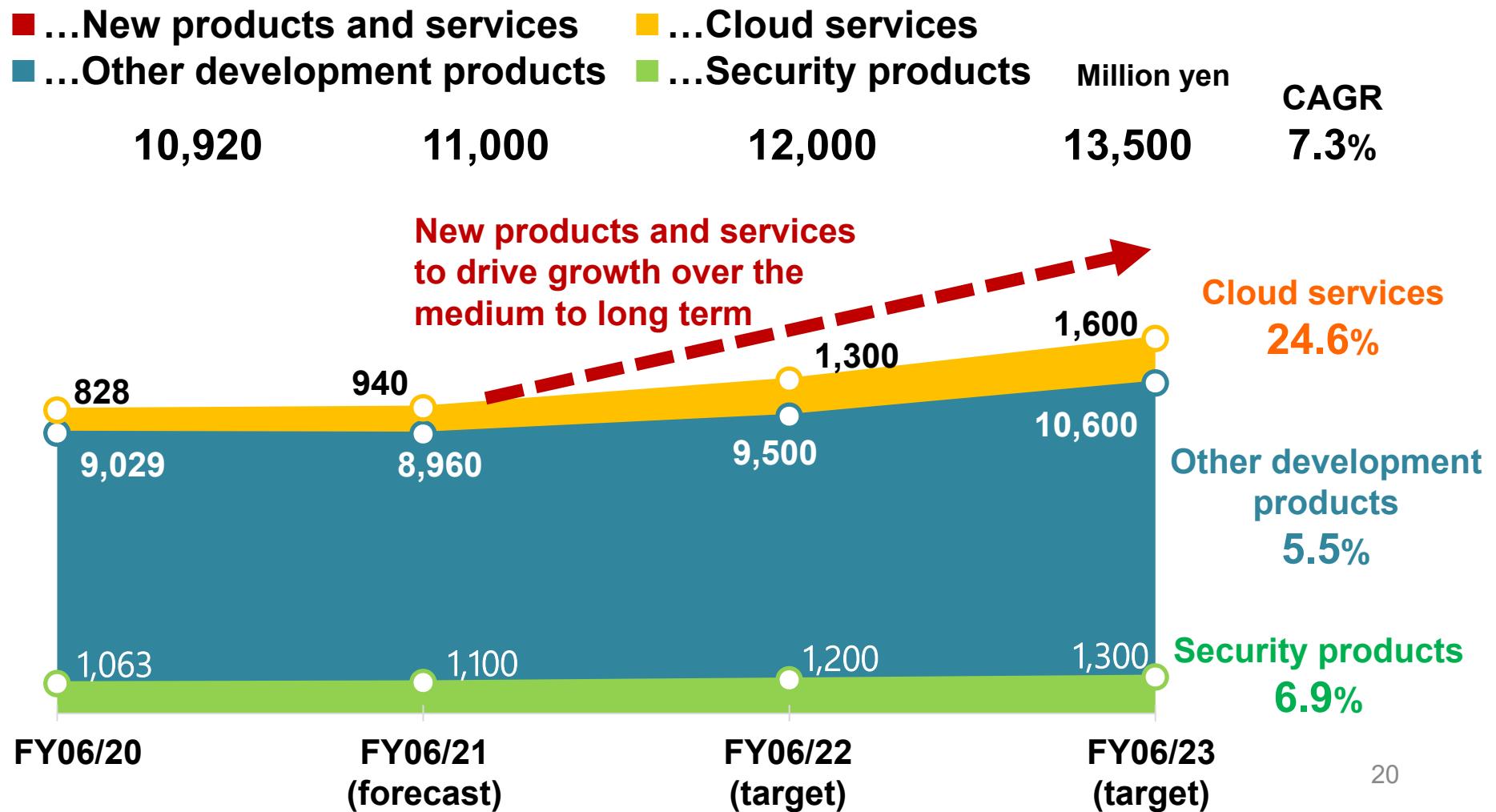
Notes: "OM" refers to the operating margin.

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

Million yen

386

637

828

940

1,300

1,600

FY06/18

FY06/19

FY06/20

FY06/21  
(forecast)

FY06/22  
(target)

FY06/23  
(target)

21

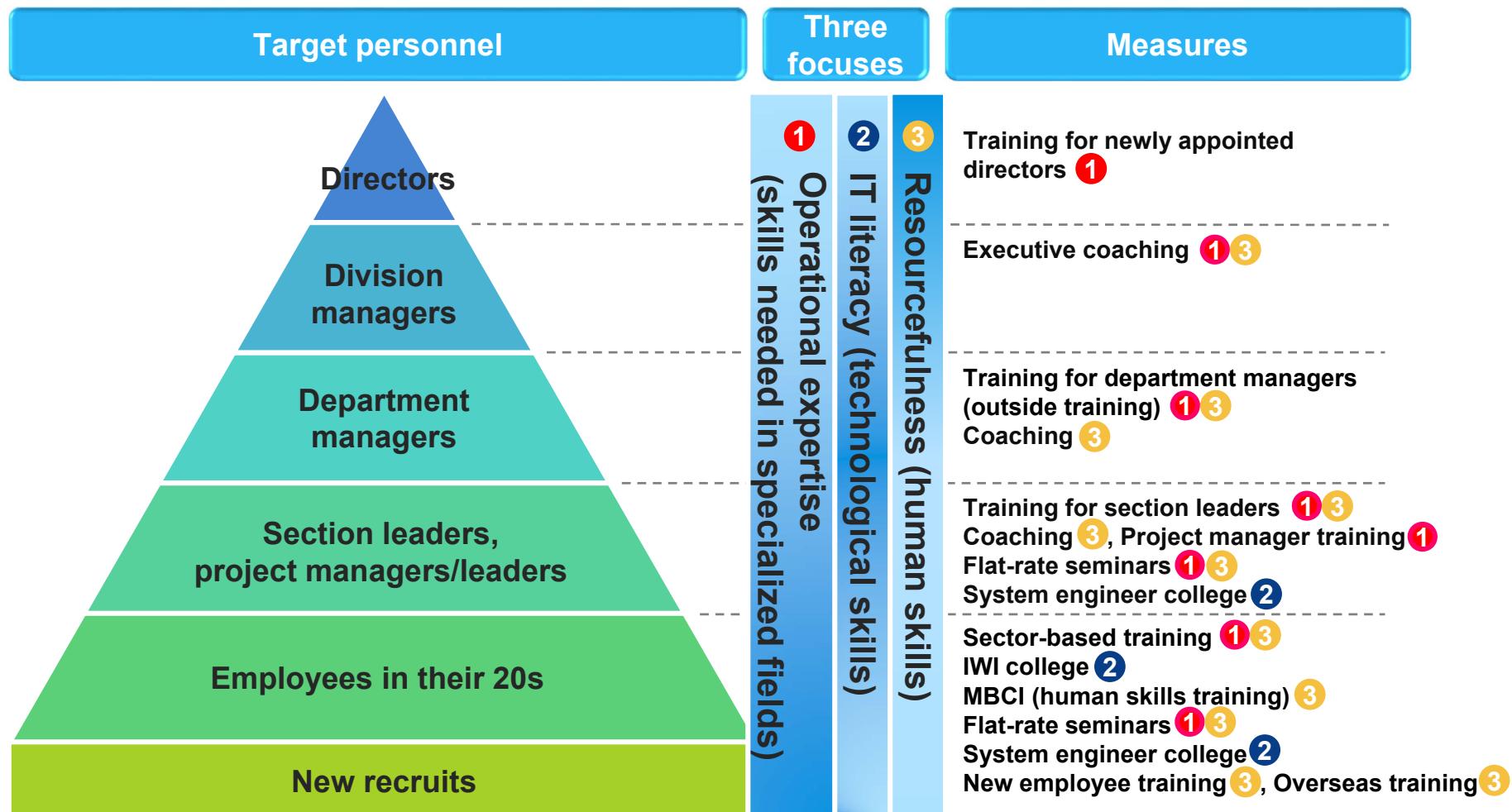
#### Action plans

- 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

# 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 <sup>*1</sup>	National average <sup>*2</sup>
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	
<b>Net sales</b>	<b>4,967</b>	<b>5,953</b>	<b>10,920</b>	<b>5,000</b>	<b>6,000</b>	<b>11,000</b>	<b>+0.7%</b>
<b>Operating income [OM]</b>	<b>368</b> [7.4%]	<b>668</b> [11.2%]	<b>1,036</b> [9.5%]	<b>380</b> [7.6%]	<b>770</b> [12.8%]	<b>1,150</b> [10.5%]	<b>+11.0%</b>
<b>Ordinary income [OM]</b>	<b>360</b> [7.2%]	<b>714</b> [12.0%]	<b>1,074</b> [9.8%]	<b>400</b> [8.0%]	<b>790</b> [13.2%]	<b>1,190</b> [10.8%]	<b>+10.8%</b>
<b>Net income [NM]</b>	<b>237</b> [4.8%]	<b>525</b> [8.8%]	<b>762</b> [7.0%]	<b>280</b> [5.6%]	<b>540</b> [9.0%]	<b>820</b> [7.5%]	<b>+7.6%</b>

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

## Progress on system development projects

Million yen

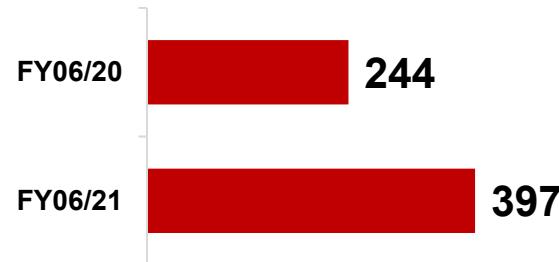
### System development

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.



**FY06/21**

## Cloud service business Services and customers

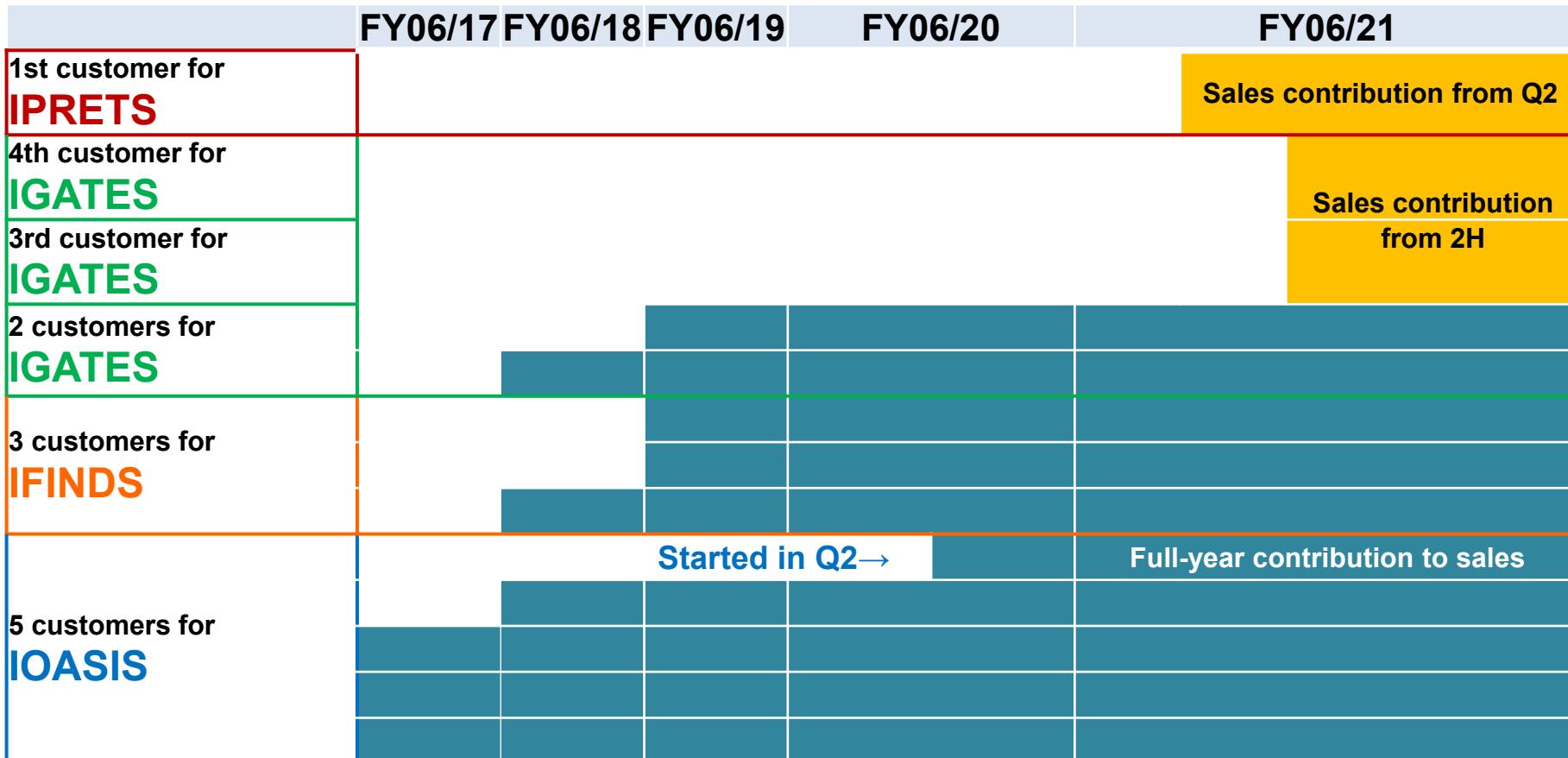


**FY06/20**

**Sales JPY828mn**

**FY06/21 (forecast)**

**JPY940mn**



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

We anticipate full-year sales of JPY940mn

# 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	
<b>Net sales</b>	<b>4,967</b>	<b>5,953</b>	<b>10,920</b>	<b>5,000</b>	<b>6,000</b>	<b>11,000</b>	<b>+0.7%</b>
<b>Operating income [OM]</b>	<b>368</b> [7.4%]	<b>668</b> [11.2%]	<b>1,036</b> [9.5%]	<b>380</b> [7.6%]	<b>770</b> [12.8%]	<b>1,150</b> [10.5%]	<b>+11.0%</b>
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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
<b>Net sales</b>	<b>10,920</b>	<b>11,000</b>	
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
<b>Operating income</b>	<b>1,036</b>	<b>1,150</b>	

# Financial Systems Solutions

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

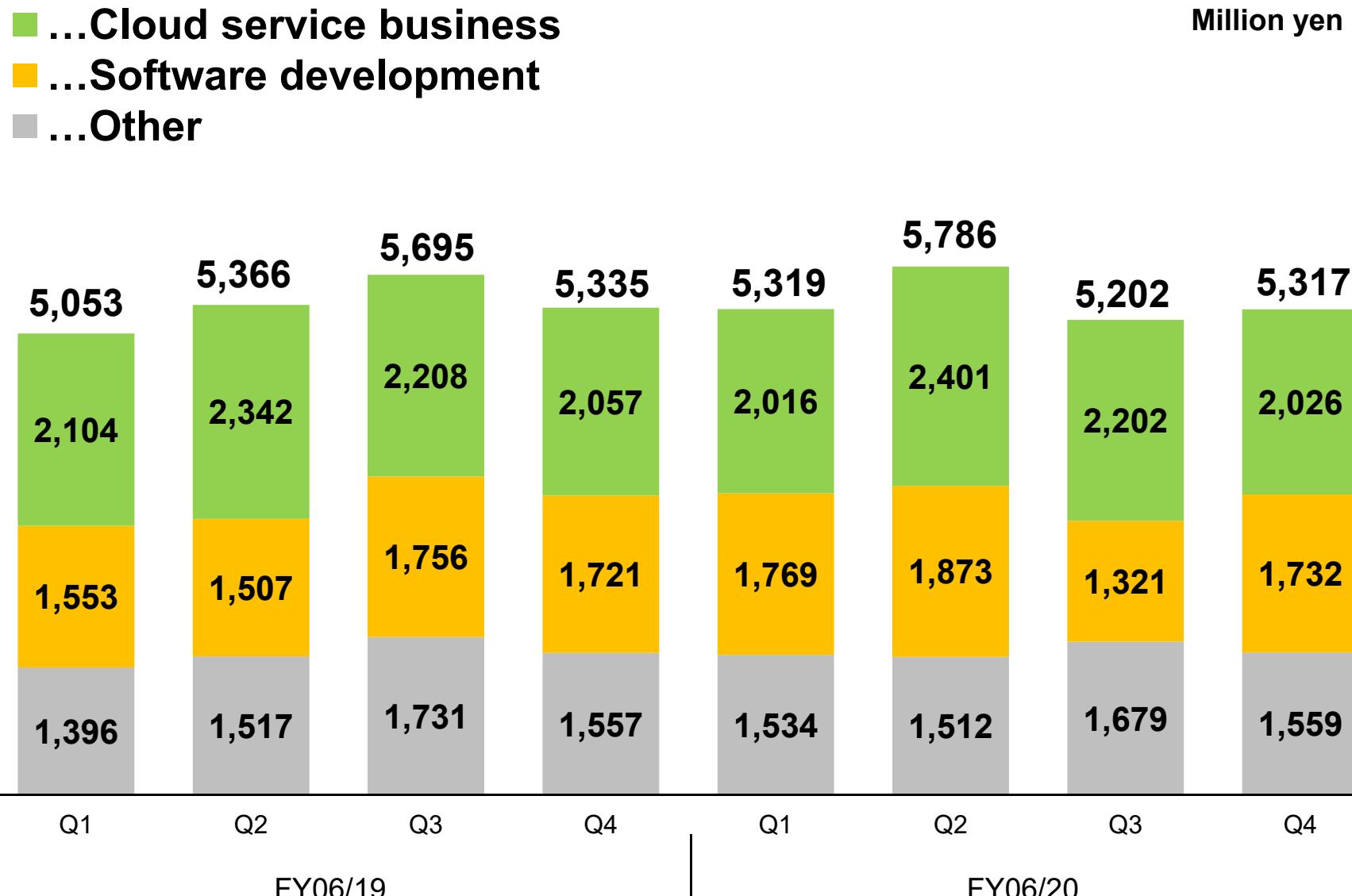


**FY06/21: Up-front investment leading to higher costs; expect to add three new companies**

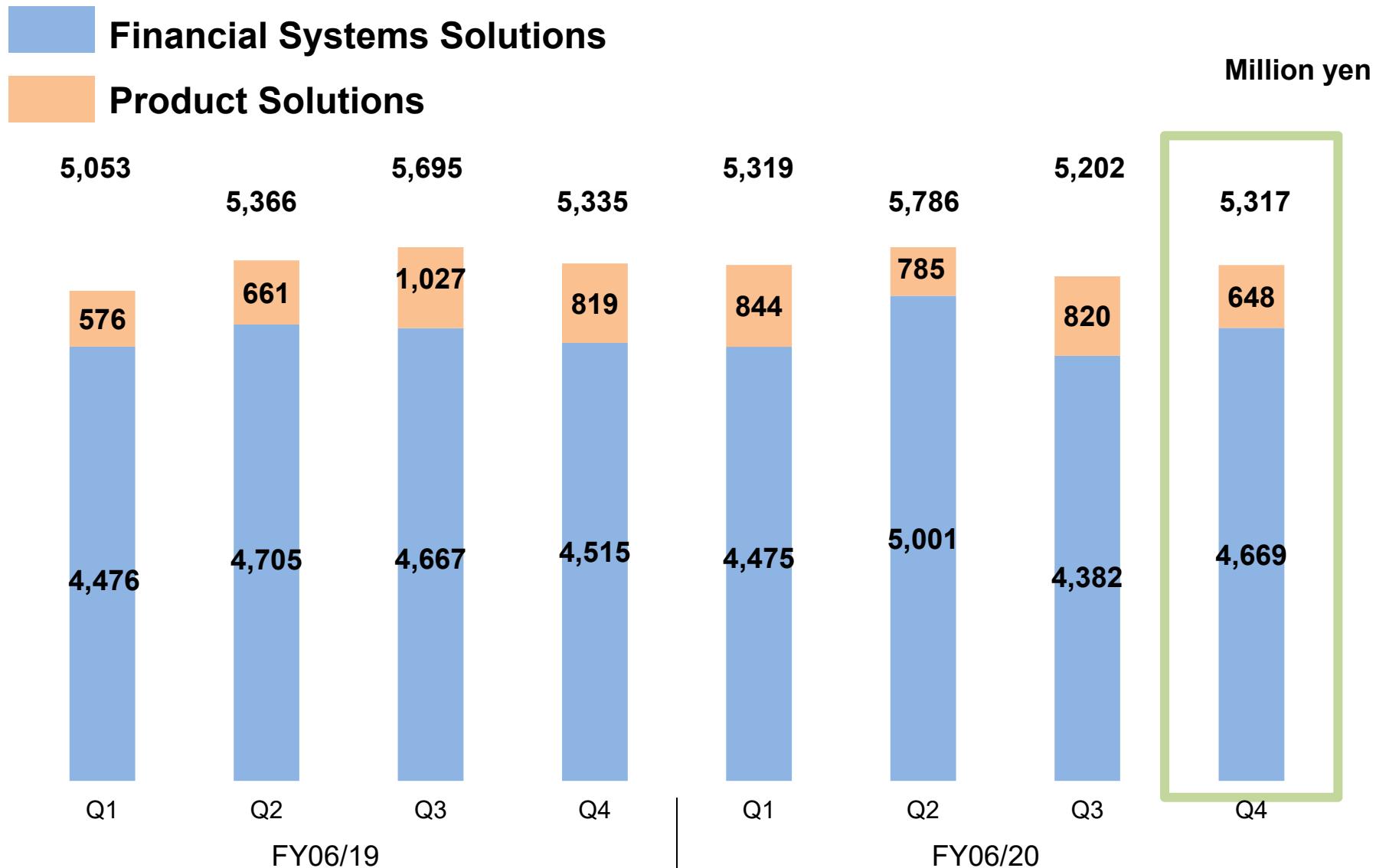
	FY06/17 actual	FY06/18 actual	FY06/19 actual	FY06/20 actual	Million yen FY06/21 forecast
Net sales	179	386	637	828	940
Gross profit (loss)	(166)	(296)	(105)	(24)	(75)

Services and customers	■ IPRETS	0	0	0	0	1
	■ IGATES	0	1	2	2	4
	■ IFINDS	0	1	3	3	3
	■ IOASIS	3	4	4	5	5

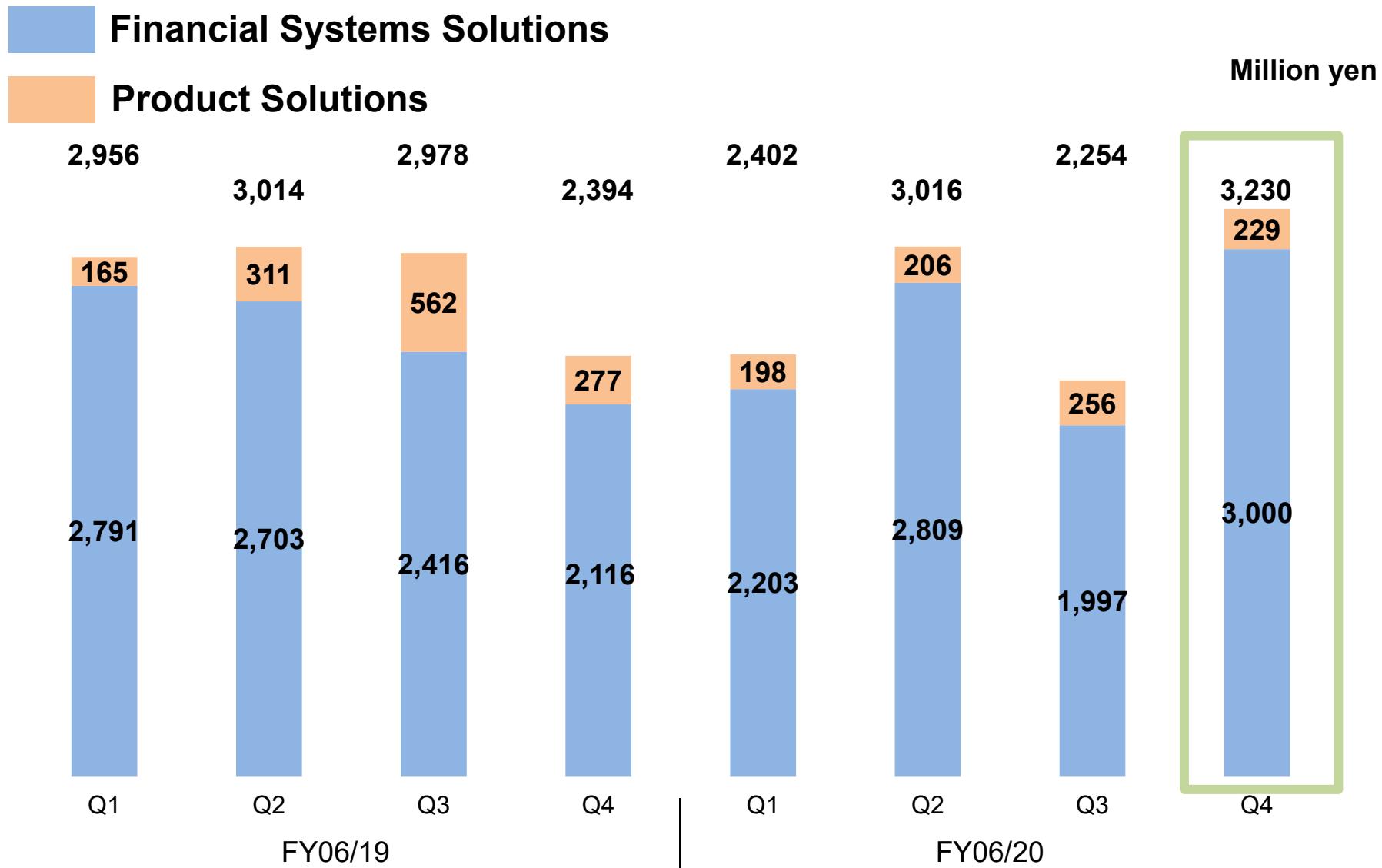
# Orders on hand



# Orders on hand, by segment



# Amount of orders, by segment



# Q4 FY06/20 YoY comparison



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

## Financial Systems Solutions

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

## Product Solutions

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

**FY06/20**

## **Financial Systems Solutions YoY comparison**



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

	FY06/19	FY06/20	Change
<b>Net sales</b>	<b>9,336</b>	<b>9,857</b>	<b>521</b>
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)
<b>Operating income</b>	<b>890</b>	<b>1,123</b>	<b>233</b>

# FY06/20

## Financial Systems Solutions

### Vs. forecast



	FY06/20 actual	FY06/20 forecast	Change	Million yen
<b>Net sales</b>	<b>9,857</b>	<b>9,400</b>	<b>457</b>	
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)	
<b>Operating income</b>	<b>1,123</b>	<b>960</b>	<b>163</b>	

FY06/20

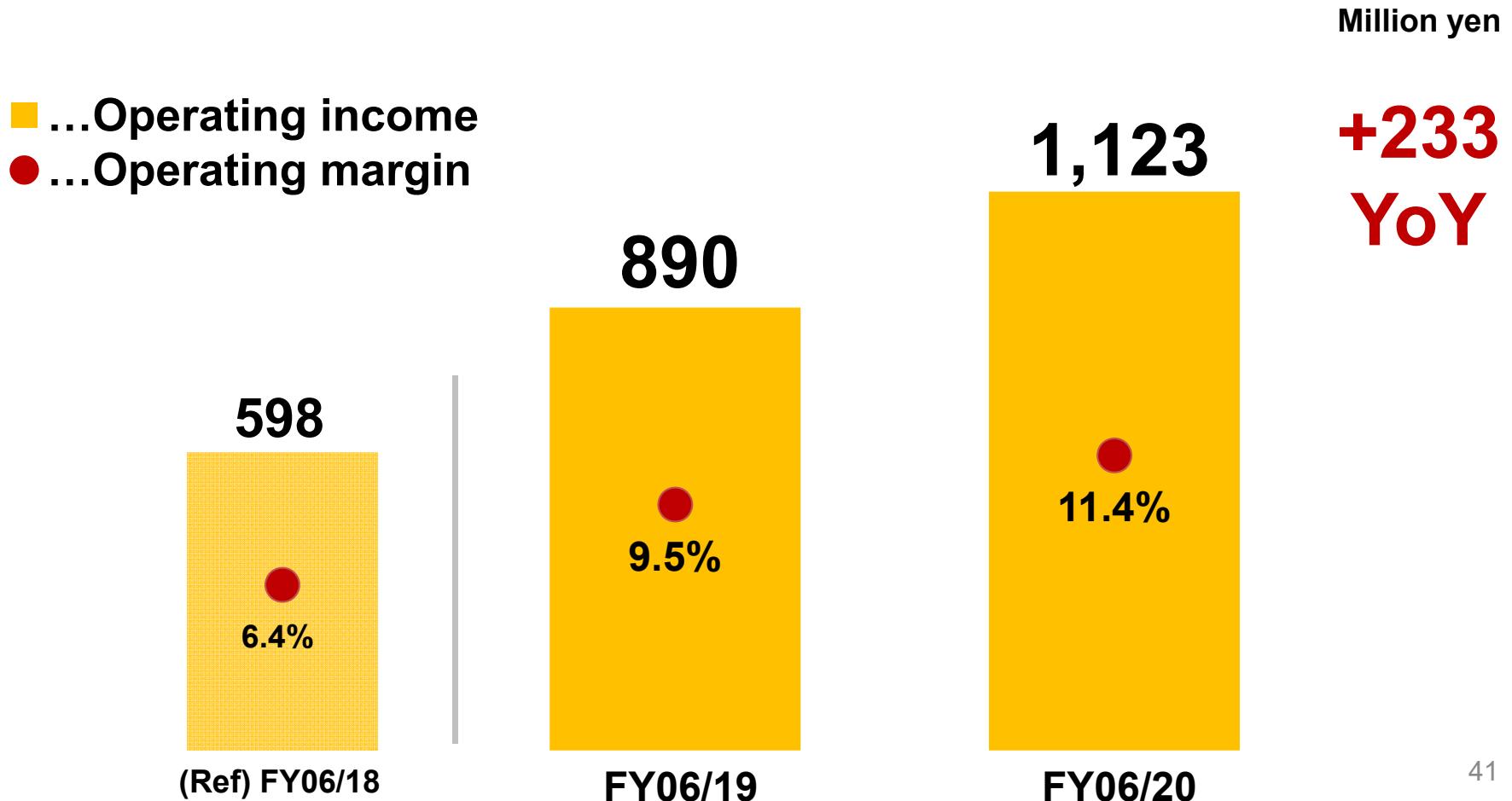
## Financial Systems Solutions: Operating income



(+) Increased hardware sales

Improved earnings from software development and cloud services

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



# 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
<b>Sales</b>	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
<b>Operating income</b>	31	(87)	(118)

# FY06/20

## Product Solutions

### Vs. forecast



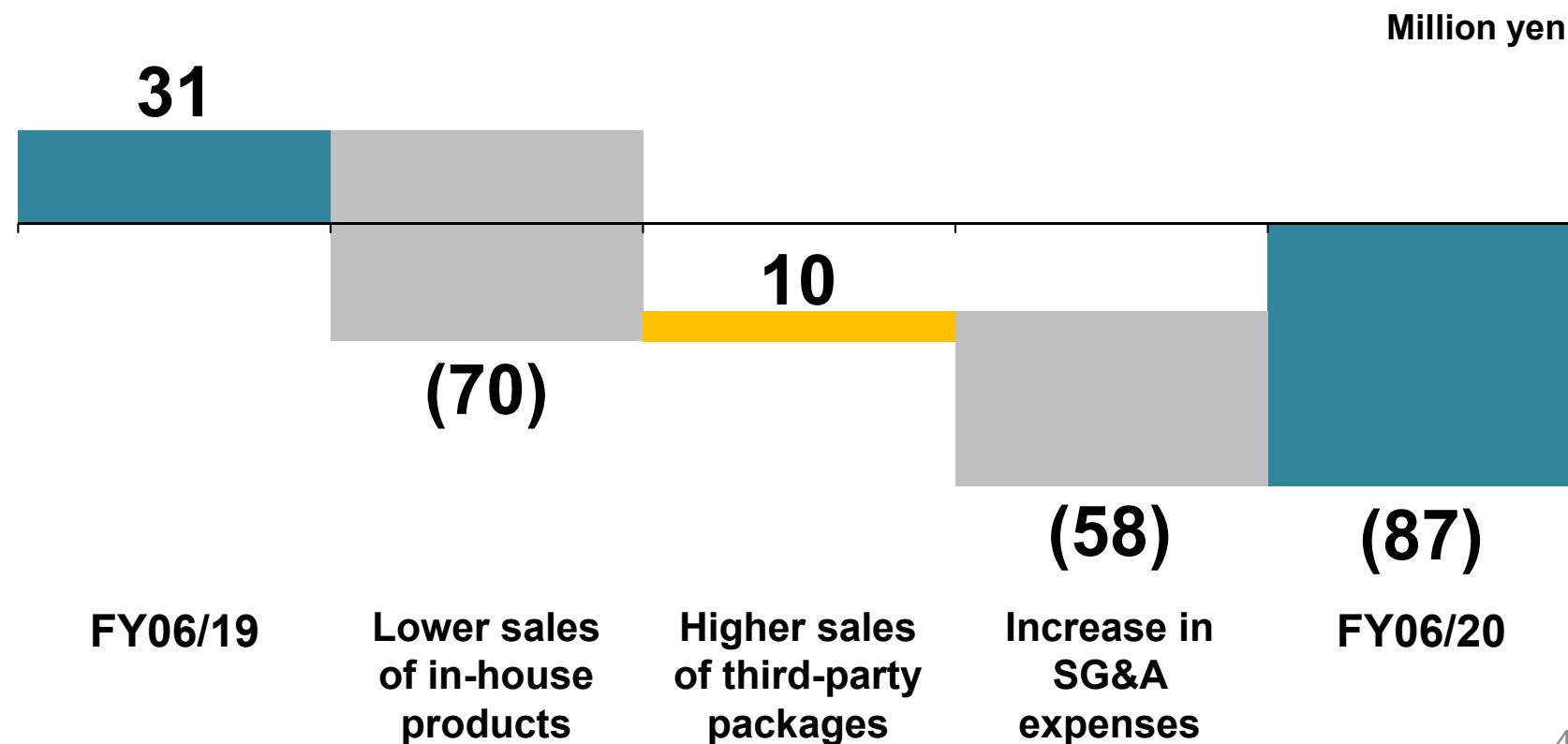
	FY06/20 actual	FY06/20 forecast	Change	Million yen
<b>Sales</b>	<b>1,063</b>	<b>1,200</b>	<b>(137)</b>	
Software development	53	60	(7)	
Maintenance	276	290	(14)	
Hardware	44	40	4	
In-house packages	89	80	9	
Third-party packages	600	730	(130)	
<b>Operating income (loss)</b>	<b>(87)</b>	<b>40</b>	<b>(127)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

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
<b>Net sales</b>	<b>2,337</b>	<b>2,701</b>	<b>2,649</b>	<b>2,754</b>	<b>2,417</b>	<b>2,549</b>	<b>2,838</b>	<b>3,115</b>
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
<b>Operating income</b>	<b>70</b>	<b>198</b>	<b>406</b>	<b>246</b>	<b>141</b>	<b>227</b>	<b>216</b>	<b>450</b>
Financial Systems Solutions	104	212	431	141	207	286	238	391
Product Solutions	(34)	(14)	(24)	104	(66)	(58)	(21)	59
<b>Operating margin</b>	<b>3.0%</b>	<b>7.3%</b>	<b>15.3%</b>	<b>8.9%</b>	<b>5.8%</b>	<b>8.9%</b>	<b>7.6%</b>	<b>14.4%</b>
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



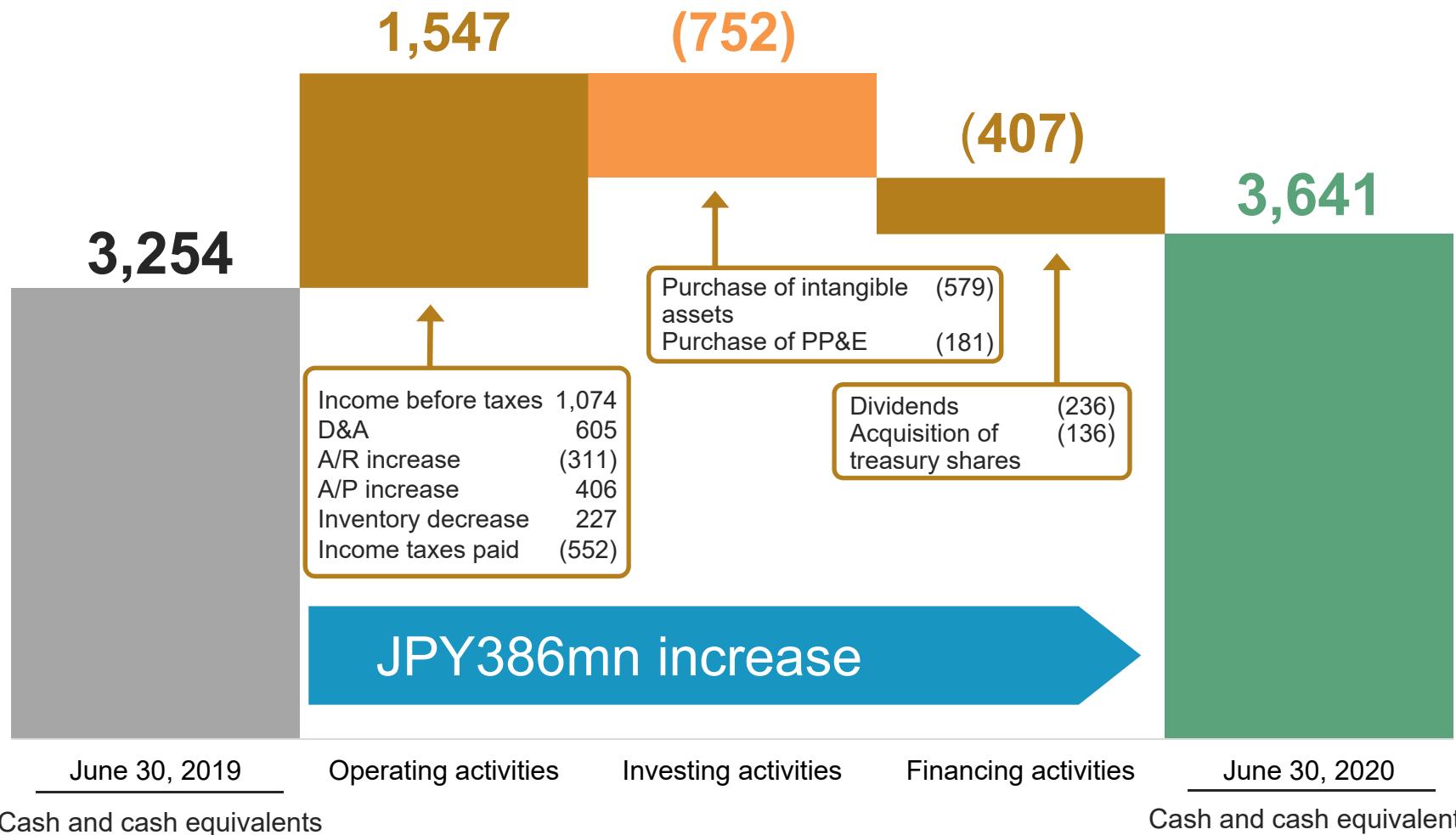
Thousand yen

	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
<b>SG&amp;A expenses</b>	<b>1,885</b>	<b>1,944</b>	<b>59</b>	
(Breakdown)				
		Increase in salaries	70	
		Training and recruiting	8	
		Advertising	(7)	
		Others	(12)	

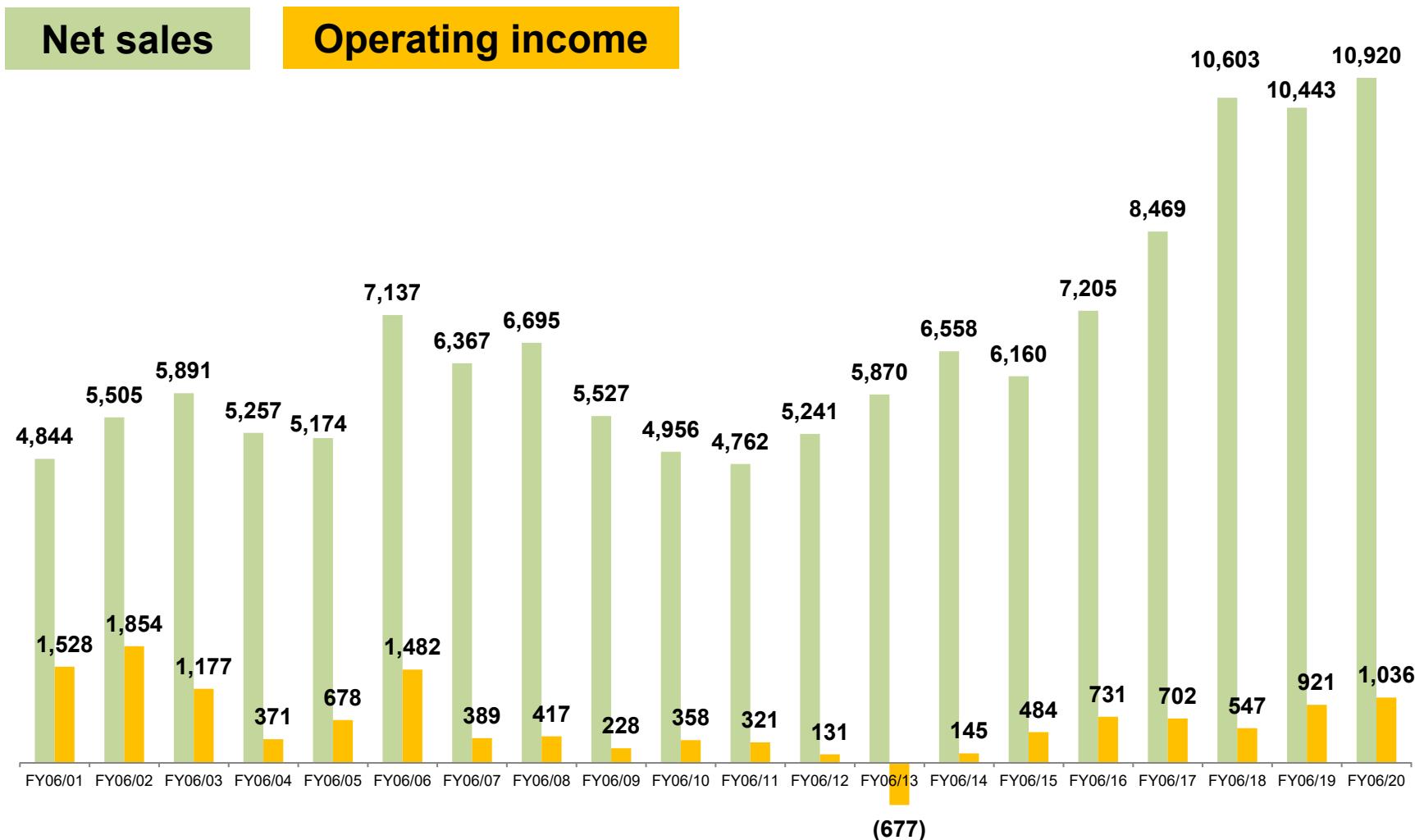
# FY06/20: Cash flows

Million yen



# Historical performance

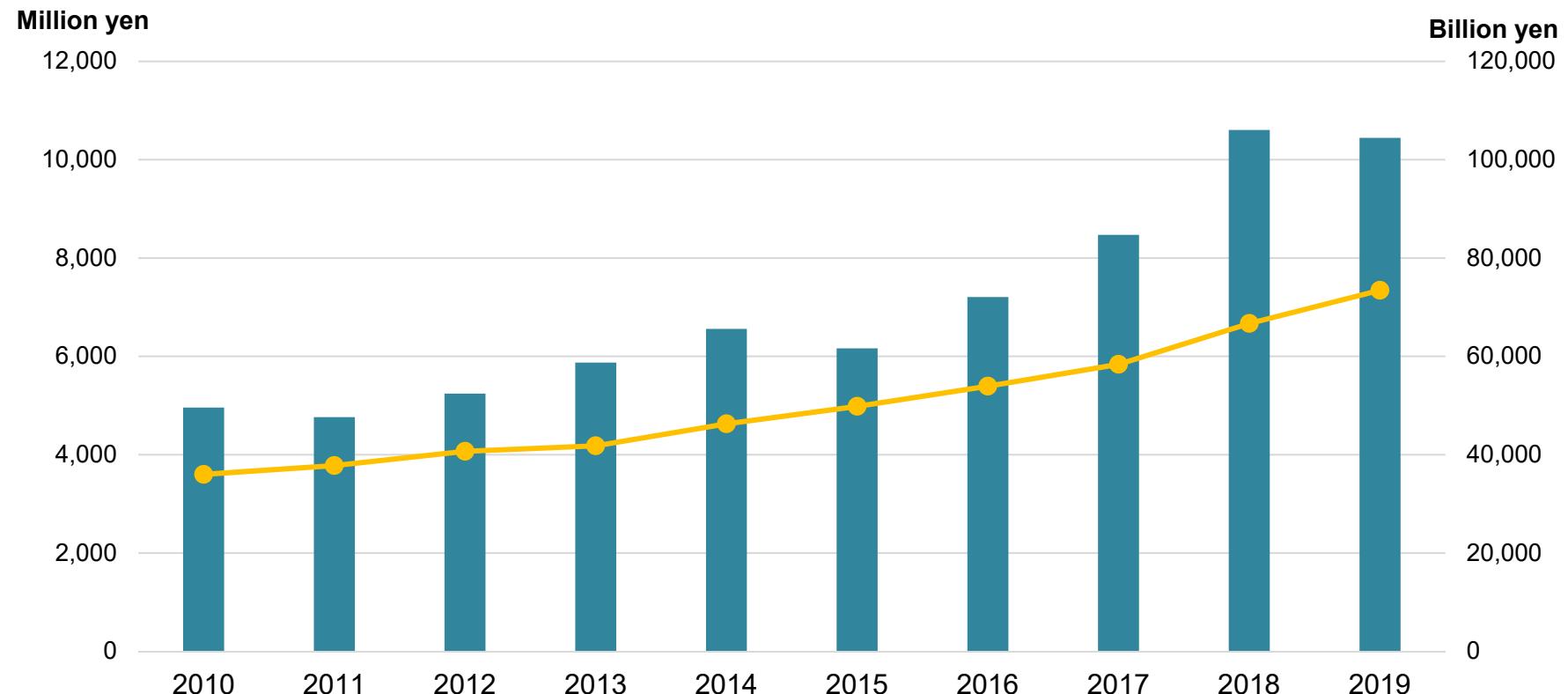
Million yen



Note: Consolidated results are shown through FY06/15.

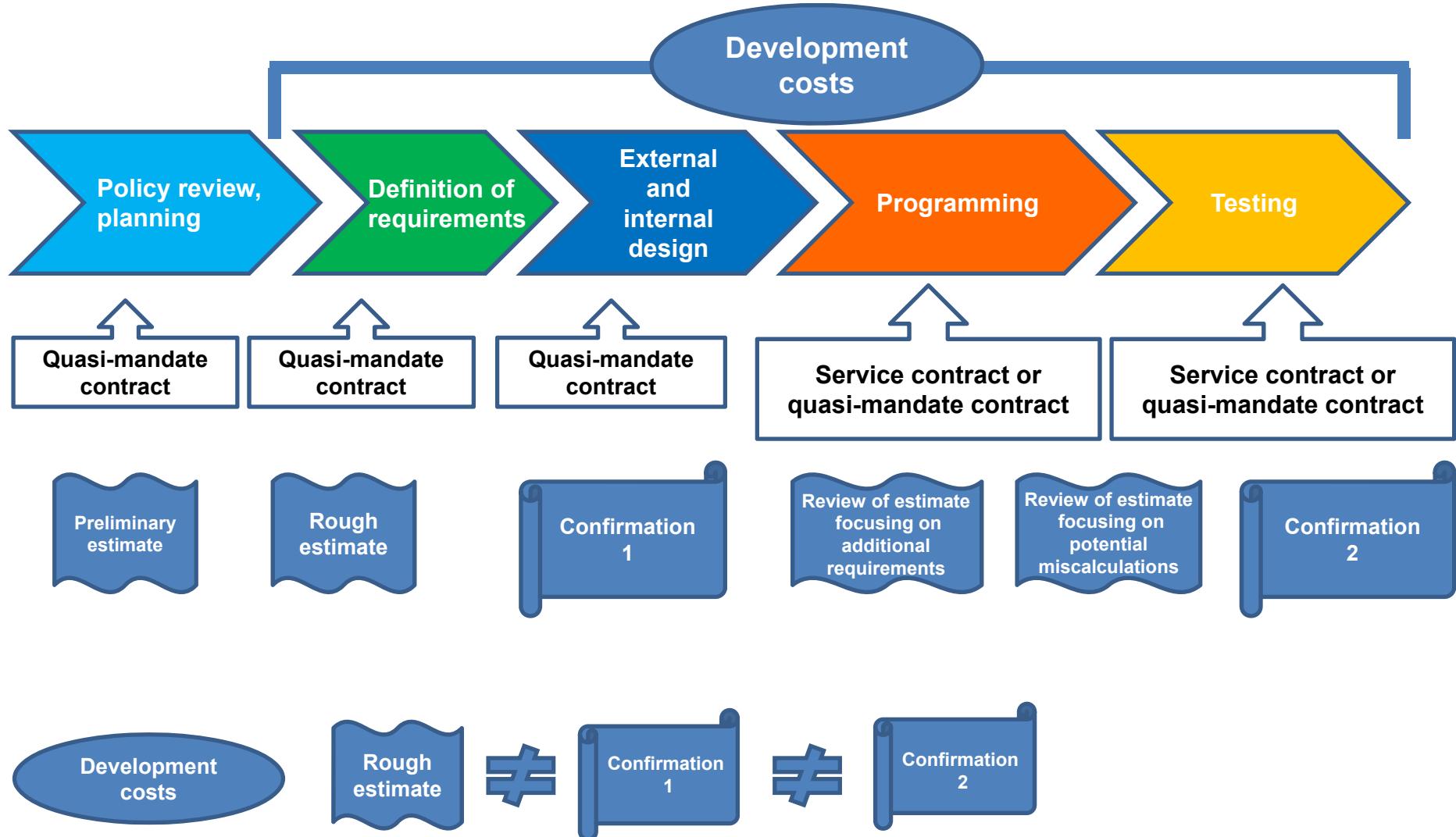
# (Reference) Relationship between company performance and credit card use

- 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



Established	December 27, 1984	(As of June 30, 2020)
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%



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