

February 5, 2021



Financial Results for 1H FY06/21 (July 1 to December 31, 2020) [Non-Consolidated]

Financial and Operating Results 1H FY06/21

1H FY06/21



Overview of results, YoY comparison

Sales and income increased

Historical best performance sales for 1H

	1H FY06/20	1H FY06/21	Change	Million yen Percentage change
Net sales	4,967	5,247	280	+5.6%
Operating income	368	405	37	+10.1%
Ordinary income	360	421	61	+16.9%
Net income	237	285	48	+20.3%

1H FY06/21: Overview of results Vs. forecast



Exceeded initial forecasts

Million yen

	Initial forecasts	1H FY06/21 Actual	Change	Difference
Net sales	5,000	5,247	247	+4.9%
Operating income	380	405	25	+6.6%
Ordinary income	400	421	21	+5.3%
Net income	280	285	5	+1.8%

Top three clients, by sales



	1H FY06/20 Sales	1H FY06/21 Sales	Change	Main projects
1 . DNP	1,114	868	(246)	TSP system (Smartphone payment) , System operations(24/365), Payment Platform
2 . Credit card company	236	662	426	Development and hardware sales for FEP replacement
3 . System Integrator	124	551	427	FEP system for credit card business of telecom company, Fraud detection

Million yen

1H FY06/21

Sales by categories



- (+) Hardware sales increased,
Steady performance in Cloud service
- (△) System Development decline, but as initially planned.

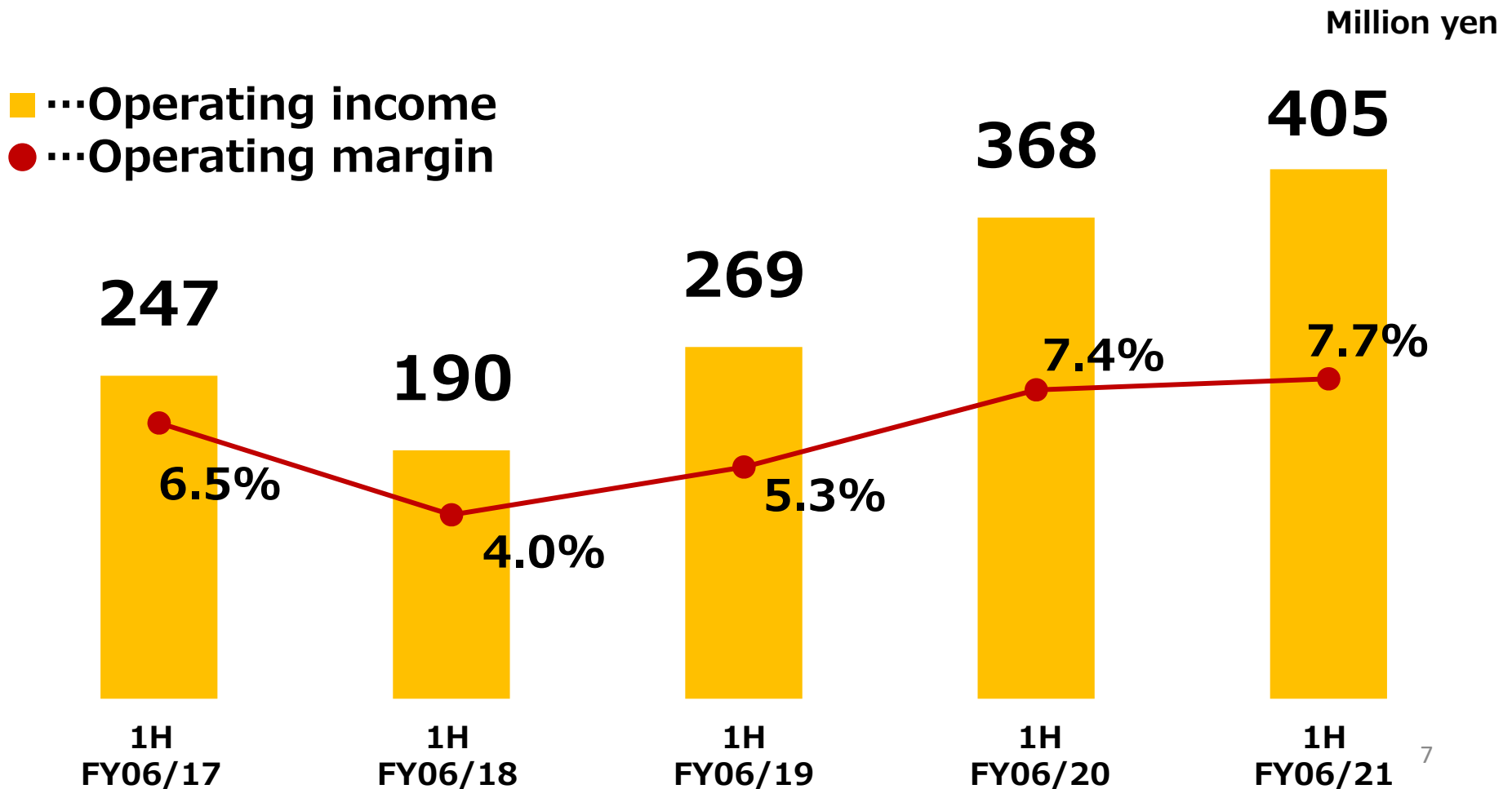
	1H FY06/20	1H FY06/21	Change
Net sales	4,967	5,247	280
System Development	2,574	2,437	(137)
Hardware	680	872	192
Cloud service	390	470	80
Security products	440	369	(71)
Others	883	1,099	216

Million yen

1H FY06/21 Operating income



- Earnings growth by sales increase and quality control for system development projects.
- Operating margin 7.7%, as 1H earnings stayed high level.



Forecasts for 1H FY06/21

FY06/21 Full-year Forecasts



No revision for Full-year, increasing sales and income YoY.

Million yen

	FY06/20 actual			FY06/21 forecasts			Change (Full-year)
	1H	2H	Full-year	1H actual	2H difference	Full-year	
Net sales	4,967	5,953	10,920	5,247	5,753	11,000	+0.7%
Operating income [OM]	368 [7.4%]	668 [11.2%]	1,036 [9.5%]	405 [7.7%]	745 [12.9%]	1,150 [10.5%]	+11.0%
Ordinary income [OM]	360 [7.2%]	714 [12.0%]	1,074 [9.8%]	421 [8.0%]	769 [13.4%]	1,190 [10.8%]	+10.8%
Net income [NM]	237 [4.8%]	525 [8.8%]	762 [7.0%]	285 [5.4%]	535 [9.3%]	820 [7.5%]	+7.6%

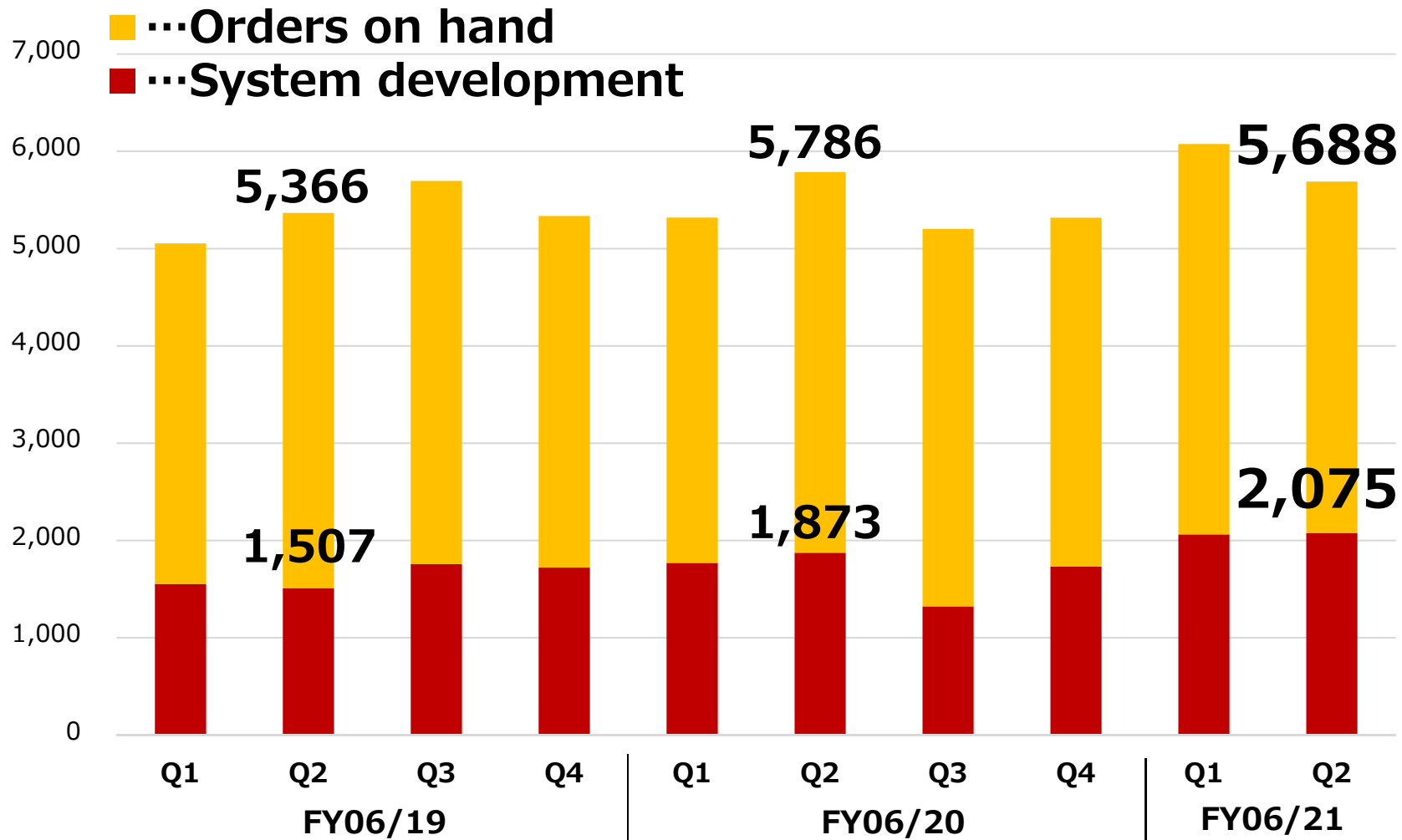
Orders on hand



Keeps higher level.

System development order increasing.

Million yen



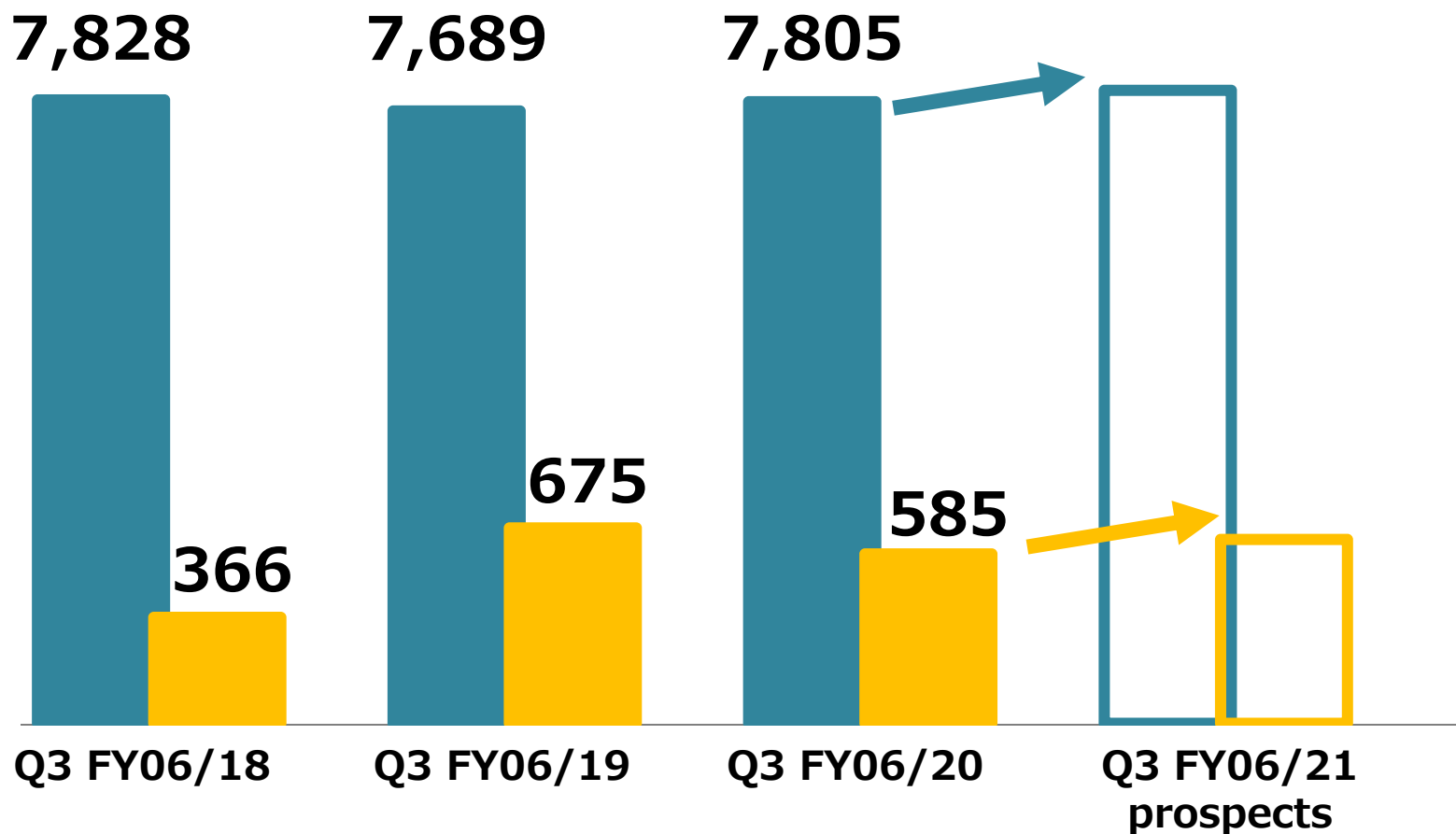
Q3 FY06/21 Prospects

Sales and income increase YoY



■ ...Net sales ■ ...Operating income

Million yen



Countermeasures to the COVID-19 pandemic



(Countermeasures)

- Basic policy : Continue operations
- Set out to promote diverse working way ⇒ Established telework environment for all employees and staff (IT infrastructure)
- * 3 persons tested positive (2 employees, 1 subcontractor) ⇒ **No negative impact to our business**

(Impact on business)

- 1H results : No impact
- 2H forecasts : Slightly uncertainty
(Depends on customers' circumstances, under unchanged major trend)

Key initiatives in FY06/21

Medium-term business plan



FY06/23 targets:

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

Aiming 15% Operating Margin in longer term.

Million yen

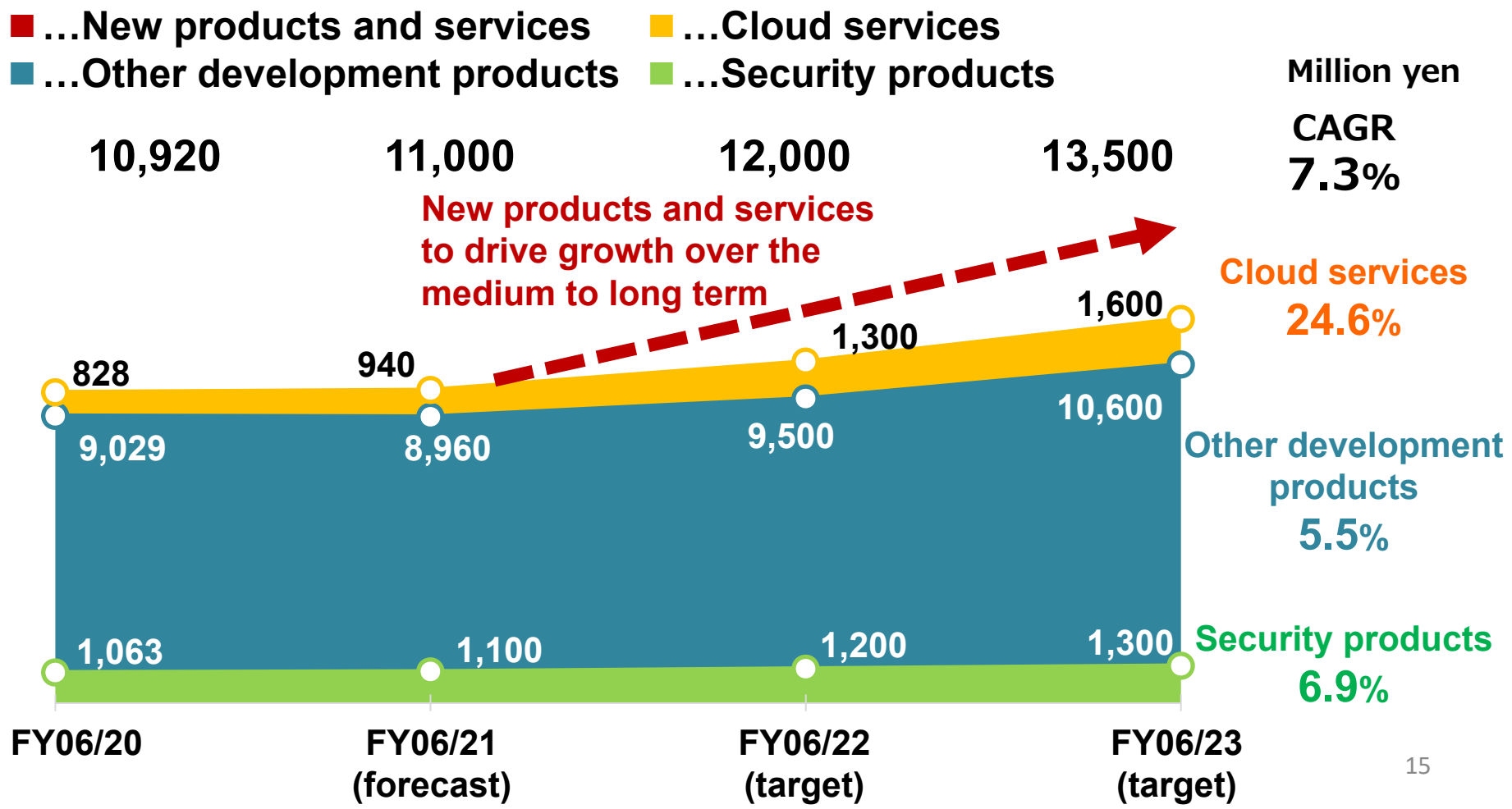
	FY06/20 (actual)	FY06/21 (Forecast)	FY06/22 (target)	FY06/23 (target)	CAGR
Net sales	10,920	11,000	12,000	13,500	7.3%
Operating income [OM]	1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]	13.1%

Medium-term business plan



Net sales

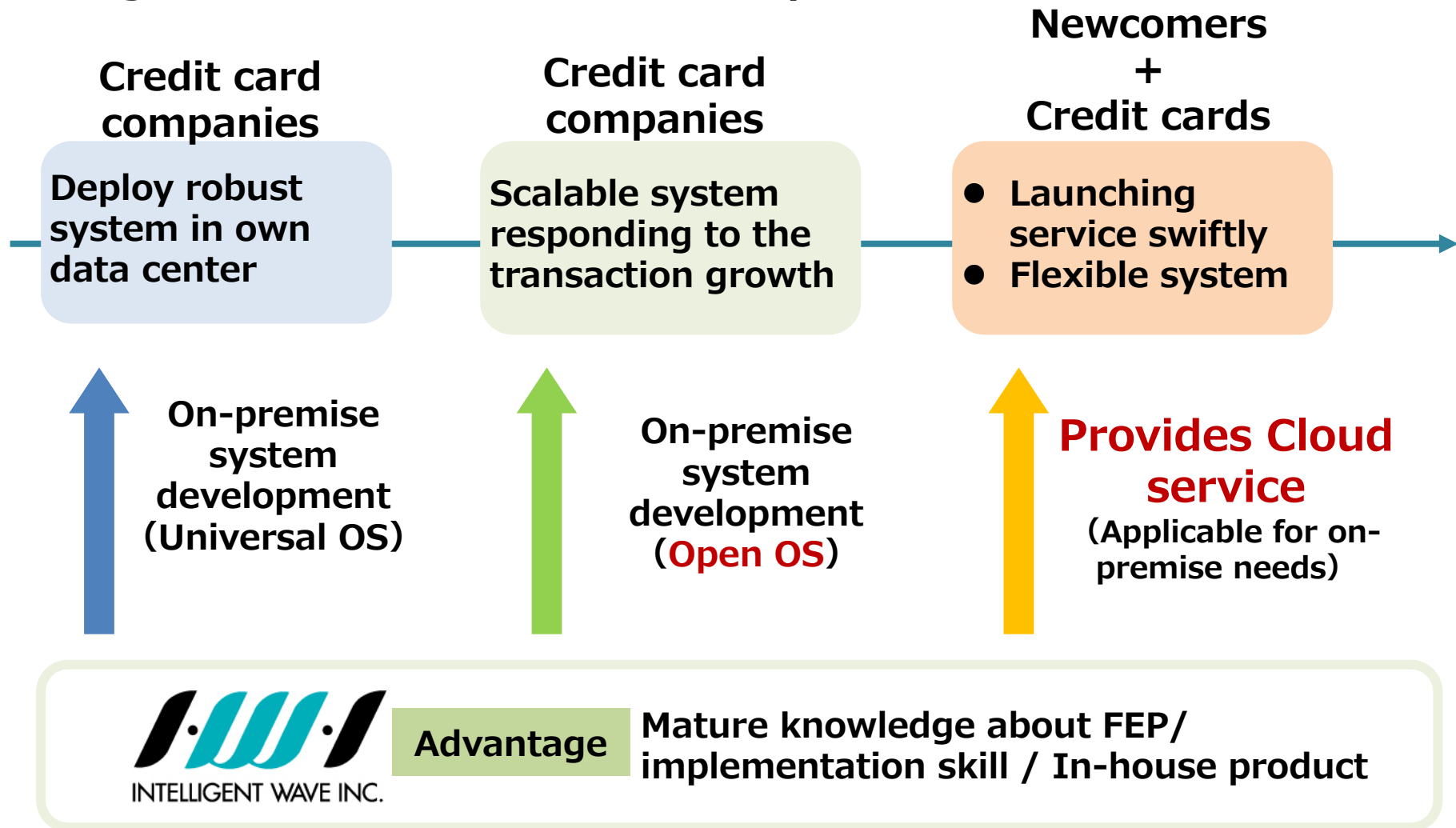
Cloud service, new products and services to drive expansion



Devotes providing Cloud service



Change of customers' needs for FEP system



FY06/21 Cloud service business Services and customers



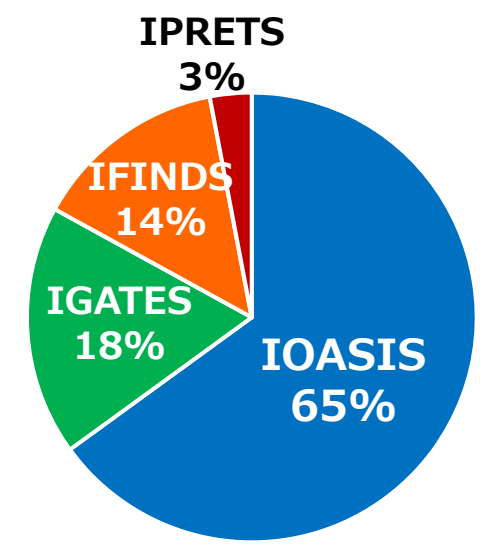
FY06/20
Sales **JPY828mn**



FY06/21
(Forecasts)
940mn

As initial planned

	FY17	FY18	FY19	FY20	FY06/21
1 st Customer for IPRETS					Sales contribution from Q2
4 th customer for IGATES					
3 rd customer for IGATES					
2 customers for IGATES					
3 customers for IFINDS					
5 customers for IOASIS					Full-year contribution to sales



**Net sales composition
FY06/21
(Forecasts)**

IOASIS : Acquiring operation **IGATES** : Switching gateway
IFINDS : Fraud detection **IPRETS** : Point system

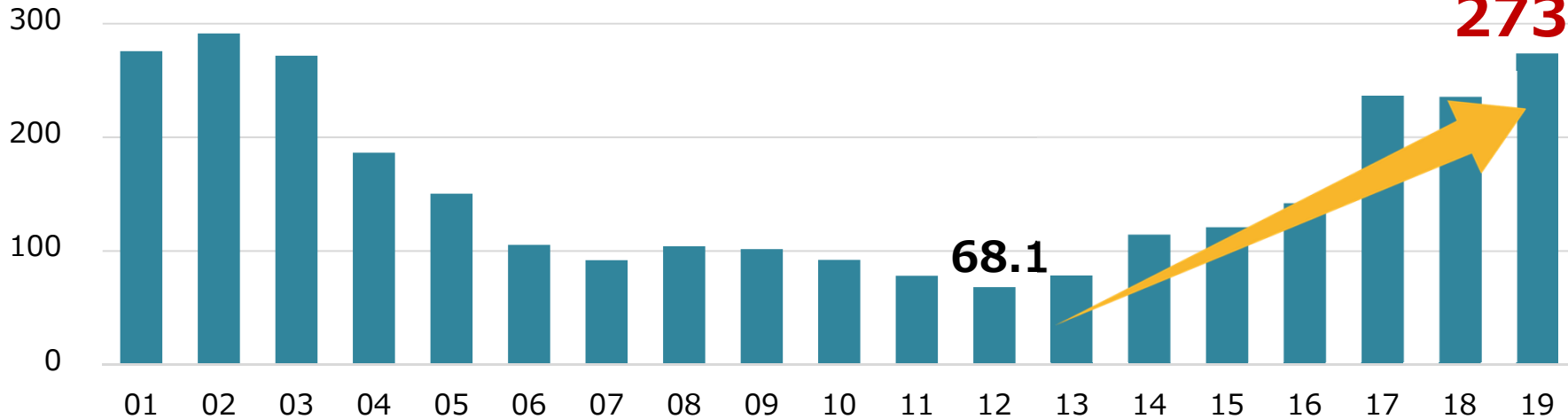
Next generation fraud detection



Business environment

Damage by fraud getting worse

Hundred million
273.8



Source: Japan Consumer Credit Association

Next generation fraud detection

- **EC payment (non-face-to-face)** expanding
- Improving capacity and precision with "Score" powered by AI additional to "Rule" method.
- Contract by **subscription**

Started operation in September, 2020

New product for the **broadcasting industry** "EoM"



Business environment

Urgent issue: IP-based broadcasting system for the industry ⇒ Needs for **another system infrastructure** (High frequency bulk data transmission)

Our solution

- **IP flow monitoring solution "EoM"**
(monitors IP flow to maintenance and improve quality of broadcasts)
- Customers: broadcasters, productions
- Grow **1 billion business** by providing products and services to the industry.



Security product



Business environment

Solutions under **Zero Trust security** required.
(Teleworking and cloud service popularized)

Our solution

- Morphisec, protects **unknown attack**, endpoint security with leading technology
- Cooperates with **Microsoft Defender (Antivirus, Windows OS standard)**
- Under development on **“Security unified platform”** to provide best suited security measures for customers system.
⇒ Launching as a **Cloud service**



MORPHISEC
Moving Target Defense
(Israeli product)

Activity to solve ESG issues

Improve activities by building systems under ESG investment diffusion

<Achievement>
September 2020 :
Released Sustainability Report introducing our activities



<Action plan>

- Aim to acquire the title “Certified Health and Productivity Management Organization”, “WHITE 500” by METI (Ministry of Economy, Trade and Industry) Recognition Program.
- Organize setting policy and goals and monitoring activities for sustainability concerns.

Improving corporate governance



1. Nomination and Compensation Committee (April, 2020), an advisory committee to the Board of Directors

(Outside directors in majority)

- The adoption of an executive officer system, nomination of director candidates and executives, and a review of the compensation system for full-time directors were discussed and debated on as major topics in FY06/20.

2. Functional enhancement of Board of Directors

- Reviewed the composition of the Board of Directors and introduced an executive officer system to clarify management oversight and responsibility. (September, 2020)
- Board of Directors: 6 members including 2 independent outside directors
(A third of members of Board of directors are independent outside directors)

For the long term growth



- Not only stable growth of existing business, but **New product creation and market development** are indispensable for sustainable growth.
- New product creation and market development are based on our technological competency.
- Seize market transformation and shift to “Cloud-First” business.



Growth strategy planning in progress

Reference

FY06/21 Full-year Forecasts



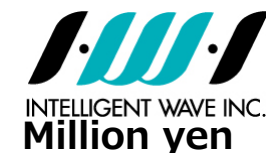
No revision for Full-year, increasing sales and income YoY.

Million yen

	FY06/20 actual			FY06/21 forecasts			Change (Full-year)
	1H	2H	Full-year	1H actual	2H difference	Full-year	
Net sales	4,967	5,953	10,920	5,247	5,753	11,000	+0.7%
Operating income [OM]	368 [7.4%]	668 [11.2%]	1,036 [9.5%]	405 [7.7%]	745 [12.9%]	1,150 [10.5%]	+11.0%
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Net income [NM]	237 [4.8%]	525 [8.8%]	762 [7.0%]	285 [5.4%]	535 [9.3%]	820 [7.5%]	+7.6%

FY06/21: Forecasts

Sales by segment category



	FY06/20	FY06/21		Stock/ Flow
	Actual	Forecast	1H actual	
Net sales	10,920	11,000	5,247	
System development	5,791	5,362	2,437	Flow
Maintenance	1,246	1,284	647	Stock
In-house products	244	397	209	Flow
Cloud services	828	940	470	Stock
Hardware	1,526	1,494	872	Flow
Third-party products	220	423	240	Flow
Security products	1,063	1,100	369	Flow
Operating income	1,036	1,150	405	

※ Categories with contracts that allow us to record sales of a fixed amount on a regular basis are shown as “Stock”.

Otherwise, categories with contracts that are not stationary in terms of the amount and timing are shown as “Flow”.

Historical net sales (Stock/Flow)



Million yen

	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21 (Forecast)
Stock	1,098	1,427	1,761	2,075	2,224
(YoY)		30.0%	23.4%	17.8%	7.2%
Flow	7,370	9,157	8,658	8,826	8,776
(YoY)		24.2%	(5.4%)	1.9%	(0.6%)
Rate of Stock	13.0%	13.5%	16.9%	19.0%	20.2%

Cloud service



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

Million yen

		FY06/20	FY06/21				
		Full-year	Q1	Q2	Q3	Q4	Full-year
Net sales	Initial plan		224	235	235	246	940
	Actual	828	224	246			
Gross profit	Initial plan		(14)	(10)	(29)	(22)	(75)
	Actual	(24)	(37)	(12)			

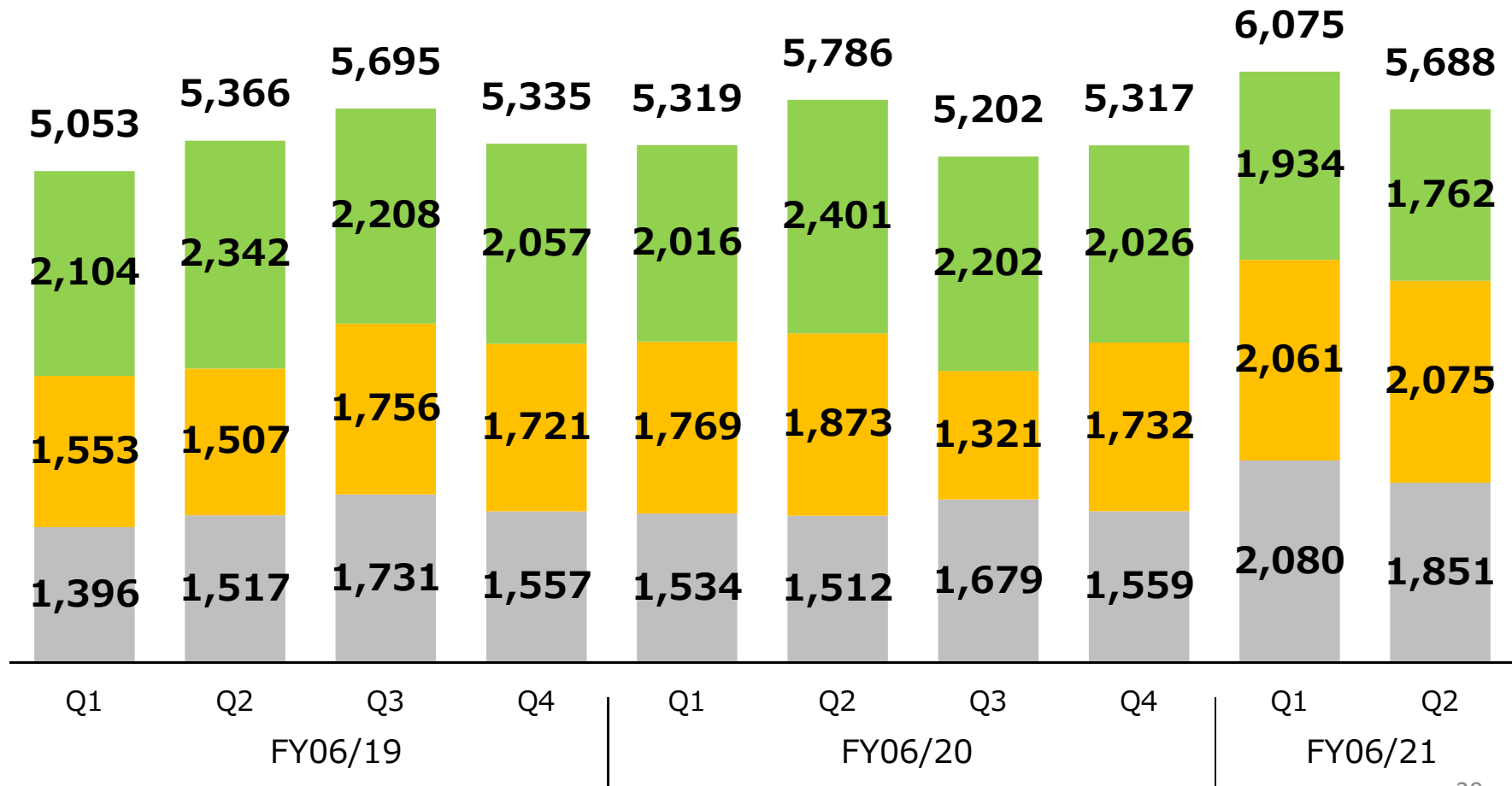
No. of customers	■ IPRETS	0	0	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	■ IGATES	2	2	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
	■ IFINDS	3	3	3	3	3	3
	■ IOASIS	5	5	5	5	5	5

Orders on hand

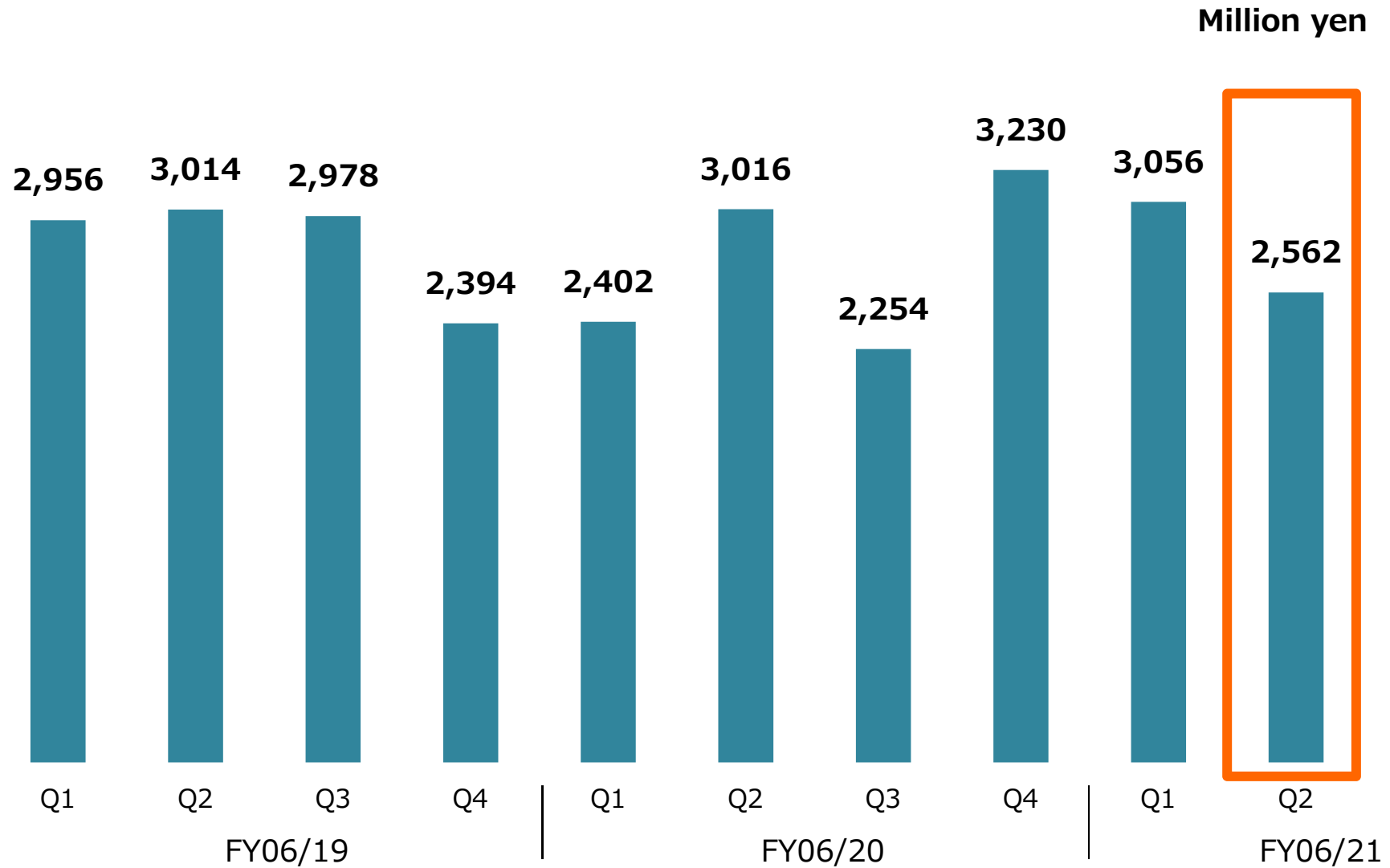


- ...Cloud service business
- ...Software development
- ...Other

Million yen



Amount of orders



1H FY06/21 YoY comparison



Million yen

	1H FY06/20	1H FY06/21	Change	Percentage
Net sales	4,967	5,247	280	+5.6%
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Ordinary income	360	421	61	+16.9%
Net income	237	285	48	+20.3%

1H FY06/21 Vs. forecast



Million yen

	1H FY06/21 initial forecast	1H FY06/21 actual	Change	Difference
Net sales	5,000	5,247	247	+4.9%
Operating income	380	405	25	+6.6%
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Net income	280	285	5	+1.8%

1H FY06/21

Sales by categories



(+) Increased Hardware sales and solid growth Cloud service.

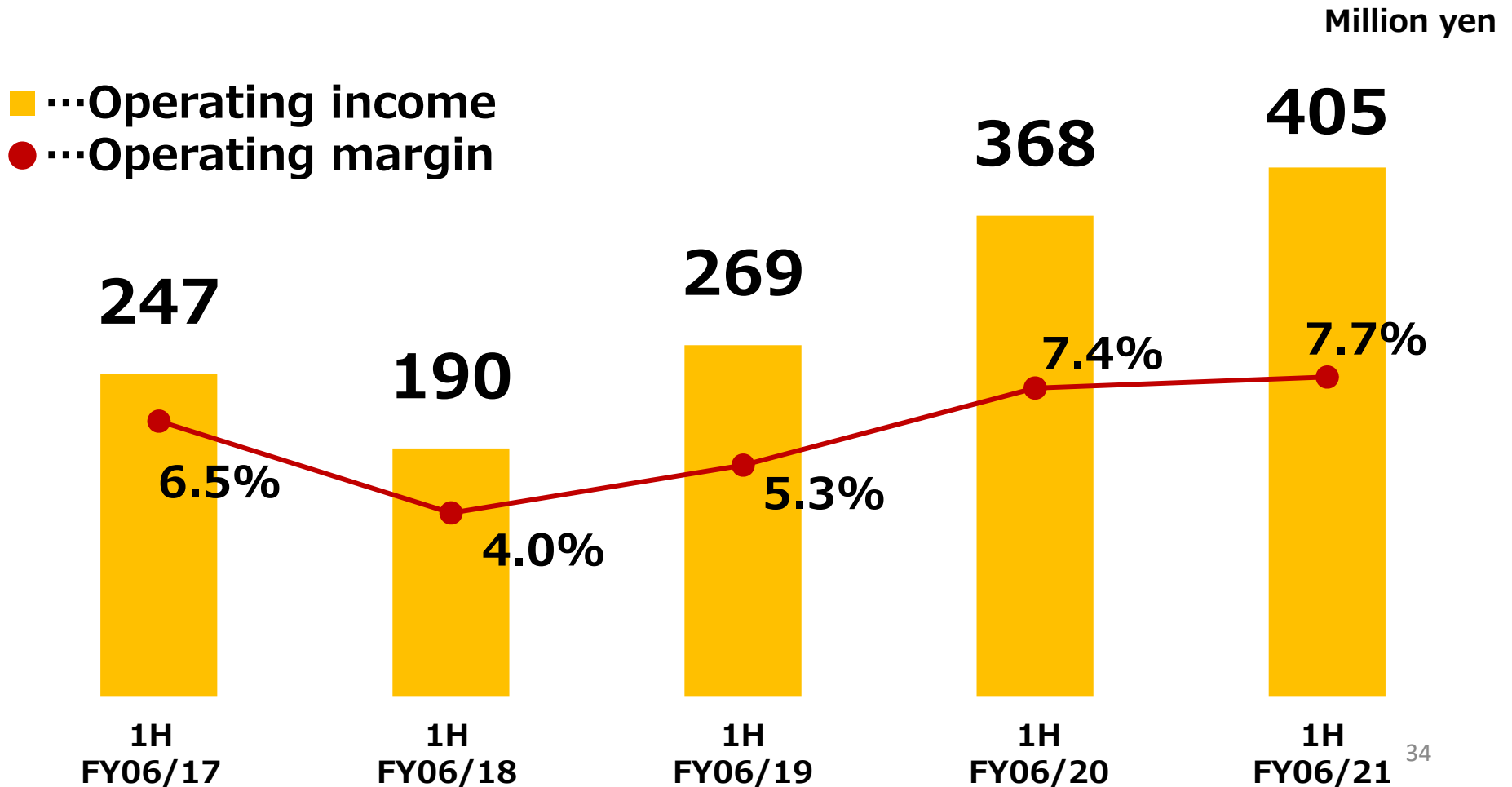
(△) System development decline, but as initial planned.

	1H FY06/20	1H FY06/21	Million yen Change
Net sales	4,967	5,247	280
System Development	2,574	2,437	(137)
Maintenance	606	647	41
In-house products	179	209	30
Cloud service	390	470	80
Hardware	680	872	192
Third party products	95	240	145
Security products	440	369	(71)
Operating income	368	405	37

1H FY06/21 Operating income



- Earnings growth by sales increase and quality control for system development projects.
- Operating margin 7.7%, as 1H earnings stayed high level.



FY06/21 production costs



	FY06/20				FY06/21	
	Q1	Q2	Q3	Q4	Q1	Q2
Materials cost	13,473	15,597	10,163	4,078	4,890	6,337
Labor cost	669,478	677,925	676,878	705,015	708,202	739,778
Expenses	322,071	324,894	324,855	333,834	363,448	353,011
Subcontracting cost	636,415	679,101	640,094	603,288	581,894	546,583
Total manufacturing cost	1,641,439	1,697,518	1,651,991	1,646,216	1,658,435	1,645,711
Work in progress (beginning of period)	626,309	741,783	839,812	460,178	381,557	515,004
Work in progress (end of period)	741,783	839,812	460,178	381,557	515,004	503,982
Transfer to other accounts	166,499	136,522	150,296	142,737	100,020	87,206
Cost of sales	1,359,465	1,462,967	1,881,328	1,582,100	1,424,967	1,569,526

FY06/21 SG&A expenses



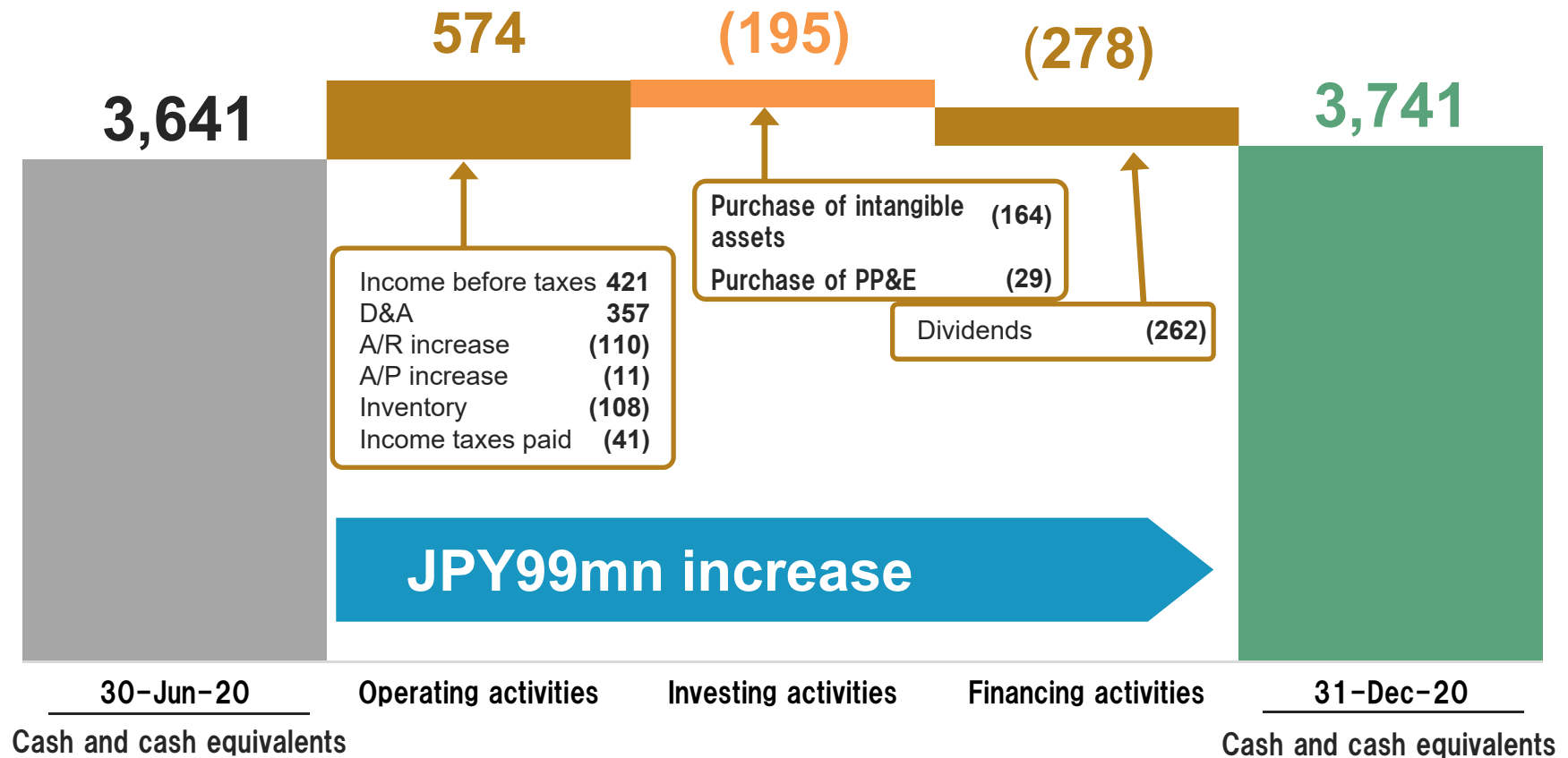
	FY06/20				FY06/21	
	Q1	Q2	Q3	Q4	Q1	Q2
Salaries	302,437	294,538	295,482	342,620	287,425	323,927
Training and recruiting	13,243	18,471	18,739	6,860	5,321	17,463
Rent	21,204	17,334	17,849	18,116	17,621	17,615
Advertising	9,917	8,219	2,088	1,463	1,586	4,239
R&D	4,914	6,344	13,371	7,179	8,723	22,254
Depreciation and amortization	8,826	9,148	9,969	11,010	9,457	9,952

	1H FY06/20	1H FY06/21	Change	Million yen
SG&A	965	984	+19	
(Breakdown)				
			Increase in salaries	+14
			Training and recruiting	(9)
			Advertising	(12)
			Research and development	+19
			Others	+7

FY06/21: Cash flows



Million yen



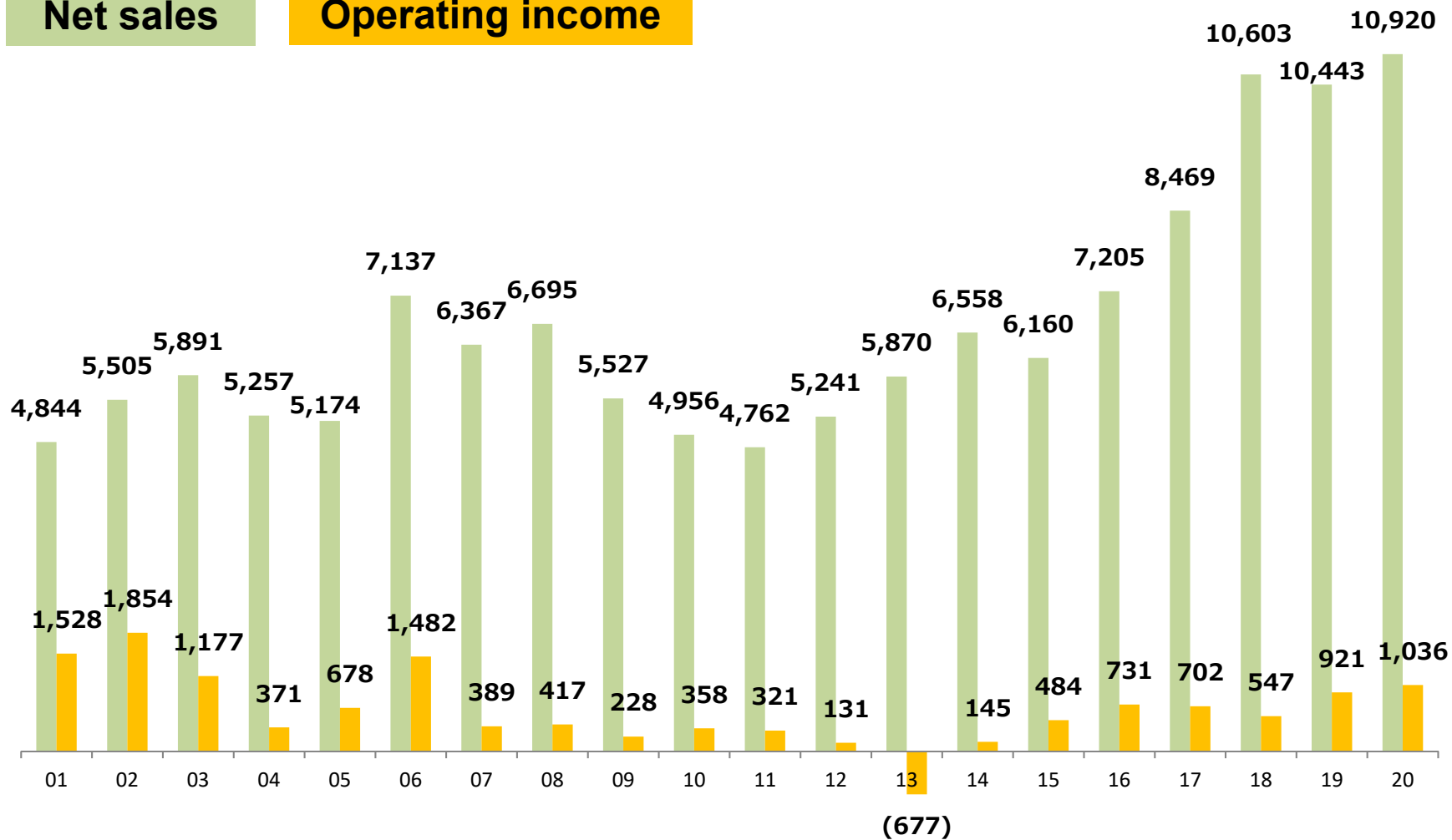
Historical performance



Million yen

Net sales

Operating income



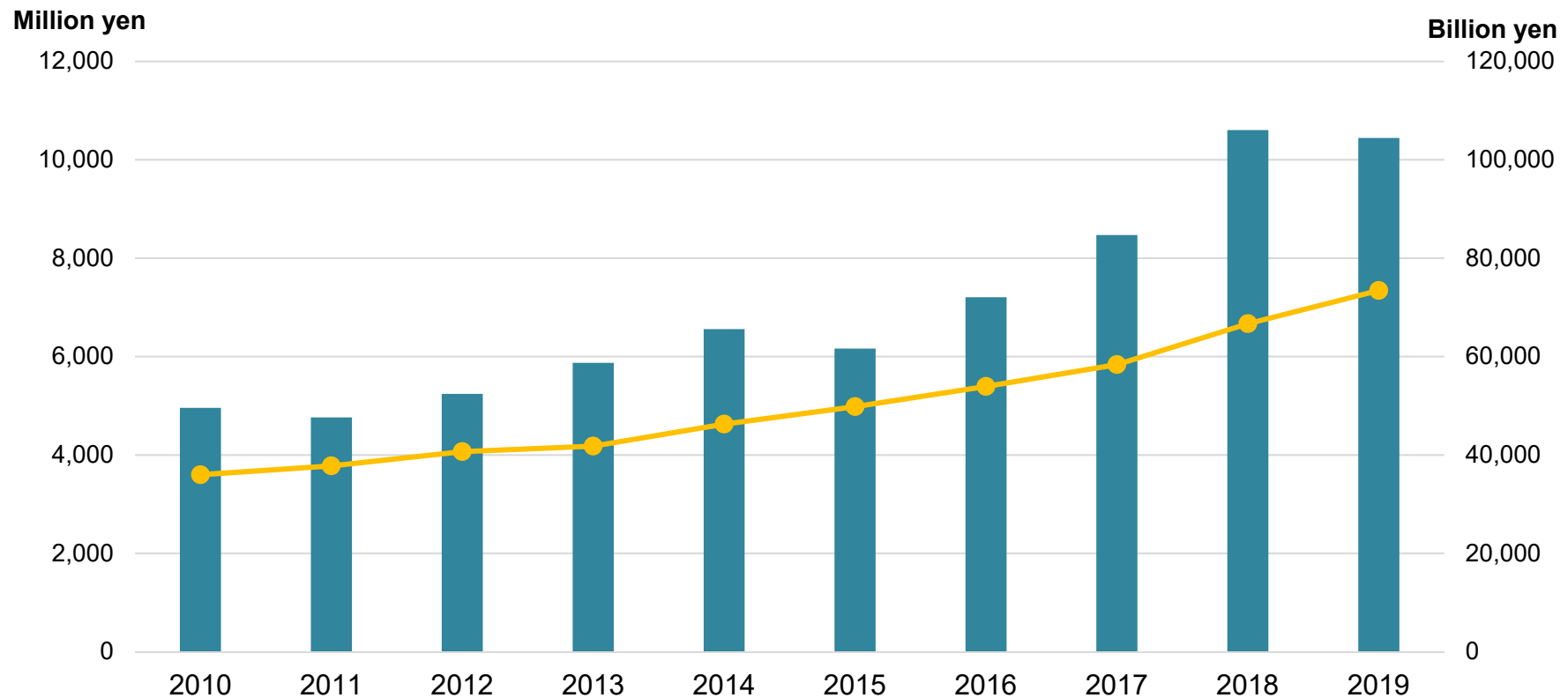
Note: Consolidated results are shown through FY06/15.

(Reference) Relationship between company performance and credit card use



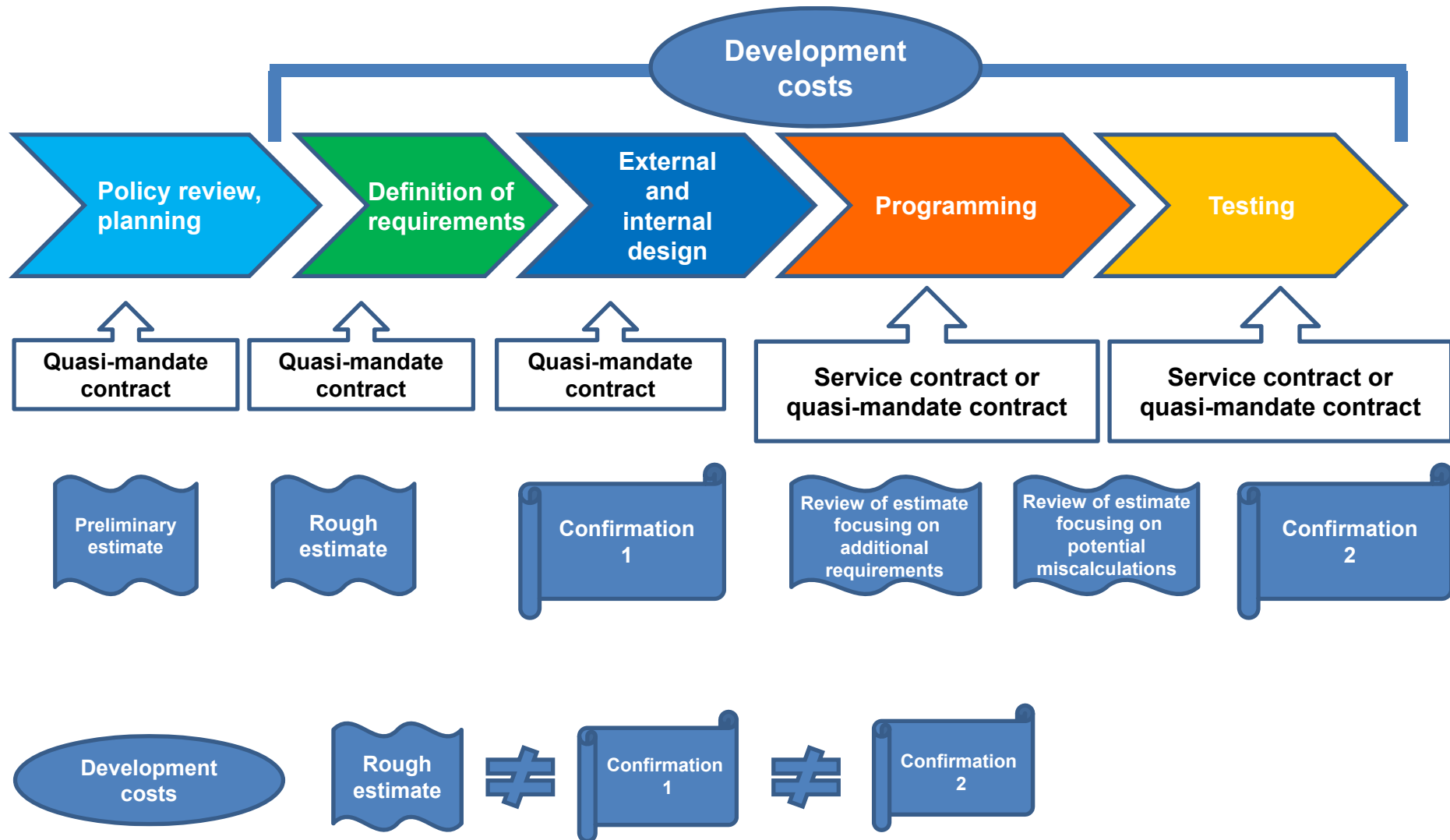
■ Net sales (left-hand scale): CAGR of 8.6%

● 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 December 31, 2020

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	437
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)
Capital stock	JPY843.75mn
Shares outstanding	26,340,000
	Shareholders 10,122

	Ownership (%)		% of shareholders
Individuals, others	36.06%	Individuals, others	98.35%
Japanese financial institutions	8.56%	Japanese financial institutions	0.15%
Other Japanese corporations	51.09%	Other Japanese corporations	0.44%
Foreign corporations	2.30%	Foreign corporations	0.76%
Japanese securities firms	1.82%	Japanese securities firms	0.29%
Treasury stock	0.17%	Treasury stock	0.01%

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