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# Financial Results for Q1 FY06/22

(July 1 to September 30, 2021)

[Non-Consolidated]

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Announced on Nov 8, 2021  
Intelligent Wave Inc.



# Financial Results Q1 FY06/22

Key initiatives in Q1 FY06/22

Forecast for FY06/22

Reference

Million yen

	Q1 FY06/21	Q1 FY06/22	Change	
Net sales	2,298	2,251	-47	-2.0%
Operating income	134	126	-8	-6.0%
Ordinary income	128	124	-4	-3.1%
Net income	83	82	-1	-1.2%

- (+) Steadily increase in System Development and Cloud service
- (△) Decrease in sales of Hardware for new development projects and Third-party products.

	Q1 FY06/21	Q1 FY06/22	Change
Net Sales	2,298	2,251	-47
System Development	1,113	1,170	+57
Maintenance	315	360	+45
In-house products	144	131	-13
Cloud service	224	243	+19
Hardware	208	79	-129
Third-party products	110	69	-41
Security products	181	198	+17

# Q1 FY06/22 Top three clients, by sales YoY comparison

				Million yen
	Q1 FY06/21	Q1 FY06/22	Change	Main projects
1 . DNP	423	346	△77	TSP system (Smartphone payment) , System operations(24/365), Payment Platform
2 . System Integrator	297	309	+ 12	Disaster recovery System for FEP and Fraud detection
3 . Credit card company	181	110	△71	Development and hardware sales for FEP replacement

(+) Steadily increase in System Development

Improved profitability from Maintenance and Cloud service

(△) Decreased in sales of hardware. Increased in SG & A expenses

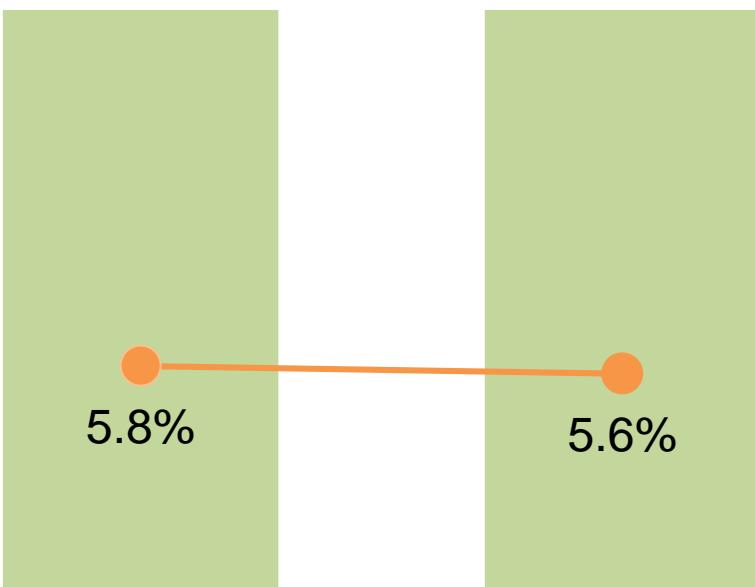
- ...Net Sales
- ...Operating margin

2,298

2,251

Million yen

**-8** YoY



## Reasons for changes

(Increase)

- Steadily increase in System Development  
Improved profitability from Maintenance and  
Cloud service

(Decrease)

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

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# FY06/22 sales of Cloud services

Sales and profits performed as initially planned.

Million yen

		FY06/21				FY06/22			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	plan	224	246	232	239	240	248	296	343
	Actual	224	246	232	239	243			
Gross profit	plan	-37	-12	-28	-3	-18	18	46	33
	Actual	-37	-12	-28	-3	-19			

No. of customers  
by service lines  
(Actual)

- IPRETS 1 Point program system
- IGATES 4 Switching gateway system
- IFINDS 3 Fraud detection system
- IOASIS 5 Acquiring operation system

Received 2 orders for IOASIS in the first quarter. Promised to acquire new additional orders in the second quarter consecutively.  
 These orders will be booked as sales starting from FY06/23.

Million yen

	FY06/21				FY06/22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orders on hand	133	73	79	483	1,000			
Amount of orders	1,934	1,762	1,609	1,853	2,611			

reference) Current sales prospect

...Forecast Plan      ... Prospect

FY06/22

1,130

FY06/23

2,000

0

500

1,000

1,500

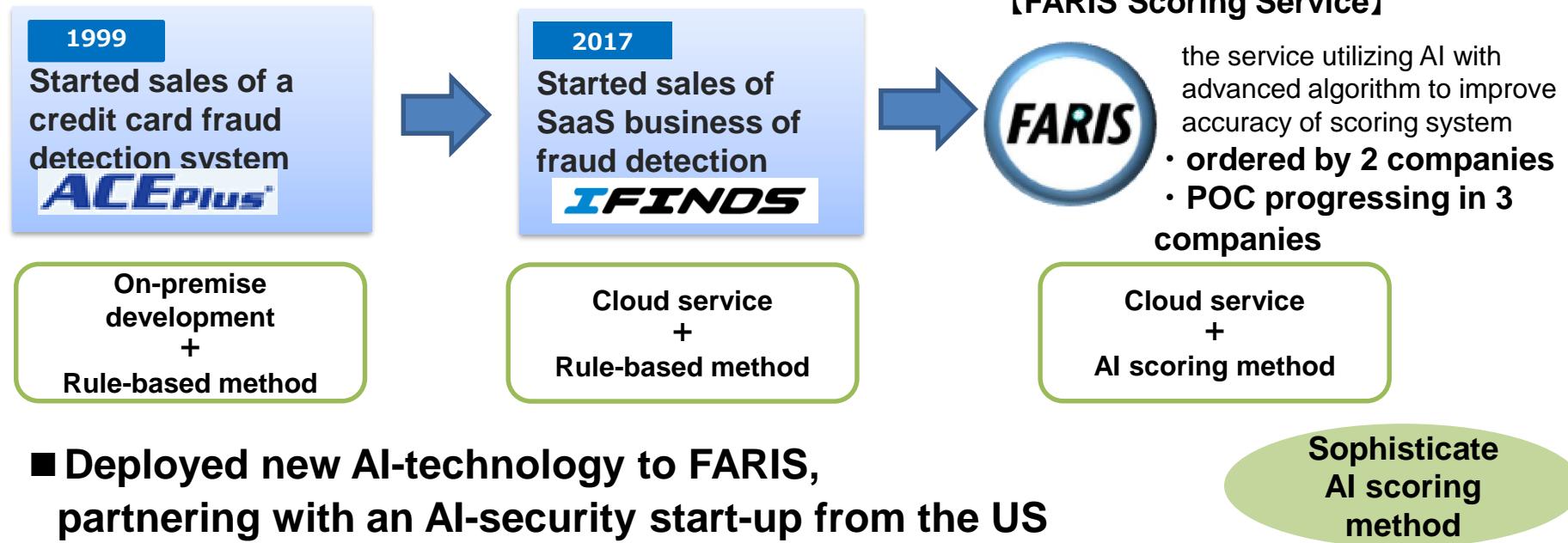
2,000

2,500

3,000

# Next Generation Fraud Detection Service

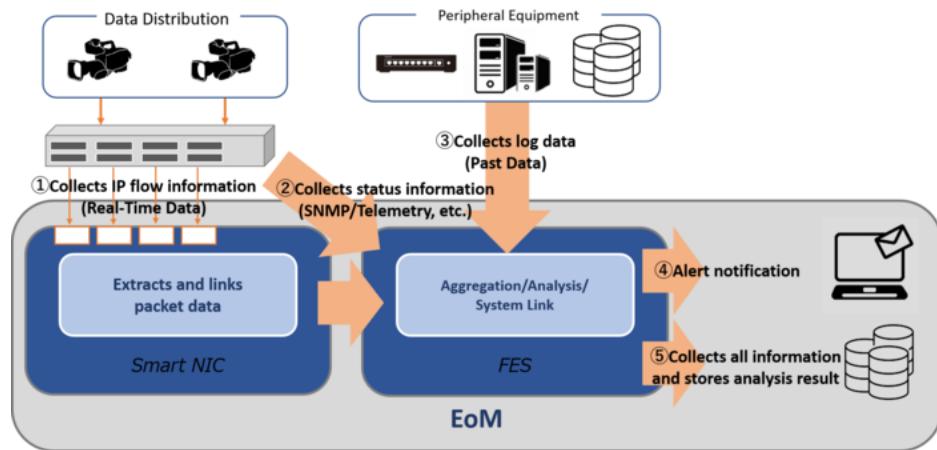
The trends of cashless society promotion and increase of non-face-to-face payment transaction expands the incident of fraudulent card use. We develop and strengthen next generation fraud detection service 'FARIS', based on our experience and knowledge as the top vendor in the market.



In September 2021, we employed to FARIS scoring service AI-engine called 'RIME' developed by AI-security start-up, Robust Intelligence (HQ: California, United States). We started sales activity for introduction.

## ① Promoting IP flow monitoring solution, EoM

- **EoM:** Visualizes and monitors IP flow data between broadcasting sites. Realizes ultra high-speed and bulk data processing by utilizing hardware equipped with FPGA.



### ■ The companies which has purchased EoM

- TV Asahi
- Japan Digital Service (JDS)
- QVC Japan
- Yleisradio Oy(Finland's public broadcaster, Yle)

## ② Developing solution to monitor and control network in whole broadcasting master system, “SmartOchesterator (tentative)”

\* Being uncovered on events, November

The promotion of tele-work and DX leads to increase of opportunities of systems and cloud services investment in industries. We provide services to address issues on workloads of ID/ password/ access management and security measurement.

## Related news

### ■ Matsui Securities Co. Ltd. has introduced the integrated ID management tool 'Evidian' (August, 2021)

Evidian, which over 900 companies and 5M users use, is the leading solution in ID management tools. Matsui Securities has introduced it, aiming for reducing workloads of ID management and user's authorization.

### ■ IWI started security assessment service based on white-hacker's insight (October, 2021)

The assessment, provided by Ierae Security Inc. (HQ: Tokyo) enables companies to assess their own security from attacker's point of view.

We propose innovative security measurements and find the security hole which cannot be visible with conventional security assessment.

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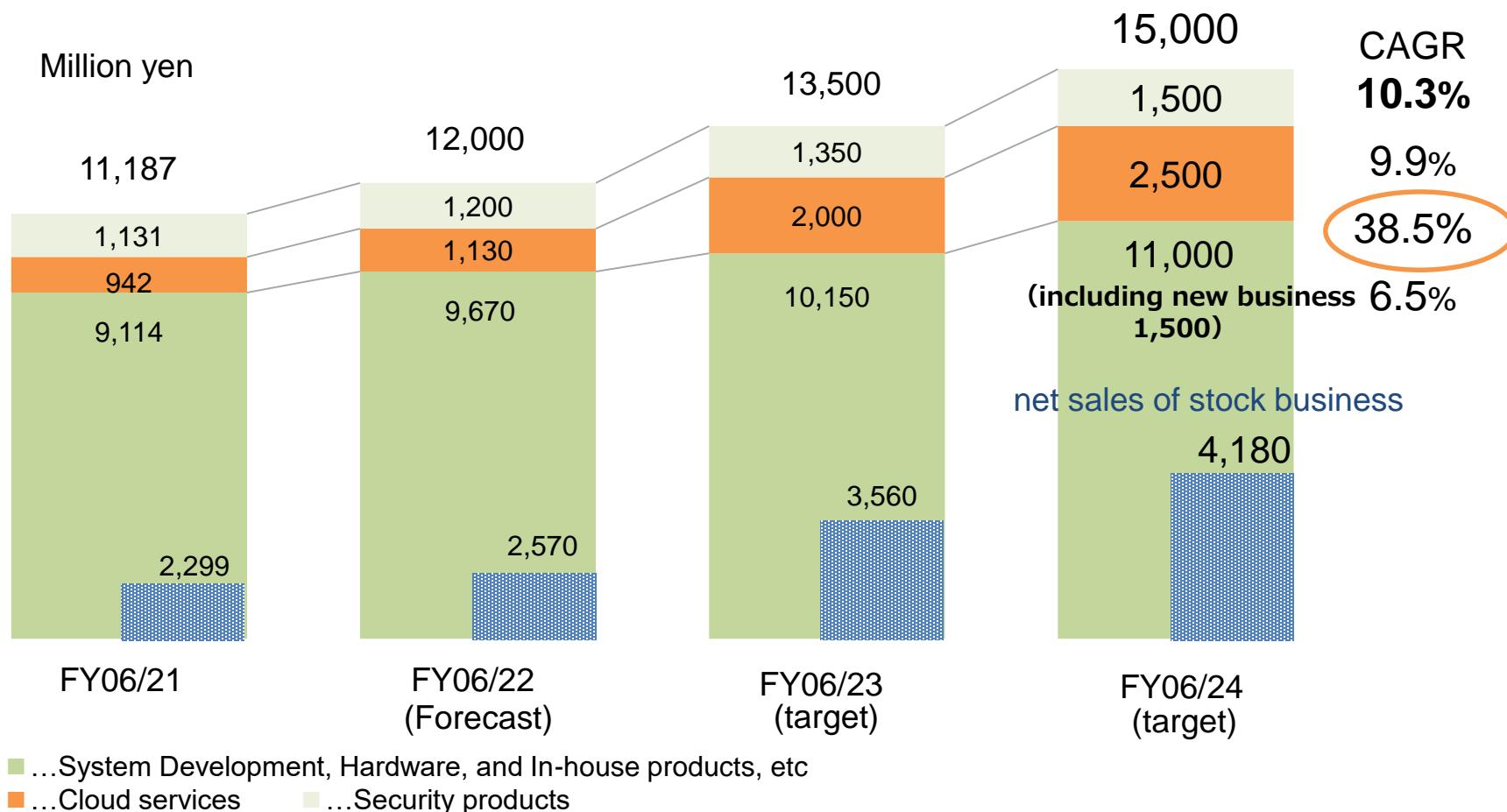
Progressing as planned in Q2, and profits are expected to increase in the first half compared to the previous year.

Million yen

	FY06/21 actual			FY06/22 forecast			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Net sales	5,247	5,940	11,187	5,000	7,000	12,000	+7.3%
Operating income [OM]	405 (7.7%)	725 (12.2%)	1,130 (10.1%)	410 (8.2%)	910 (13.0%)	1,320 (11.0%)	+16.8%
Ordinary income [OM]	421 (8.0%)	750 (12.6%)	1,171 (10.5%)	430 (8.6%)	930 (13.3%)	1,360 (11.3%)	+16.1%
Net income [NM]	285 (5.4%)	555 (9.3%)	840 (7.5%)	300 (6.0%)	640 (9.1%)	940 (7.8%)	+11.9%

# Medium-term business plan “15ALL”

Aim for 15 billion of net sales and 15% of operation margin in FY06/24.  
The cloud business is doing well, we plan to expand sales from the fiscal year ending June 2023



## Status of listing on the prime market



28th July, 2021 Received notification about the primary judge for the listing requirements for Prime market from TSE

criteria	Our company	Listing requirements
No. of Tradable Shares (units)	124,495	20,000
Tradable Share Market Cap (bn.)	83	100
Tradable Share Ratio (%)	47.2	35.0
Trading Value (mil.)	47	20

(schedule)

- 28th July, 2021 Announced the policy to select to be listed in the Prime market.
- Dec., 2021 (planned) Apply to be listed on the Prime Market
- 4th Apr., 2022 Being listed on the Prime Market
- During the transitional period,
  - 1)Enhance the corporate value by executing mid-term business plan “15 ALL”
  - 2) Strengthen shareholder returns

**Financial Results Q1 FY06/22**

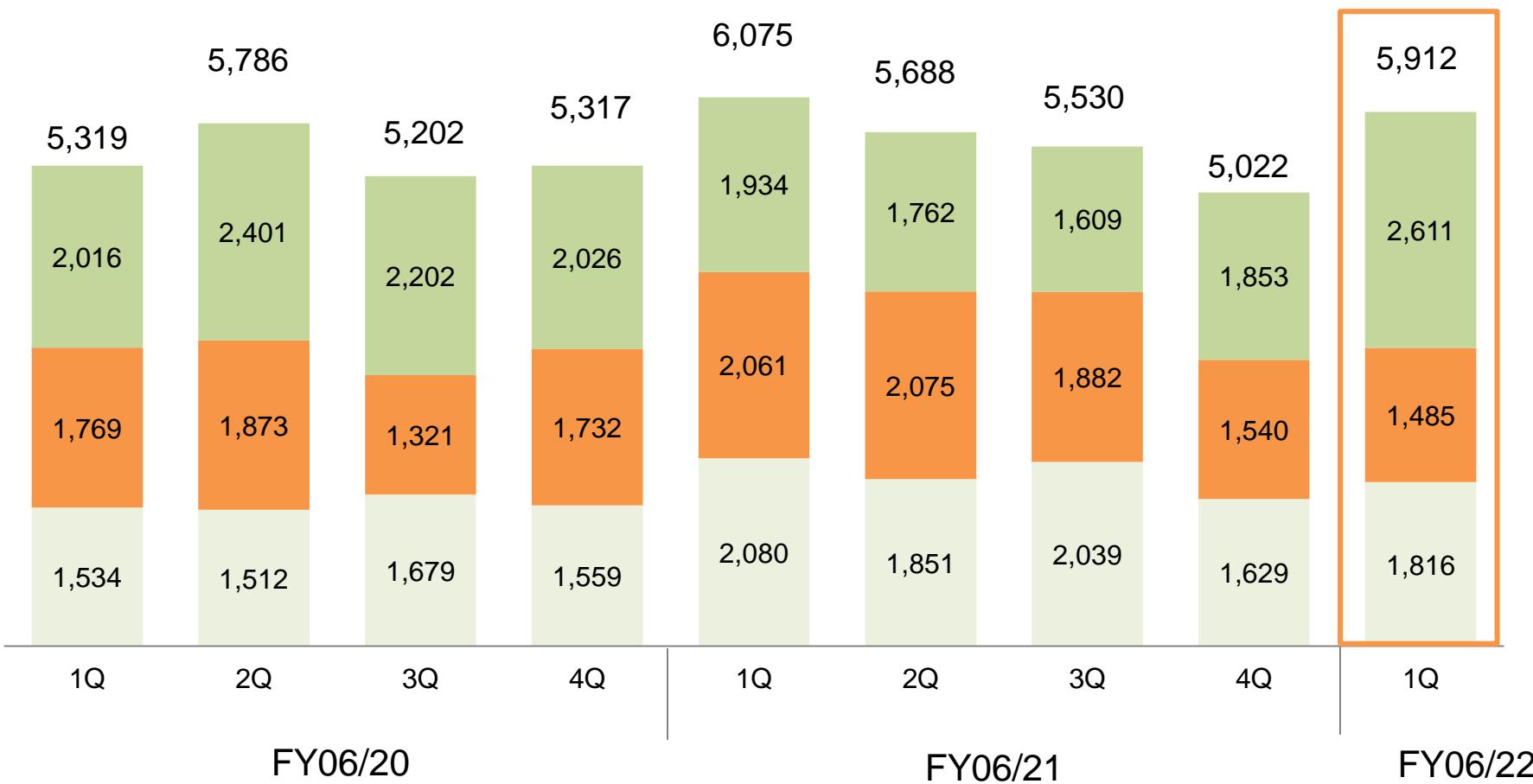
**Key initiatives in Q1 FY06/22**

**Forecast for FY06/22**

**Reference**

# Orders on hand

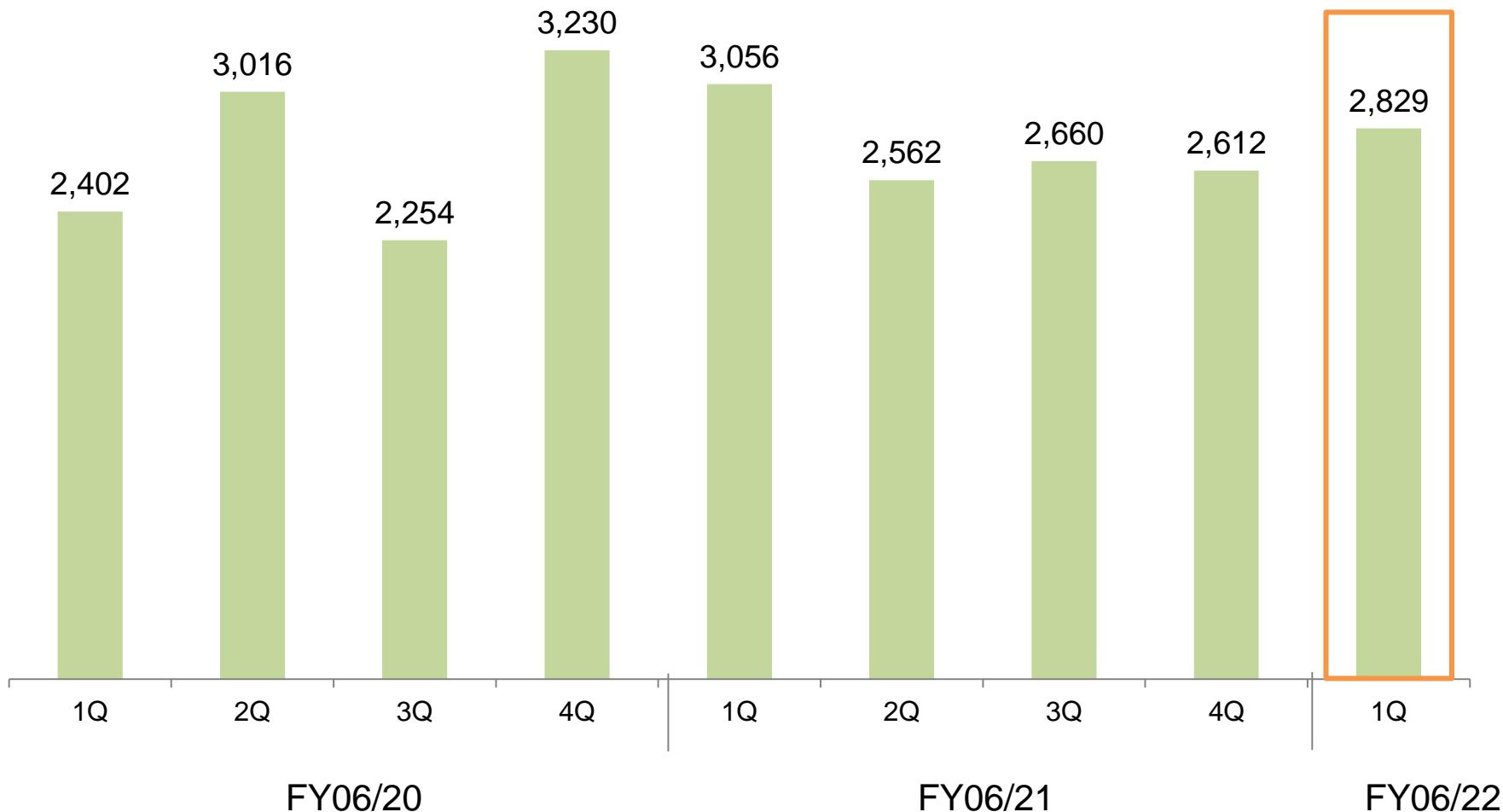
Million yen




...Cloud services
...System development
...Security products, Hardware, In-house products, etc

# Amount of orders

Million yen



# FY06/22: Forecasts Sales by segment category

Million yen

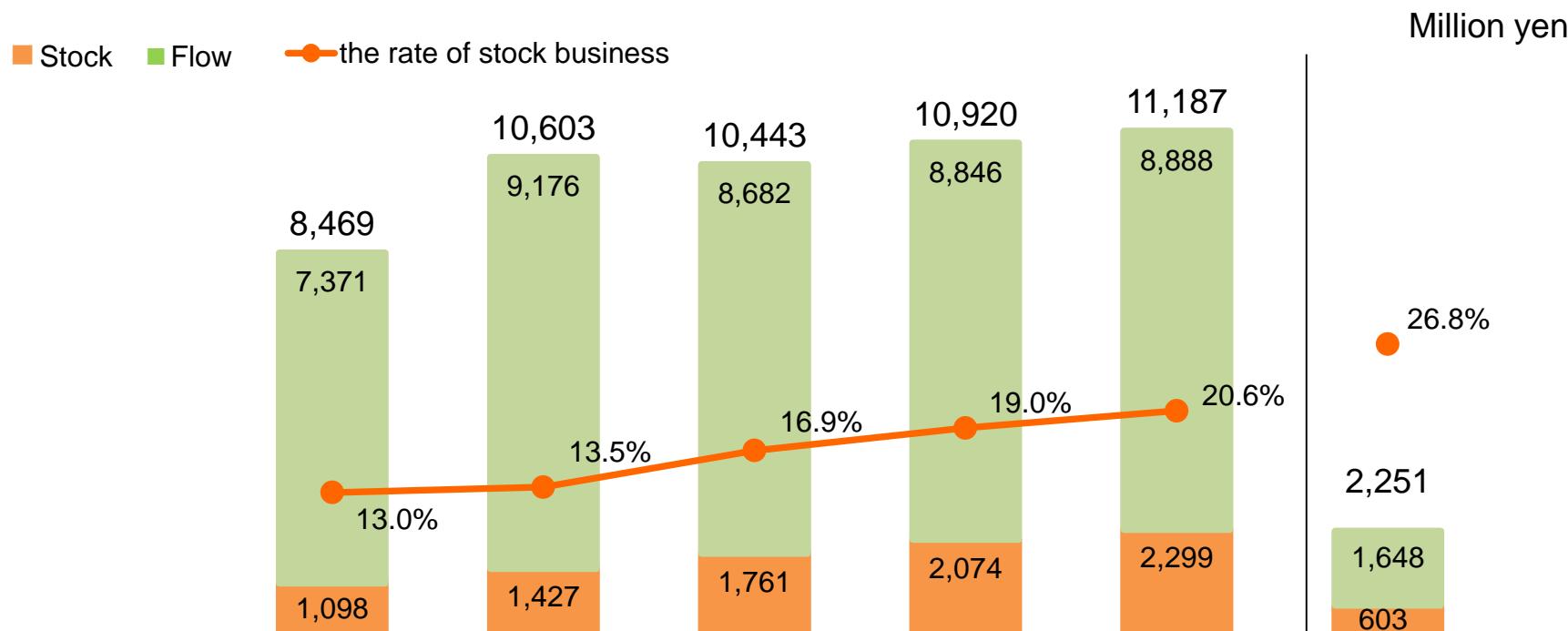
	FY06/21 actual			FY06/22 forecast			YoY (full year)
	1H	2H	Full year	1H	2H	Full year	
Net Sales	5,247	5,940	11,187	5,000	7,000	12,000	+7.3%
System Development	2,437	2,835	5,272	2,713	3,137	5,850	+11.0%
Maintenance	647	710	1,357	725	715	1,440	+6.1%
In-house products	209	126	335	265	135	400	+19.4%
Cloud service	470	472	942	489	641	1,130	+20.0%
Hardware	872	766	1,638	188	1,542	1,730	+5.6%
Third-party products	240	269	509	120	130	250	△50.9%
Security products	369	762	1,131	500	700	1,200	+6.1%

# FY06/22 Forecasts

Million yen

	FY06/21			FY06/22			YoY (1H)
	Q1	Q2	1H	Q1 (actual)	2 Q (1Hforecast -Q1actual)	1H (forecast)	
Net Sales	2,298	2,949	5,247	2,251	2,749	5,000	△4.7%
System Development	1,113	1,324	2,437	1,170	1,543	2,713	+11.3%
Maintenance	315	332	647	360	365	725	+12.1%
In-house products	144	65	209	131	134	265	+26.8%
Cloud service	224	246	470	243	246	489	+4.0%
Hardware	208	664	872	79	109	188	△78.4%
Third-party products	110	130	240	69	51	120	△50.0%
Security products	181	188	369	198	302	500	+35.5%
Operating income	134	271	405	126	284	410	+1.2%

# Historical net sales (Stock/Flow)



	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	Q1 FY06/21
Stock	1,098	1,427	1,761	2,074	2,299	603
(YoY)		+30.0%	+23.4%	+17.8%	+10.8%	+11.9%
Flow	7,371	9,176	8,682	8,846	8,888	1,648
(YoY)		+24.5%	-5.4%	+1.9%	+0.5%	-6.3%

\* 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

# Q1 FY06/22 production costs

Thousand yen

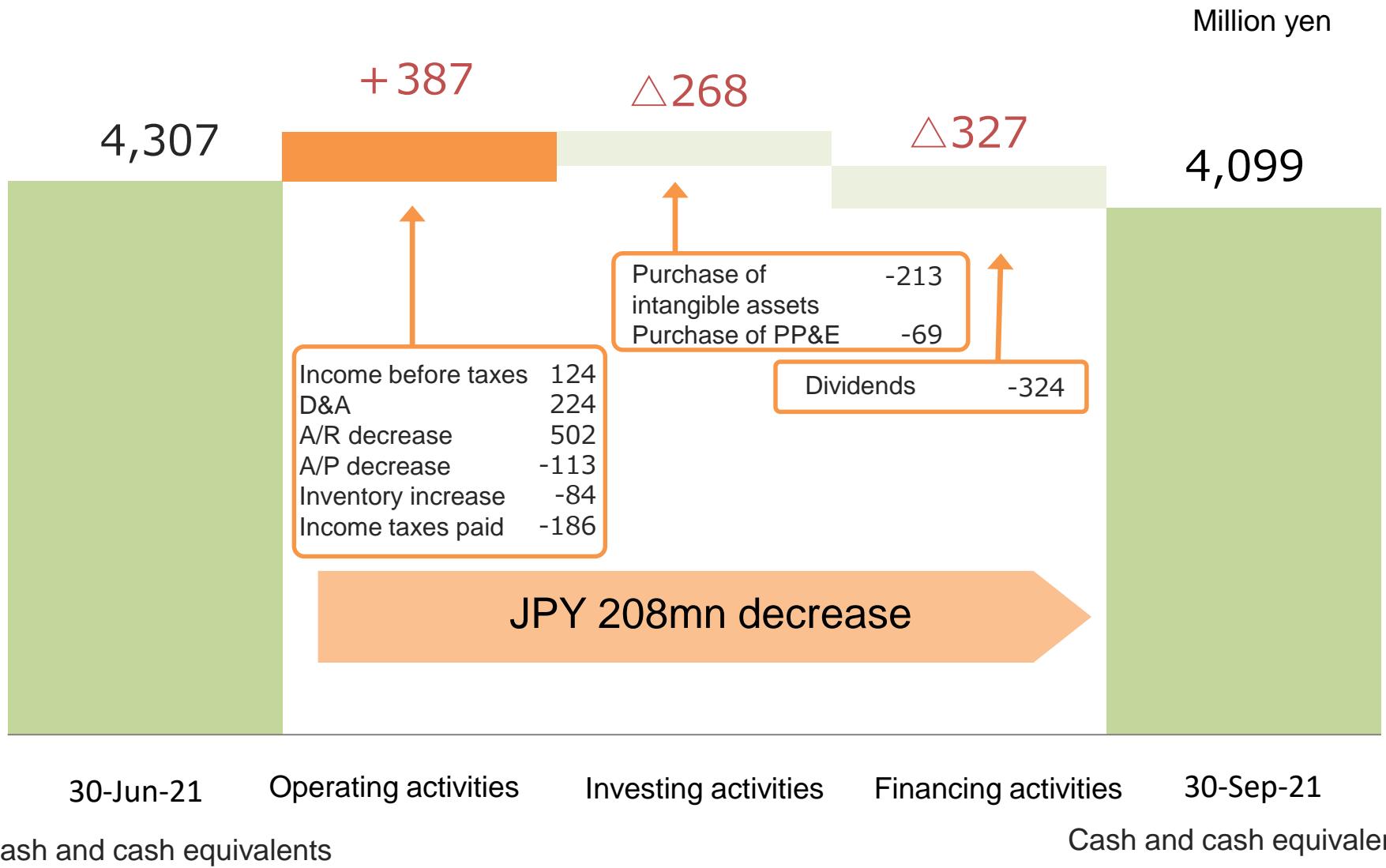
	FY06/21				FY06/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Materials cost	4,890	6,337	8,255	8,940	7,194			
Labor cost	708,202	739,778	712,358	732,866	718,848			
Expenses	363,448	353,011	368,936	399,624	431,898			
Subcontracting cost	581,894	546,583	565,629	555,601	603,162			
Total manufacturing cost	1,658,435	1,645,711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

# Q1 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			
Training and recruiting	5,321	17,463	13,352	16,789	10,332			
Rent	17,621	17,615	17,918	18,164	18,793			
Advertising	1,586	4,239	3,228	7,145	12,691			
R&D	8,723	22,254	19,250	30,232	9,301			
Depreciation and amortization	9,457	9,952	10,291	10,674	9,570			

	Q1 FY06/21	Q1 FY06/22	Change	Million yen
SG&A	454	493	+ 13	
(breakdown)		salaries	+ 3	
		Training and recruiting	+ 5	
		Advertising	+ 11	
		Research and development	+ 0	
		Others	+20	



# Revised the category of sales

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

Category		FY09/2021	
Software Development	Flow	888	39.4%
In-house products	Flow	128	5.7%
System Service	Flow	8	0.4%
Third-party products	Flow	29	1.3%
Sum of “flow” type sales		1,055	46.9%
Maintenance	Stock	624	27.7%
Maintenance of Third-party products	Stock	142	6.3%
Own Services	Stock	308	13.7%
Other Services	Stock	120	5.3%
Sum of “stock” type sales		1,196	53.1%

Thousand yen

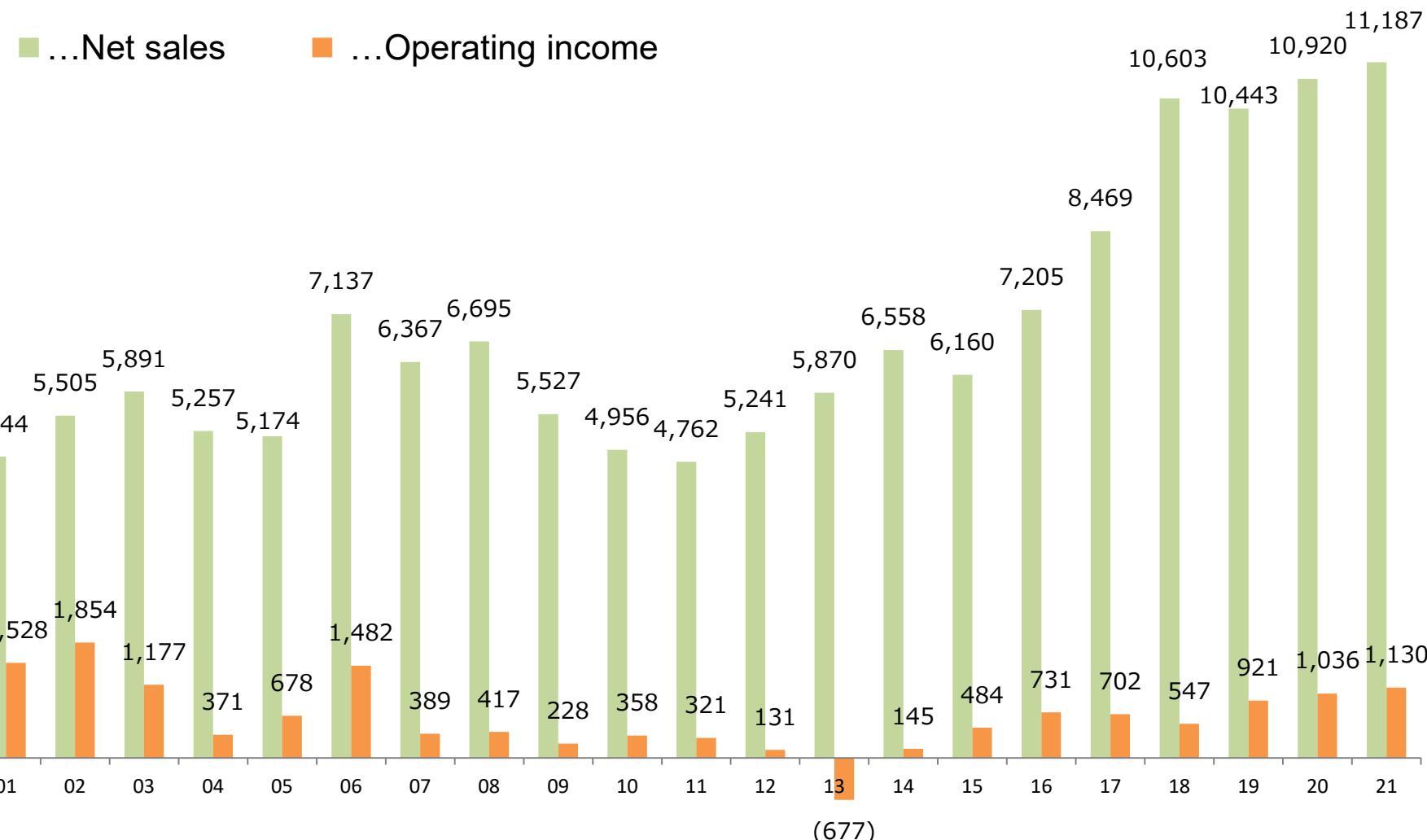
1st quarter of FY06/22 (cumulative) (from July 1, 2021 to September 30, 2021)	
Net sales	
Software Development A, B	888,453
A In-house products	128,427
B System Service	8,800
A Third-party products	29,813
B Maintenance	624,995
B Maintenance of third-party products	142,524
B Own services	308,881
B Other services	120,066
Total	2,251,961
Timing of revenue recognition	
Goods and services transferred at a point in time	619,571
Goods and services transferred at a period of time	1,632,390
Total	2,251,961

Goods and services transferred at a point in time	619,571
A In-house products	128,427
A Third-party products	29,813
Software Development A	461,329

Goods and services transferred at a period of time	1,632,390
Software Development B	427,154
B System Service	8,800
B Maintenance	624,995
B Maintenance of third-party products	142,524
B Own services	308,881
B Other services	120,066
Total	2,251,961

# Historical performance

Million yen



Note: Consolidated results are shown through FY06/15.

# Company overview

As of June 30,2021

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	441
Parent company	Dai Nippon Printing Co., Ltd. (50.71%)
Capital stock	JPY843.75k
Shares outstanding	26,340,000
	Shareholders 9,889

	Ownership (%)		% of shareholders
Individuals, others	37.13%	Individuals, others	98.31%
Japanese financial institutions	8.40%	Japanese financial institutions	0.16%
Other Japanese corporations	51.11%	Other Japanese corporations	0.48%
Foreign corporations	2.19%	Foreign corporations	0.76%
Japanese securities firms	0.98%	Japanese securities firms	0.28%
Treasury stock	0.19%	Treasury stock	0.01%

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Intelligent Wave Inc.

Management Planning Office E-mail: [ir\\_info@iwi.co.jp](mailto:ir_info@iwi.co.jp)