
Financial Results for 3Q FY06/22

(July 1, 2021 to March 31, 2022)

[Non-Consolidated]

Announced on May 10, 2022
Intelligent Wave Inc.



Financial Results 3Q FY06/22

Key initiatives in 3Q FY06/22

Reference

Overview



Million yen

	3Q FY06/21	3Q FY06/22	Change	
Net sales	8,067	7,834	-233	-2.9%
Operating income	678	943	+265	+39.1%
Ordinary income	696	964	+268	+38.5%
Net income	470	658	+188	+40.0%
Amount of orders	8,279	11,768	+3,489	+42.1%
Orders on hand	5,530	9,268	+3,738	+67.6%

Sales by categories



- (+) System Development increased sales for both new and existing customers.
- (△) Hardware sales decrease due to fewer large sized project, but expected to achieve the full-year forecasts.

	3Q FY06/21	3Q FY06/22	Change
Net Sales	8,067	7,834	-233
System Development	3,710	3,859	+149
Maintenance	992	1,111	+119
In-house products	267	319	+52
Cloud service	702	793	+91
Hardware	1,339	829	-510
Third-party products	431	237	-194
Security products	622	683	+61

Top three clients by sales



Million yen

	3Q FY06/21	3Q FY06/22	Change	Main projects
1. DNP	1,217	1,080	-136	Tokenization Service system (for Smartphone payment transaction), System operations (24/7), Payment Platform*
2. System Integrator	992	696	-295	Disaster recovery System for FEP* and Fraud detection system
3. System Integrator	134	505	+ 370	Initial development for deploying IOASIS

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

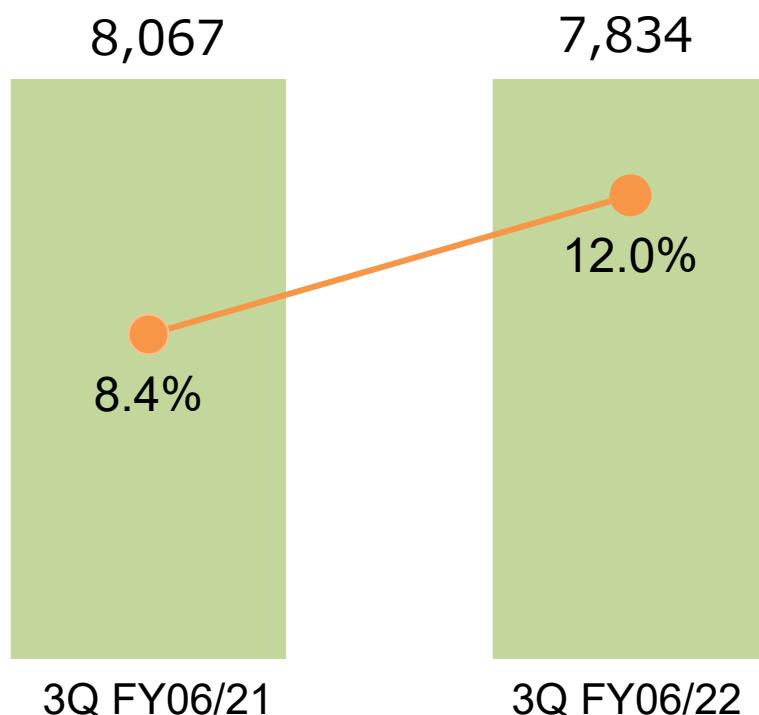
* FEP (Front-End Processor) : Sub-system, which communicates between network and main-frame and manages flood of transaction data.

(+) Improved margin of System Development, Maintenance and Cloud service.

(△) Hardware sales decreased. SG&A increased

■ ...Net Sales
● ...Operating margin

Million yen



**Operating income 943,
+265 YoY**

Factors for changes

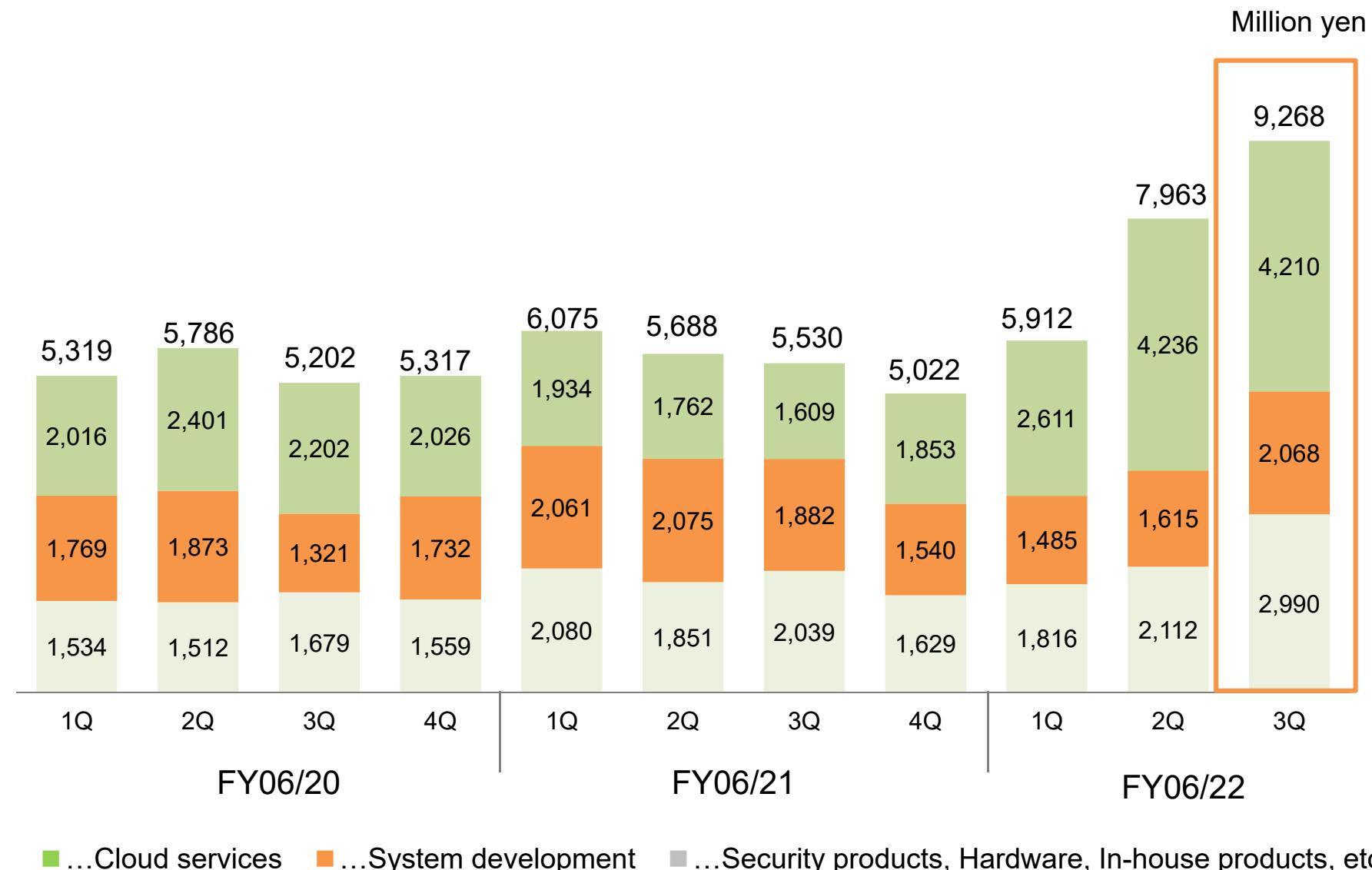
(Increase)

- Improved profitability of System Development and Maintenance
- Improved profitability in Cloud service

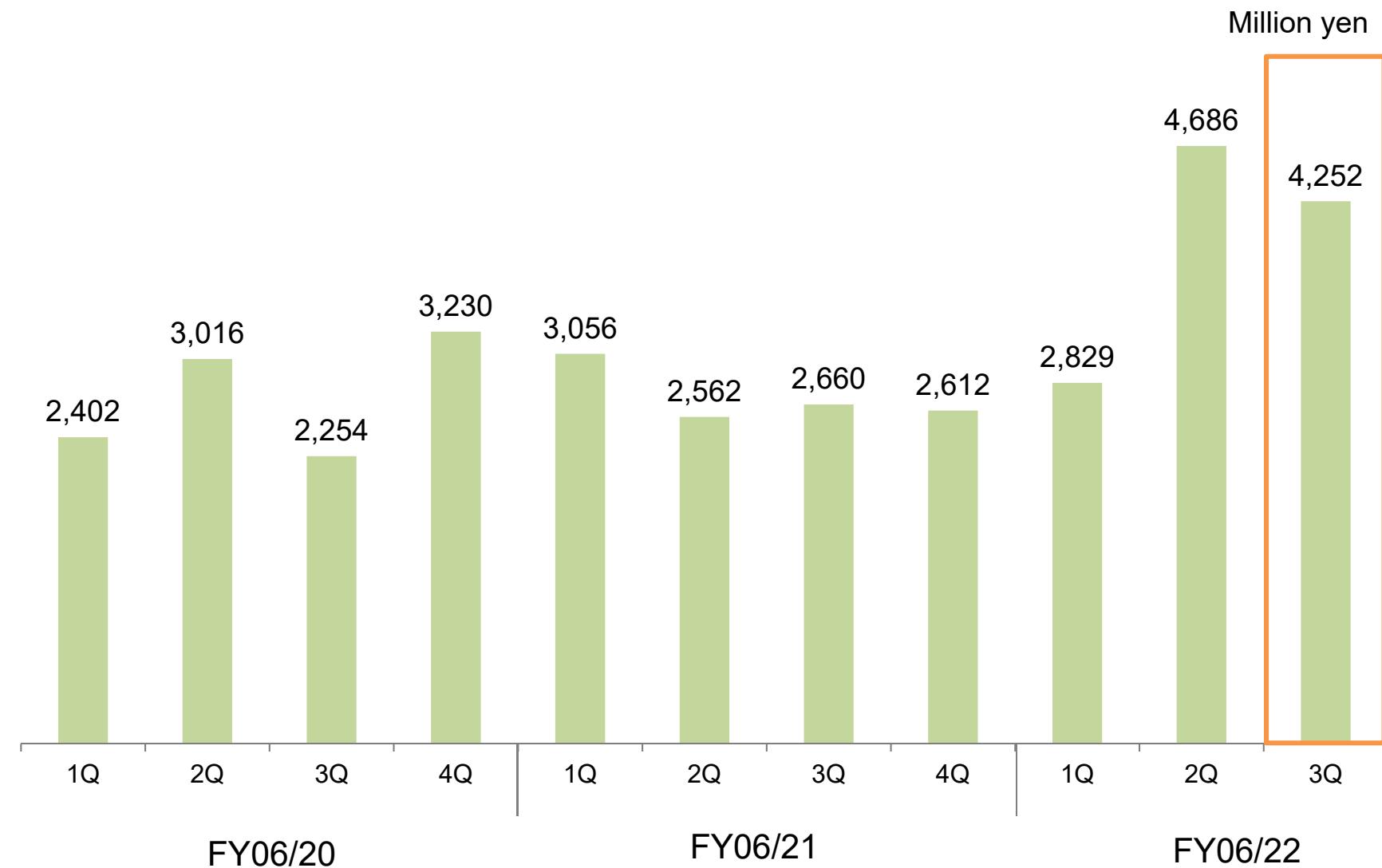
(Decrease)

- Decreased in hardware sales
- Increased in SG&A

Orders on hand



Amount of orders



Full-year Forecasts



Million yen

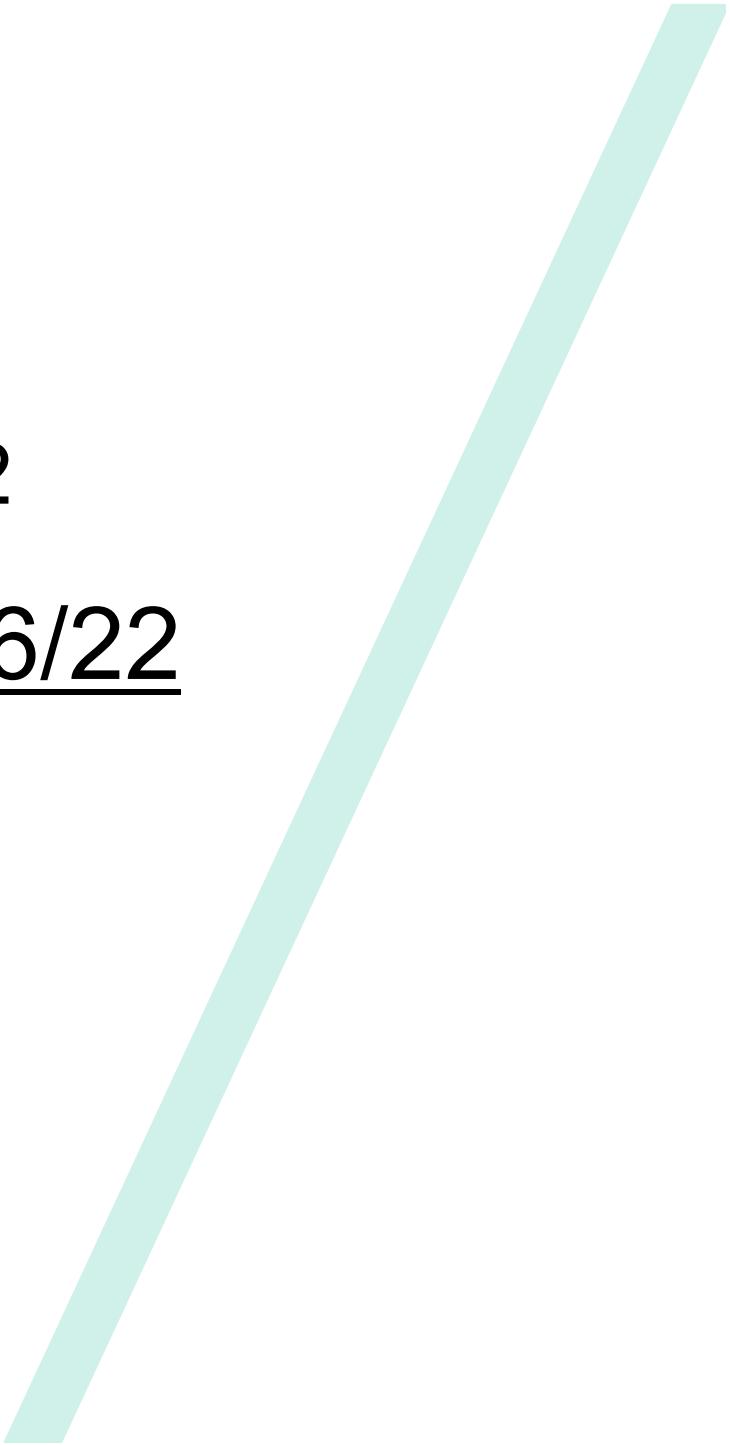
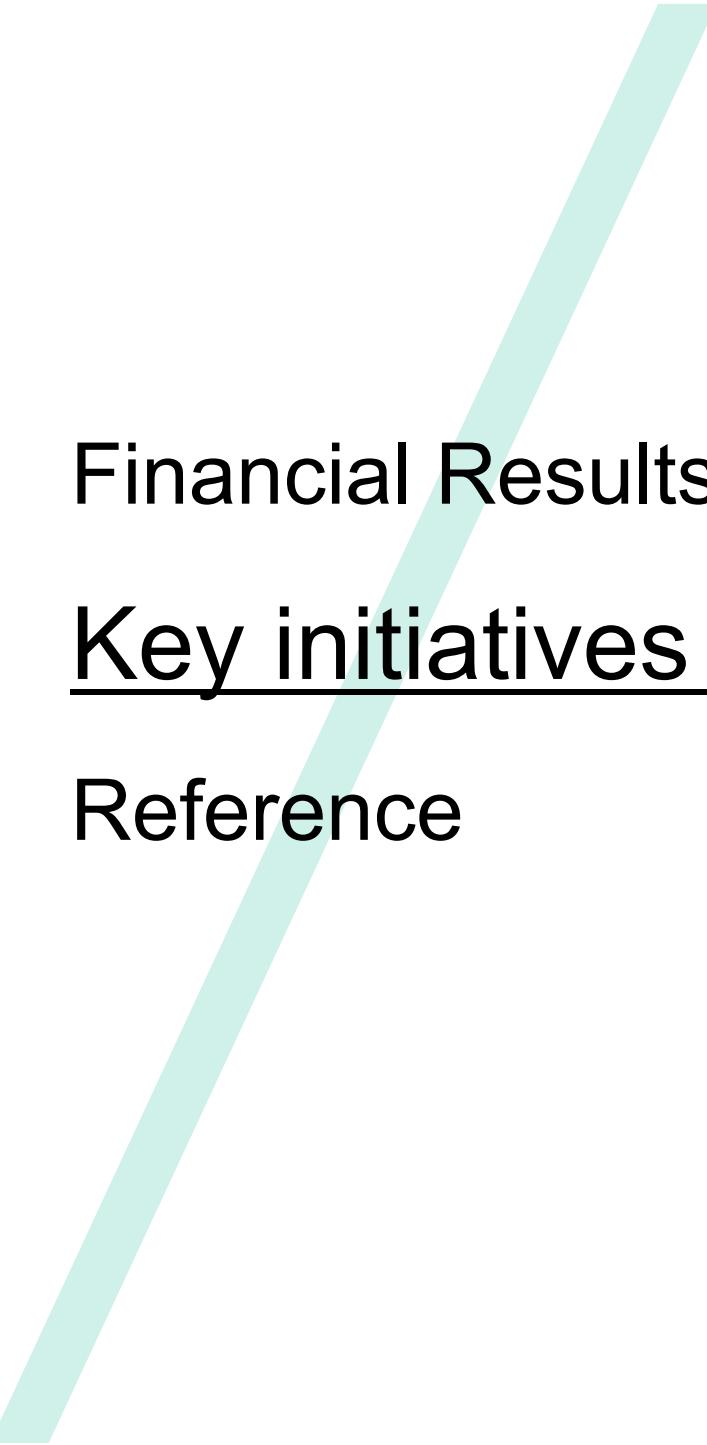
	FY06/21 actual			FY06/22 forecast			YoY (full year)
	1H	2H	Full year	1H (actual)	2H (Full year - 1H actual)	Full year	
Net sales	5,247	5,940	11,187	4,887	7,113	12,000	+7.3%
Operating income (OM)	405 (7.7%)	725 (12.2%)	1,130 (10.1%)	478 (9.8%)	842 (11.8%)	1,320 (11.0%)	+16.8%
Ordinary income (OM)	421 (8.0%)	750 (12.6%)	1,171 (10.5%)	499 (10.2%)	861 (12.1%)	1,360 (11.3%)	+16.1%
Net income (NM)	285 (5.4%)	555 (9.3%)	840 (7.5%)	337 (6.9%)	603 (8.5%)	940 (7.8%)	+11.9%

Full-year Forecasts by categories



Million yen

	FY06/21			FY06/22			YoY (1H)
	1H	2H	Full year	1H (actual)	2 H (Full year- 1H actual)	Full year	
Net Sales	5,247	5,940	11,187	4,887	7,113	12,000	+7.3%
System Development	2,437	2,835	5,272	2,519	3,331	5,850	+11.0%
Maintenance	647	710	1,357	728	712	1,440	+6.1%
In-house products	209	126	335	268	132	400	+19.4%
Cloud service	470	472	942	493	637	1,130	+20.0%
Hardware	872	766	1,638	272	1,458	1,730	+5.6%
Third-party products	240	269	509	168	82	250	-50.9%
Security products	369	762	1,131	438	762	1,200	+6.1%



Financial Results 3Q FY06/22

Key initiatives in 3Q FY06/22

Reference

Stable progress of sales as the initial plan. Gross profit exceeded the plan by the sales growth and the streamlined operating job.

Million yen

		FY06/21					FY06/22				
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net sales	Plan						240	248	296	343	1,130
	Actual	224	246	232	239	942	243	250	299		
Gross profit	Plan						-18	18	46	33	80
	Actual	-37	-12	-28	-3	-81	-19	31	84		

No. of customers by service lines (Actual)

■ IOASIS	5	5	5	5	5	5	6	7		
■ IFINDS	3	3	3	3	3	3	3	3		
■ IGATES	2	4	4	4	4	4	4	5		
■ IPRETS	1	1	1	1	1	1	1	1		

Received satisfactory orders for IOASIS and large project for IGATES. These contracts start to be booked sales from April and contribute next fiscal year's earnings.

Million yen

	FY06/21				FY06/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Orders on hand	133	73	79	483	1,000	1,876	273	
Amount of orders	1,934	1,762	1,609	1,853	2,611	4,236	4,210	

No. of orders

New	Add, update
Q3 total	Q3 total
FY06/21	FY06/22

Overview

■ IOASIS	5	4	• New orders from a major credit card company and a retailer.
■ IFINDS	-	1	• Steadily increasing inquiries from credit card companies • Developing a shared score model generated by the aggregation of customers' fraud transaction data.
■ IGATES	2	1	• Ordered large scale project from an international credit company • Strong inquiries from Fintech Start-Ups.

■ **IOASIS**

- SaaS product for providing operation system and supporting customers to launch acquiring business
- Offer 24/7 system operation
- System launched in 2016

■ **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.

Set up divisions to enhance payment solution business since April.
Started inclusive project to establish work-style for “post-pandemic”.

①Business Development Office

Works for enhancing payment solution business and developing new solutions to achieve the goal of “15 ALL”. In charge of business development for payment solution.

②Global Business Promotion Office

Developing overseas business. Introducing our payment solutions to SE Asian market at first.

③New work-style of IWI project

Started to achieve “happiness and improvement for each” ideas in new normal, “post-pandemic”.

Establish self-disciplined work-style over diversity.

New product and service



Launched new product and service for cyber-security and broadcasting.

Security

Implemented macro virus sanitization function to "Resec", Israeli file sanitizing product, as the answer to the request from financial institutions.



Reeled attentions from financial, defense, medical industry.

Security

Introduces Recorded Future, US security intelligence service, over 1000 installations world-wide.



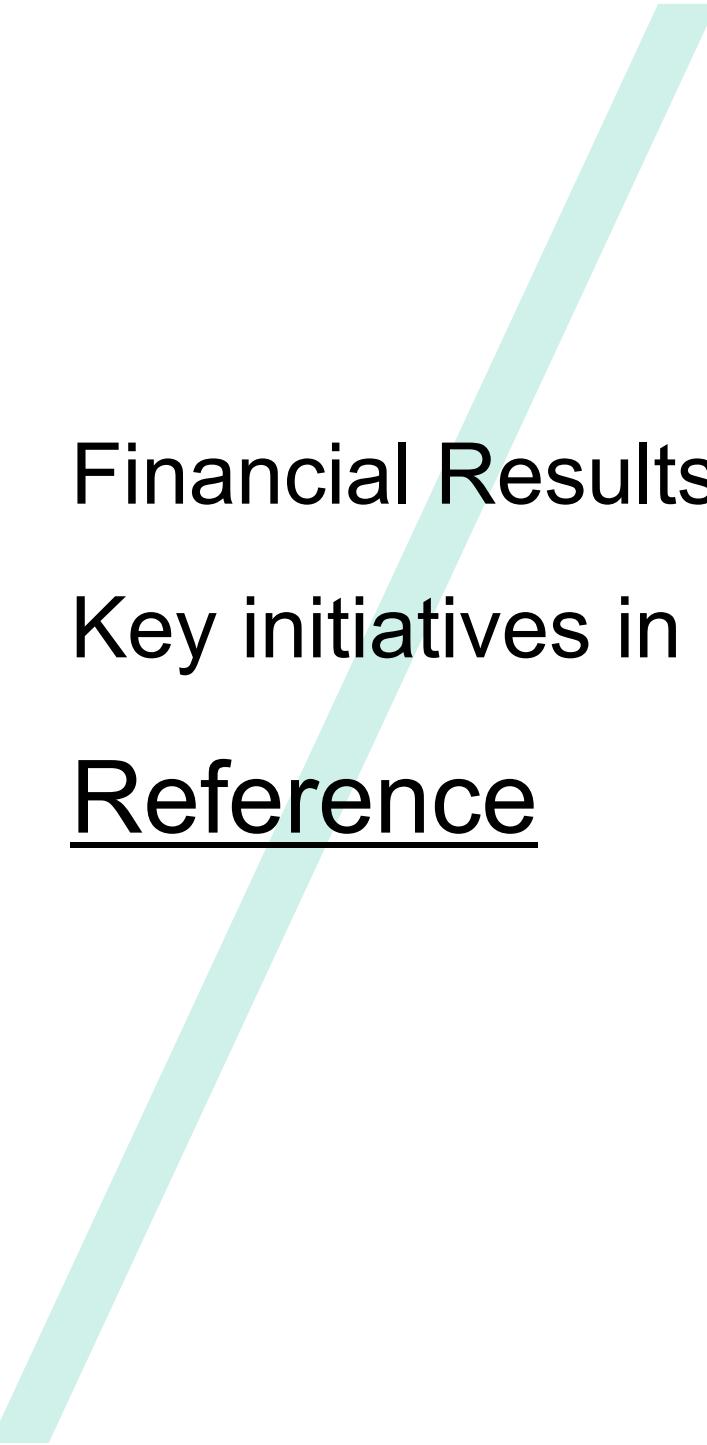
Earned the order from medicals a month after the launch.
Release of the reporting service enhanced by IWI.

Broad casting

Software version of EoM, in-house developed IP flow monitoring device.



Applied network protocol for web broadcasting.
Available on cloud base.



Financial Results 3Q FY06/22

Key initiatives in 3Q FY06/22

Reference

Cost of manufacturing



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	8,162	11,264	
Labor cost	708,202	739,778	712,358	732,866	718,848	734,397	714,332	
Expenses	363,448	353,011	368,936	399,624	431,898	413,397	403,356	
Subcontracting cost	581,894	546,583	565,629	555,601	603,162	668,363	757,872	
Total manufacturing cost	1,658,435	1,645,711	1,655,180	1,697,032	1,761,105	1,824,322	1,886,826	
Work in progress (beginning of period)	381,557	515,004	503,982	534,449	209,668	283,587	279,908	
Work in progress (end of period)	515,004	503,982	534,449	355,789	283,587	279,908	324,040	
Transfer to other accounts	100,020	87,206	124,252	182,951	247,200	344,251	396,910	
Cost of sales	1,424,967	1,569,526	1,500,459	1,692,741	1,439,985	1,483,749	1,445,783	

SG&A expenses

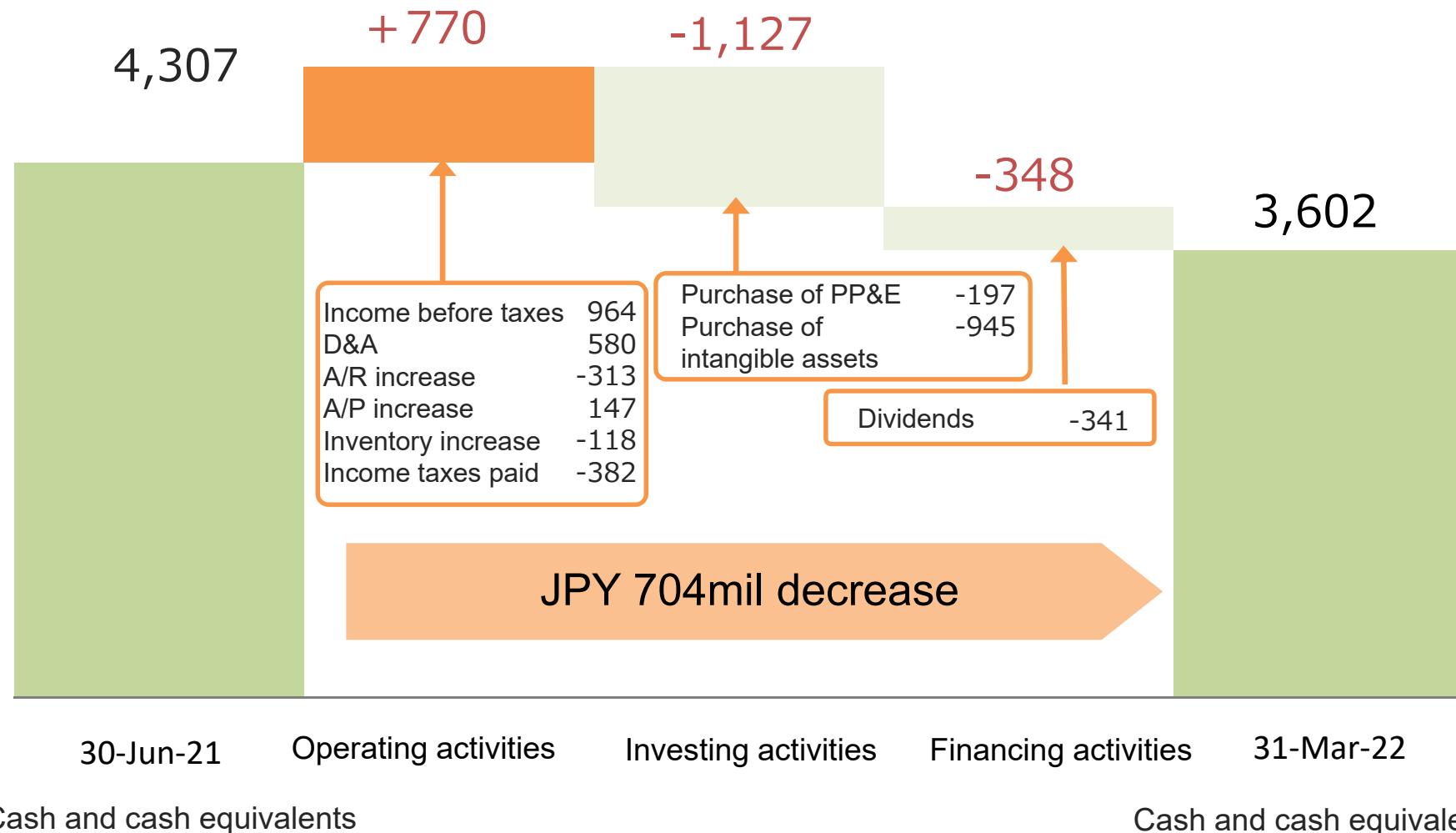


Thousand yen

	FY06/21				FY06/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Salaries	287,425	323,927	312,972	339,842	290,810	310,527	335,648	
Training and recruiting	5,321	17,463	13,352	16,789	10,332	13,989	24,046	
Rent	17,621	17,615	17,918	18,164	18,793	18,328	16,822	
Advertising	1,586	4,239	3,228	7,145	12,691	11,432	12,179	
R&D	8,723	22,254	19,250	30,232	9,301	5,513	1,855	
Depreciation and amortization	9,457	9,952	10,291	10,674	9,570	9,705	10,193	

	Q3 total FY06/21	Q3 total FY06/22	Change	Million yen
SG&A	1,477	1,569	+92	
(breakdown)		salaries	+12	
		Training and recruiting	+12	
		Advertising	+27	
		Research and development	-34	
		Others	+75	

Million yen



Net sales forecasts by categories



Million yen

	FY06/21			FY06/22			YoY (1H)
	3Q total	4Q	Full year	3Q total (actual)	4Q (Full year- 3Q total)	Full year	
Net Sales	8,067	3,120	11,187	7,834	4,166	12,000	+7.3%
System Development	3,710	1,562	5,272	3,859	1,991	5,850	+11.0%
Maintenance	992	365	1,357	1,111	329	1,440	+6.1%
In-house products	267	68	335	319	81	400	+19.4%
Cloud service	702	240	942	793	337	1,130	+20.0%
Hardware	1,339	299	1,638	829	901	1,730	+5.6%
Third-party products	431	78	509	237	13	250	-50.9%
Security products	622	509	1,131	683	517	1,200	+6.1%

Full-year Forecasts



Million yen

	FY06/21 actual			FY06/22 forecast			YoY (full year)
	3Q total	4Q	Full year	3Q total (actual)	4Q (Full year- 3Q total)	Full year	
Net sales	8,067	3,120	11,187	7,834	4,166	12,000	+7.3%
Operating income (OM)	678 (8.4%)	452 (14.5%)	1,130 (10.1%)	943 (12.0%)	377 (9.0%)	1,320 (11.0%)	+16.8%
Ordinary income (OM)	696 (8.6%)	475 (15.2%)	1,171 (10.5%)	964 (12.3%)	396 (9.5%)	1,360 (11.3%)	+16.1%
Net income (NM)	470 (5.8%)	370 (11.9%)	840 (7.5%)	658 (8.4%)	282 (6.8%)	940 (7.8%)	+11.9%

Revised the category of sales

Revised categories to show the classification of sales based on the so-called “stock” and “flow” type in more detailed. Judged from the type of contract and the actual status of the services, we have classified projects and contracts that generate a certain amount of sales on a regular basis as “stock” and the rest of those as “flow”.

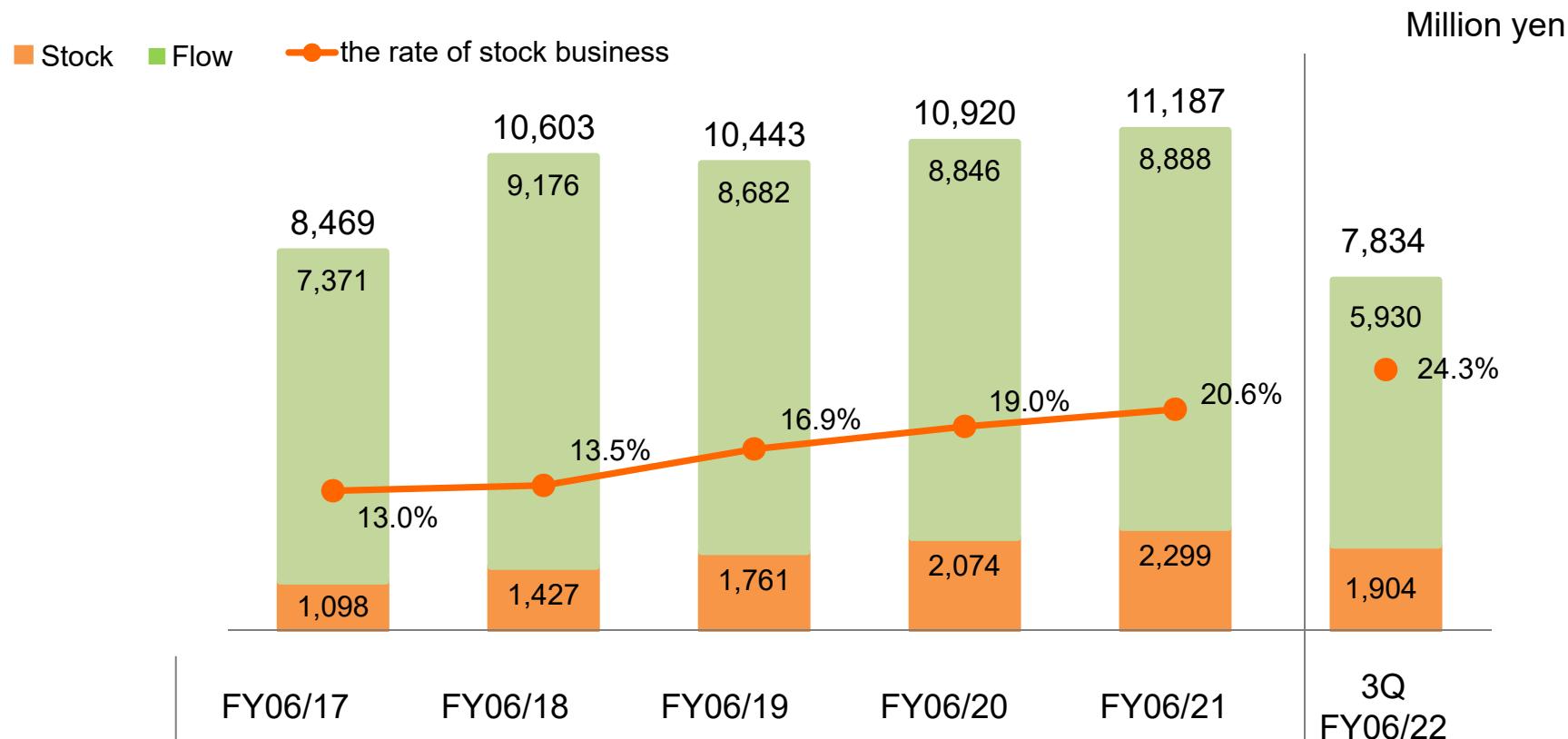
Old Category

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		FY03/2022	
Software Development	Flow	3,046	38.9%
In-house products	Flow	338	4.3%
System Service	Flow	30	0.4%
Third-party products	Flow	656	8.4%
Sum of “flow” type sales		4,072	52.0%
Maintenance	Stock	1,951	24.9%
Maintenance of Third-party products	Stock	457	5.8%
Own Services	Stock	989	12.6%
Other Services	Stock	363	4.6%
Sum of “stock” type sales		3,762	48.0%

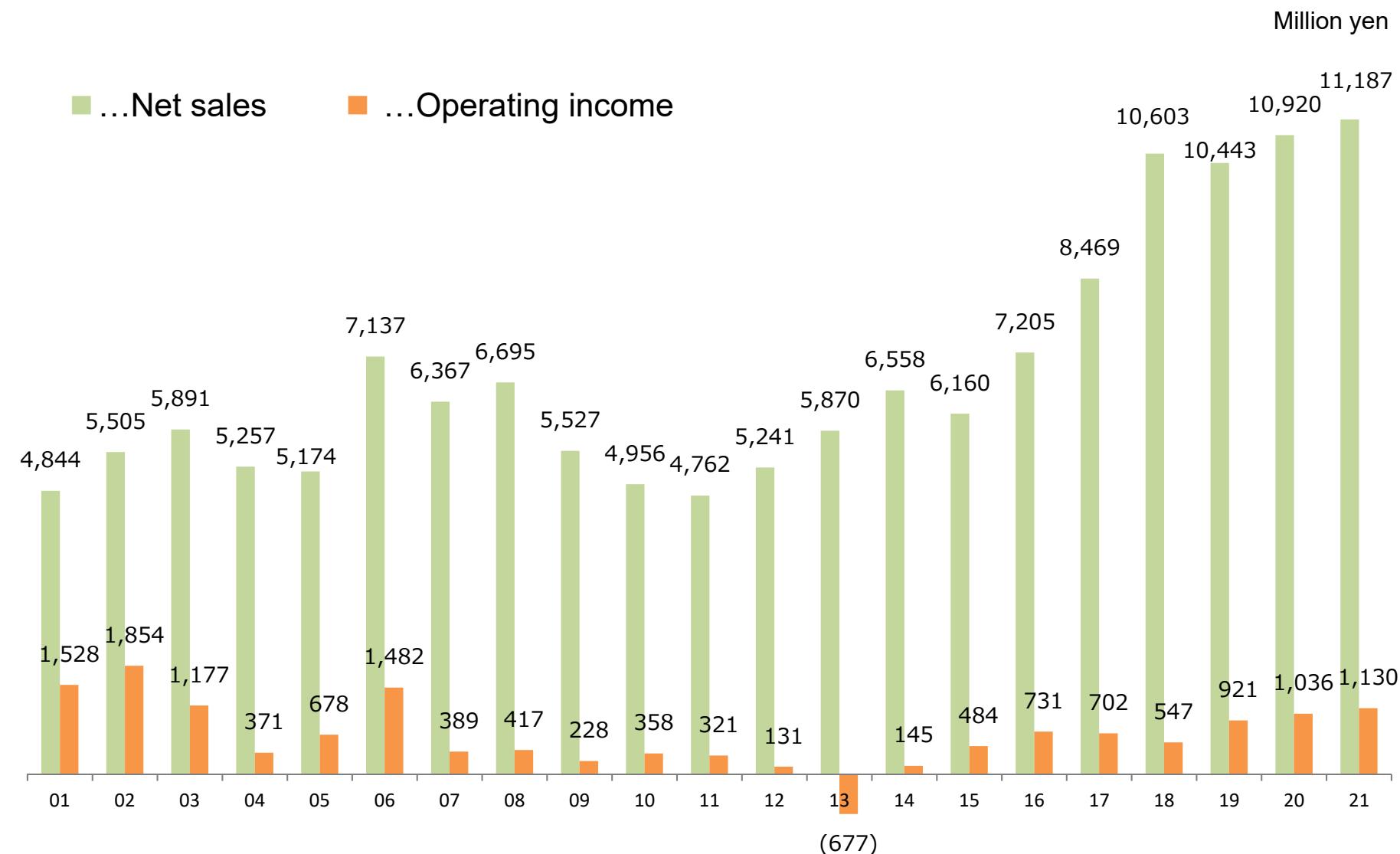
Historical net sales (Stock/Flow)



	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	3Q FY06/22
Stock	1,098	1,427	1,761	2,074	2,299	1,904
(YoY)		+30.0%	+23.4%	+17.8%	+10.8%	+12.4%
Flow	7,371	9,176	8,682	8,846	8,888	5,930
(YoY)		+24.5%	-5.4%	+1.9%	+0.5%	-7.0%

* 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

Historical performance



Note: Consolidated results are shown through FY06/15.

Company overview



As of Dec 31, 2021

Established	December 27, 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo
Employees	434
Parent company	Dai Nippon Printing Co., Ltd. (50.71%)
Capital stock	JPY843.75k
Shares outstanding	26,340,000
	Shareholders 9,536

	Ownership (%)		% of shareholders
Individuals, others	37.45%	Individuals, others	98.29%
Japanese financial institutions	7.70%	Japanese financial institutions	0.10%
Other Japanese corporations	51.06%	Other Japanese corporations	0.41%
Foreign corporations	2.10%	Foreign corporations	0.87%
Japanese securities firms	1.48%	Japanese securities firms	0.31%
Treasury stock	0.20%	Treasury stock	0.01%

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