



# Financial Results for Q1 FY06/23

(July 1 to September 30, 2022)  
[Non-Consolidated]

Intelligent Wave Inc.

Announced on November 7, 2022

# Financial Results Q1 FY06/23

**Key initiatives in Q1 FY06/23**

**Forecast for FY06/23**

**Reference**

Million yen

|                  | Q1 FY06/22 | Q1 FY06/23 | Change (YoY) |          |
|------------------|------------|------------|--------------|----------|
| Net sales        | 2,251      | 3,646      | + 1,395      | + 62.0%  |
| Operating income | 126        | 483        | + 357        | + 283.3% |
| Ordinary income  | 124        | 480        | + 356        | + 287.1% |
| Net income       | 82         | 324        | + 242        | + 295.1% |
| Orders on hand   | 2,829      | 3,130      | + 301        | + 10.6%  |
| Amount of orders | 5,912      | 9,047      | + 3,135      | + 53.0%  |

# Sales by categories

(+) “Hardware” increased due to FEP system\* renewal for existing customers, “cloud services” increased, “system development” increased due to large projects for credit card companies.

(△) “In-house products & Services” decreased mainly due to several license sales of in-house products in the previous fiscal year

|  | Million yen  |              |                | reference)   |
|--|--------------|--------------|----------------|--------------|
|  | Q1 FY06/22   | Q1 FY06/23   | Change         | Q1 FY06/22 * |
| <b>Net Sales</b>                                 | <b>2,251</b> | <b>3,646</b> | <b>+ 1,395</b> | <b>2,251</b> |
| <b>Payment &amp; Finance</b>                     | <b>1,787</b> | <b>2,972</b> | <b>+ 1,185</b> | <b>1,810</b> |
| System Development                               | 1,082        | 1,278        | + 196          | 1,170        |
| Maintenance                                      | 358          | 395          | + 37           | 360          |
| In-house Products & Services                     | 186          | 136          | -50            | 131          |
| Third-party products & Services (Hardware, etc.) | 160          | 1,162        | + 1,002        | 148          |
| <b>Cloud Services</b>                            | <b>243</b>   | <b>434</b>   | <b>+ 191</b>   | <b>243</b>   |
| <b>Security</b>                                  | <b>221</b>   | <b>239</b>   | <b>+ 18</b>    | <b>198</b>   |

\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

\*Disclosed in November 2021

\* FEP(Front-End Processor)system : Hardware and software with network connectivity, card usage authentication, and other functions required for credit card payment processing

# Sales by Business Domain

Sales increased due to FEP system renewal projects, an increase in the number of users of cloud services, and a large-scale project for a credit card company.

Million yen

|                              | Q1 FY06/22   | Q1 FY06/23   | Change         |
|------------------------------|--------------|--------------|----------------|
| <b>Net Sales</b>             | <b>2,251</b> | <b>3,646</b> | <b>+ 1,395</b> |
| <b>Payment &amp; Finance</b> | <b>1,787</b> | <b>2,972</b> | <b>+ 1,185</b> |
| <b>FEP · Fraud detection</b> | <b>1,213</b> | <b>2,086</b> | <b>+ 873</b>   |
| <b>Payment Systems. etc</b>  | <b>407</b>   | <b>678</b>   | <b>+ 271</b>   |
| <b>Finance &amp; Others</b>  | <b>166</b>   | <b>207</b>   | <b>+ 41</b>    |
| <b>Cloud Services</b>        | <b>243</b>   | <b>434</b>   | <b>+ 191</b>   |
| <b>Security</b>              | <b>221</b>   | <b>239</b>   | <b>+ 18</b>    |

# Top Three Clients by Sales

Million yen

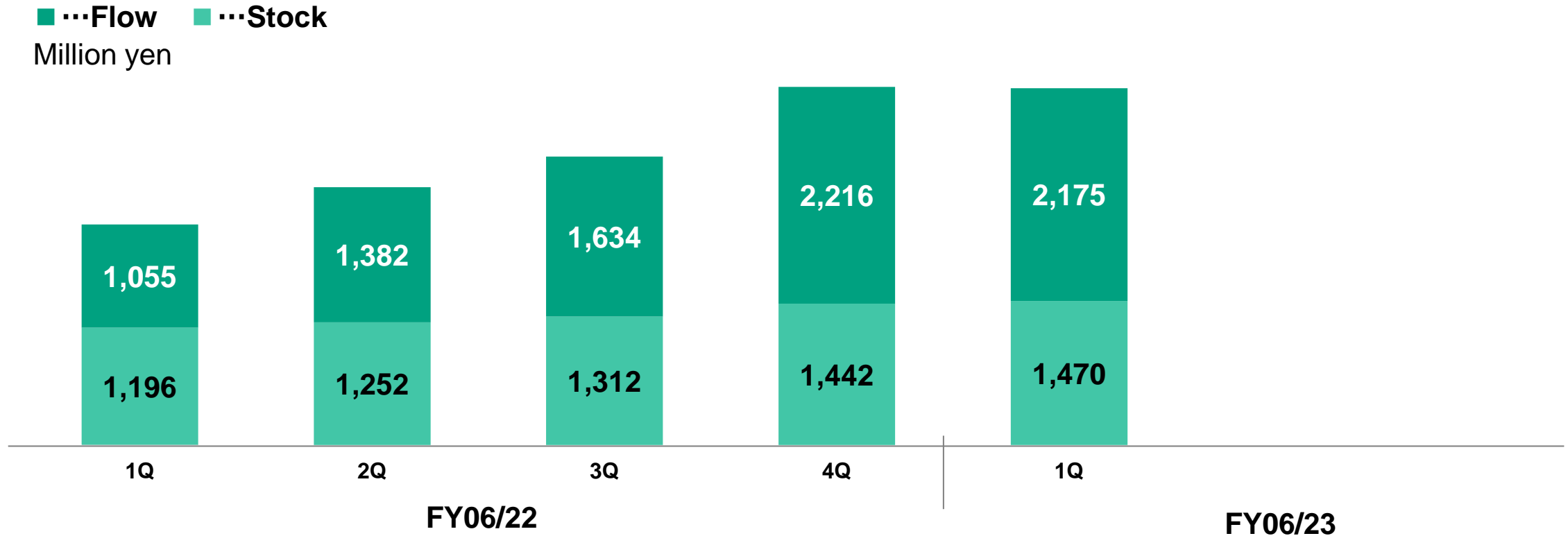
|                        | Q1 FY06/22 | Q1 FY06/23 | Change | Main projects   |
|------------------------|------------|------------|--------|---|
| 1. System Integrator   | 309        | 966        | + 657  | Hardware sales and system development due to FEP system* renewal  |
| 2. DNP                 | 346        | 445        | + 100  | Tokenization Service system (for Smartphone payment transaction ) , Payment Platform* , System operations (24/7), |
| 3. Credit card company | 71         | 260        | + 189  | Hardware sales and system development due to FEP system* renewal  |

\* FEP (Front-End Processor) system : Hardware and software with network connectivity, card usage authentication, and other functions required for credit card payment processing

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

# Sales by “Stock” and “Flow”

We have redefined the classification of sales based on so-called “stock” and “flow” type from the previous fiscal year.

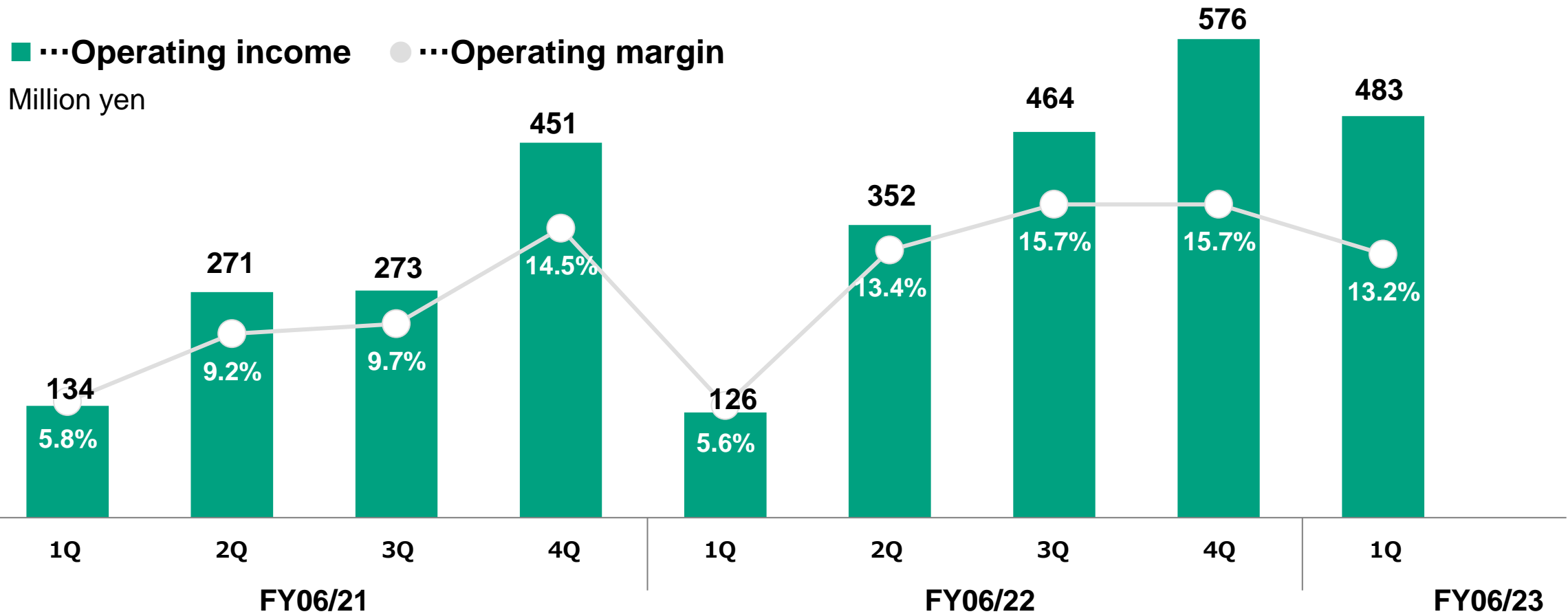


Stock: categories with contracts that allow us to record sales of a fixed amount on a regular basis  
Flow : categories with contracts that are not stationary in terms of the amount and timing

# Operating income

(+) Increase in sales due to hardware sales, etc.

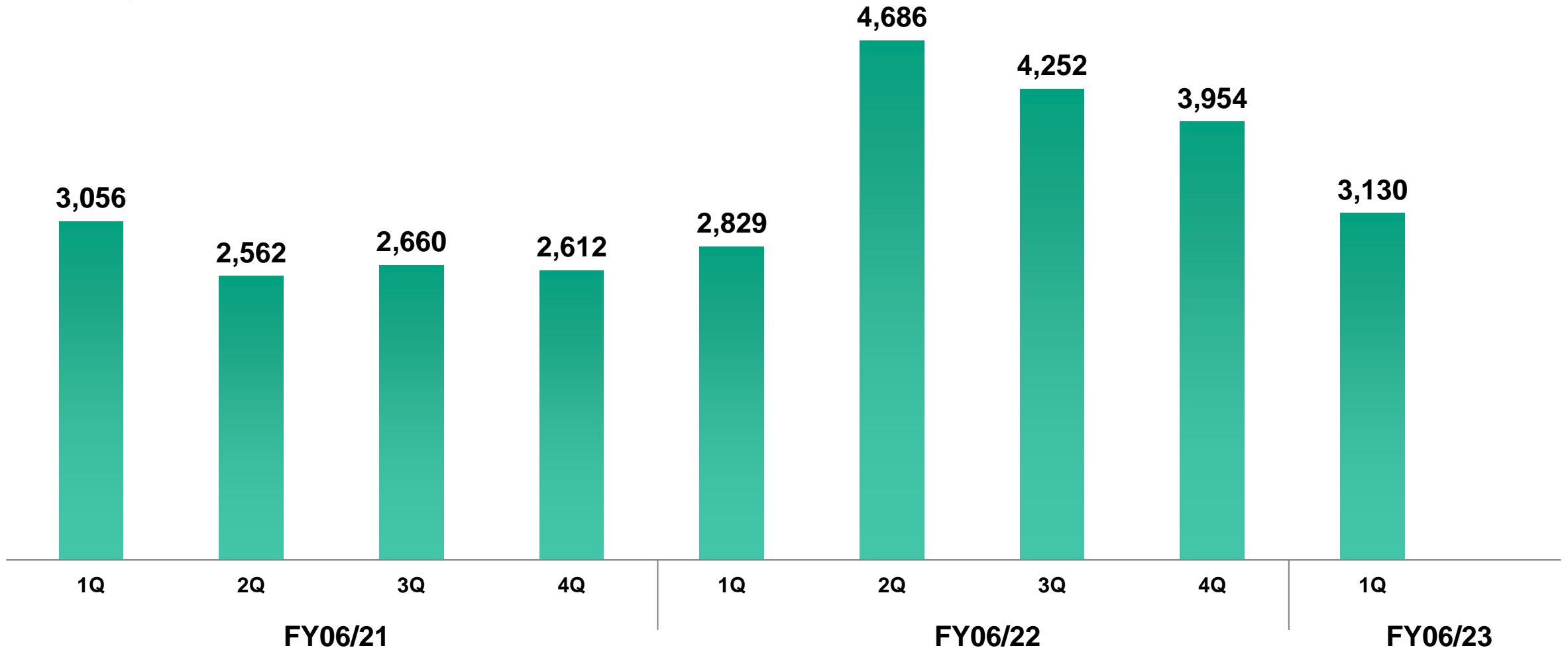
(△) Increase in expenses due to reinforcement of the infrastructure environment and the operation system for the cloud services, increase in SG&A expenses, etc.





# Orders on Hand

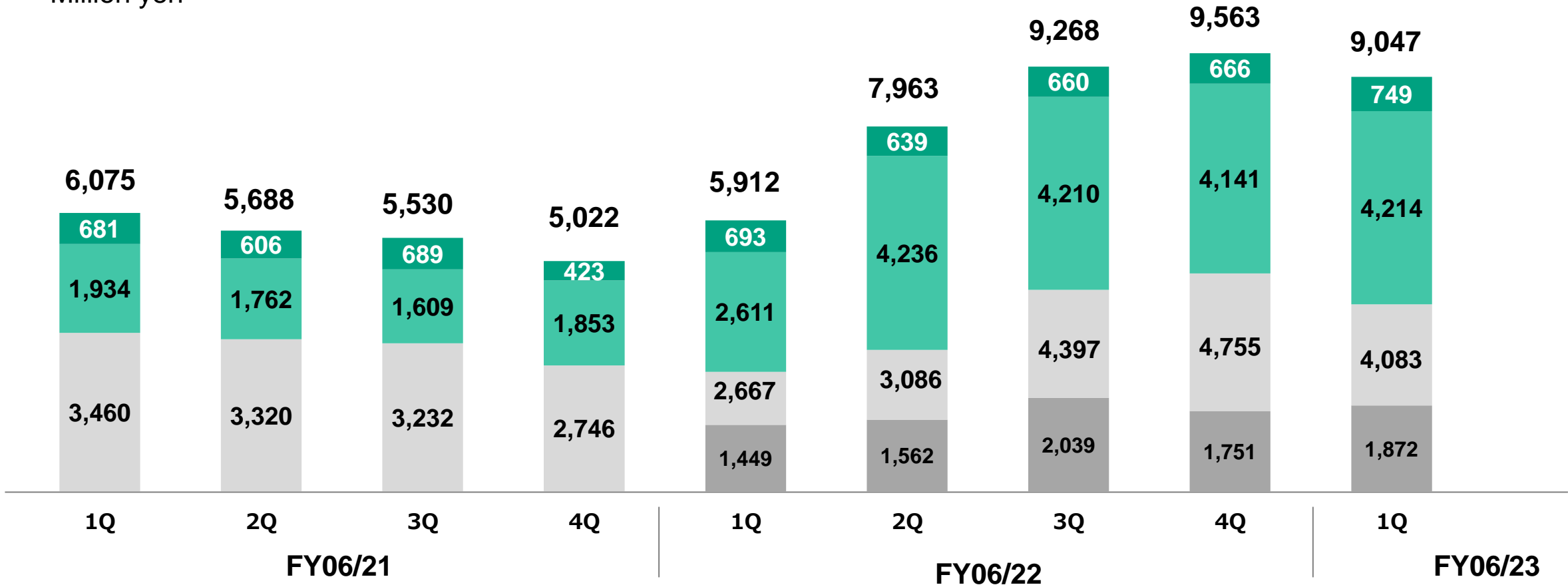
Million yen



# Amount of Orders

- ... Security
- ... Cloud Services
- ... Payment & Finance
- ... Payment & Finance ( System Development )

Million yen



\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

# Cloud Service Business

Sales were in line with the plan. Profits were lower than planned due to increased expenses resulting from the strengthening of the infrastructure environment and the operational system, but are expected to improve from the second quarter onward.

Million yen

|              |        | FY06/22 |     |     |     |           | FY06/23 |     |     |     |           |
|--------------|--------|---------|-----|-----|-----|-----------|---------|-----|-----|-----|-----------|
|              |        | Q1      | Q2  | Q3  | Q4  | Full year | Q1      | Q2  | Q3  | Q4  | Full year |
| Net sales    | Plan   |         |     |     |     |           | 430     | 450 | 470 | 650 | 2,000     |
|              | Actual | 243     | 250 | 299 | 380 | 1,173     | 434     |     |     |     |           |
| Gross profit | Plan   |         |     |     |     |           | 33      | 67  | 62  | 138 | 300       |
|              | Actual | -19     | 31  | 84  | 25  | 120       | -4      |     |     |     |           |

## No. of customers by service lines (Actual)

|          |   |   |   |    |    |    | YoY |
|----------|---|---|---|----|----|----|-----|
| ■ IOASIS | 5 | 6 | 7 | 10 | 10 | 10 | + 5 |
| ■ IFINDS | 3 | 3 | 3 | 3  | 3  | 4  | + 1 |
| ■ IGATES | 4 | 4 | 5 | 6  | 6  | 6  | + 2 |
| ■ IPRETS | 1 | 1 | 1 | 1  | 1  | 1  | 0   |

# Orders for Cloud Services

IOASIS received several large orders in the previous fiscal year, and is expected to increase this fiscal year, mainly due to additional development from existing customers. IFINDS and IGATES are receiving strong inquiries for orders, and the number of users is expected to increase.

Million yen

|                  | FY06/22 |       |       |       | FY06/23 |    |    |    |
|------------------|---------|-------|-------|-------|---------|----|----|----|
|                  | Q1      | Q2    | Q3    | Q4    | Q1      | Q2 | Q3 | Q4 |
| Orders on hand   | 1,000   | 1,876 | 273   | 311   | 507     |    |    |    |
| Amount of orders | 2,611   | 4,236 | 4,210 | 4,141 | 4,214   |    |    |    |

## No. of orders

|          | New | Add, update | Overview  |
|----------|-----|-------------|---|
| ■ IOASIS | 0   | 2           | <ul style="list-style-type: none"> <li>Received multiple orders for large projects in the previous fiscal year. Forecast to increase by 1 to 2 users in this fiscal year</li> </ul> |
| ■ IFINDS | 1   | 1           | <ul style="list-style-type: none"> <li>Favorable inquiries from credit card companies. More than 5 companies are scheduled to receive orders in this fiscal year.</li> </ul>        |
| ■ IGATES | 1   | 3           | <ul style="list-style-type: none"> <li>Plans to receive orders from at least three companies this fiscal year. Inquiries from major customers for large-scale projects.</li> </ul>  |

## Financial Results Q1 FY06/23

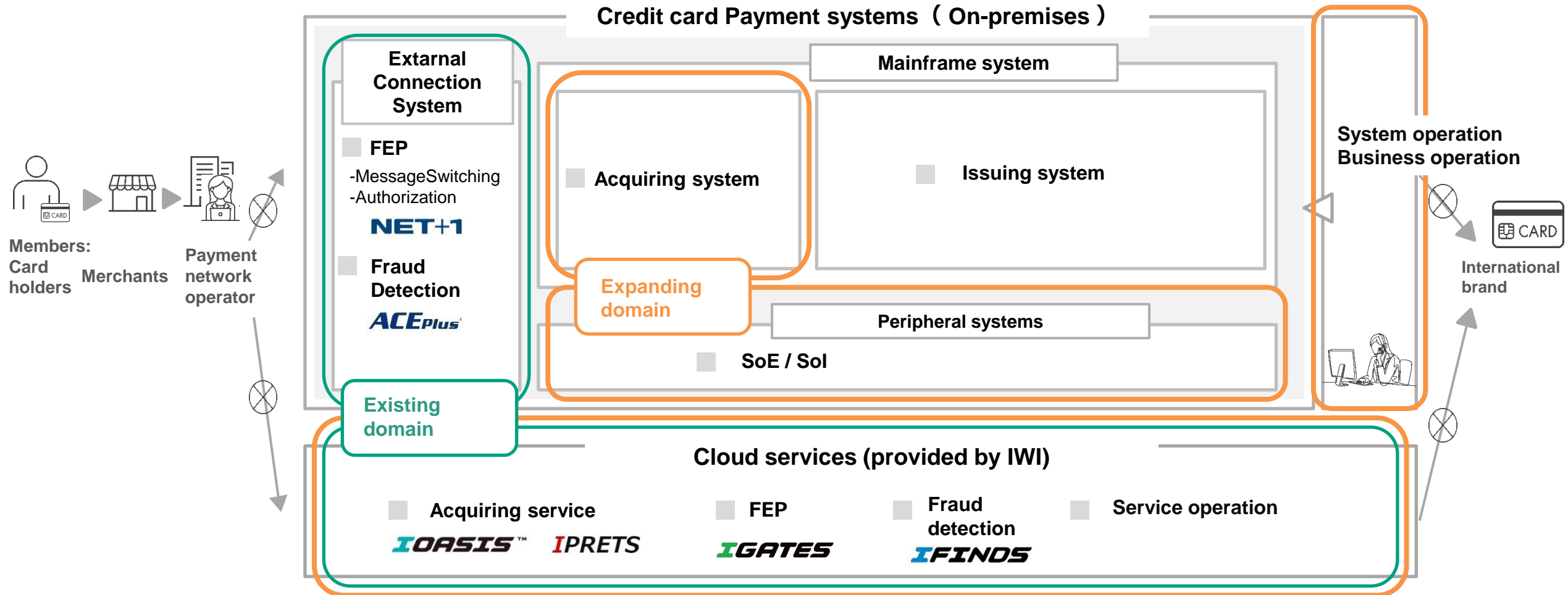
## Key initiatives in Q1 FY06/23

## Forecast for FY06/23

## Reference

# Expansion of payment business

We will maintain and expand the FEP and the fraud detection business which is our strength, and we will also aim to expand sales in the payment business by increasing the number of users of Cloud Services and expanding our business domain by developing Acquiring and Peripheral systems, consulting services, and business operations for credit card companies.



# Collaborated initiatives for payment card fraud prevention

## Initiates payment card fraud prevention for whole digital payment market against card fraud expanding year by year

(Reference) total cost for damage of credit card fraud\*

33 billion yen (2021) → 20.6 billion yen (Jan. – Jun. 2022)

\*Reference: Japan Consumer Credit Association (2022.3) (the occurrence status of damage of credit card fraud in Japanese)

### Collaboration with JCB for prevention from payment card fraud for whole digital payment market

Announced on  
28<sup>th</sup> Oct.

JCB and IWI formulate Security Consortium.

We will promote the advanced fraud detection by sharing cross-industrial knowledge and data, aiming for implementation in 2023.

The initiative is going to be promoted toward the companies who use IWI's fraud detection system.



### Co-development of shared scoring service, preventing card fraud by fraud data sharing between payment card issuers

Announced on  
1<sup>st</sup> Nov.

PKSHA, known for the AI algorithm, and IWI develop “FARIS Shared Scoring Service Powered by PKSHA Security,”

preventing fraud by fraud-data-sharing between companies who use the service.

The system will be actually on operation in June 2023, promoted toward payment card companies.



# Data analyzing solution “AIMD”

Released “AIMD,” the solution realizing multiple analysis on various data such as media data, sensor data and public information.

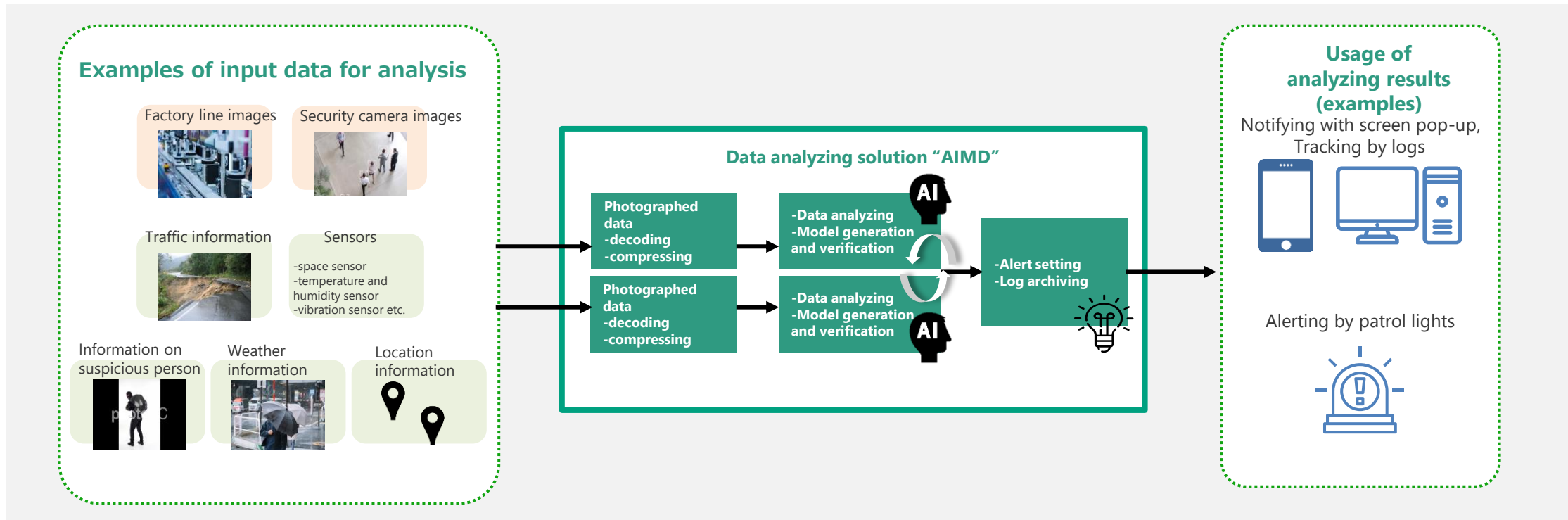
Utilizing our strength of ultra-high-speed processing, we will contribute to problem solving in a wide range of industries.

## AIMD

Analyze Intelligence in Media Data

<expected use cases>

Anomaly detection at factories and infrastructure facilities,  
detection of intruders, and velocity monitoring on expressways etc.





# Demonstration experiments of Workation

Conducting demonstration experiment of workation as one of new workstyles.  
Measuring the effects on employees' health and productivity.

## Why we starts the experiments

We promote employees' diversity by pursuing comfortable working environment and worthwhile jobs for our employees. Based on this idea, to support employees' health and performance more, we consider to introduce workation as a new workstyle.

## Locations for workation

### Hakodate-shi, Hokkaido

(Jun. – Sep)

Conducted at Wave Hakodate, our branch at Hakodate.

Employees from head office (Tokyo) worked there for 2 weeks through 1 month.

The participants engaged with employees at Wave Hakodate and took refreshing breaks.

### Miyakojima-shi, Okinawa

(Oct. – Dec.)

Conducting at a shared office.

Employees elected by the company work at Miyakojima for 1 week.

Aiming to let the participants keep balance between work and vacation.



Wave Hakodate

**Financial Results Q1 FY06/23**

**Key initiatives in Q1 FY06/23**

**Forecast for FY06/23**

**Reference**

# FY06/23 Full-year Forecasts

Million yen

|                                  | FY06/22<br>actual     |                         |                         | FY06/23<br>forecast   |                       |                         | Change<br>(full year) |
|----------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|                                  | 1H                    | 2H                      | Full year               | 1H                    | 2H                    | Full year               |                       |
| <b>Net sales</b>                 | <b>4,887</b>          | <b>6,606</b>            | <b>11,493</b>           | <b>6,800</b>          | <b>6,700</b>          | <b>13,500</b>           | <b>+17.5%</b>         |
| <b>Payment &amp; Finance</b>     | <b>3,915</b>          | <b>5,313</b>            | <b>9,229</b>            | <b>5,320</b>          | <b>4,830</b>          | <b>10,150</b>           | <b>+10.0%</b>         |
| <b>Cloud Services</b>            | <b>493</b>            | <b>680</b>              | <b>1,173</b>            | <b>880</b>            | <b>1,120</b>          | <b>2,000</b>            | <b>+70.5%</b>         |
| <b>Security</b>                  | <b>478</b>            | <b>612</b>              | <b>1,090</b>            | <b>600</b>            | <b>750</b>            | <b>1,350</b>            | <b>+23.9%</b>         |
| <b>Operating income<br/>[OM]</b> | <b>478</b><br>(9.8%)  | <b>1,041</b><br>(15.8%) | <b>1,519</b><br>(13.2%) | <b>900</b><br>(13.2%) | <b>900</b><br>(13.4%) | <b>1,800</b><br>(13.3%) | <b>+18.5%</b>         |
| <b>Ordinary income<br/>[OM]</b>  | <b>499</b><br>(10.2%) | <b>1,056</b><br>(16.0%) | <b>1,556</b><br>(13.5%) | <b>920</b><br>(13.5%) | <b>920</b><br>(13.7%) | <b>1,840</b><br>(13.6%) | <b>+18.3%</b>         |
| <b>Net income<br/>[NM]</b>       | <b>337</b><br>(6.9%)  | <b>717</b><br>(10.9%)   | <b>1,055</b><br>(9.2%)  | <b>640</b><br>(9.4%)  | <b>640</b><br>(9.6%)  | <b>1,280</b><br>(9.5%)  | <b>+21.3%</b>         |

\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

# FY06/23 Forecasts

| Million yen   | FY06/22<br>(actual)         |                              |                             | FY06/23<br>(forecast)        |                                 |                              | YoY<br>(1H)    |
|---|-----------------------------|------------------------------|-----------------------------|------------------------------|---------------------------------|------------------------------|----------------|
|   | Q1                          | Q2                           | 1 H                         | Q1<br>(actual)               | Q2<br>(1Hforecast-<br>Q1actual) | 1 H<br>(forecast)            |                |
| <b>Net sales</b>  | <b>2,251</b>                | <b>2,635</b>                 | <b>4,887</b>                | <b>3,646</b>                 | <b>3,154</b>                    | <b>6,800</b>                 | <b>+39.1%</b>  |
| <b>Payment &amp; Finance</b>                                | <b>1,787</b>                | <b>2,127</b>                 | <b>3,915</b>                | <b>2,972</b>                 | <b>2,341</b>                    | <b>5,313</b>                 | <b>+35.7%</b>  |
| <b>System Development</b>                                   | <b>1,082</b>                | <b>1,287</b>                 | <b>2,369</b>                | <b>1,278</b>                 | <b>1,535</b>                    | <b>2,813</b>                 | <b>+18.7%</b>  |
| <b>Maintenance</b>  | <b>358</b>                  | <b>366</b>                   | <b>725</b>                  | <b>395</b>                   | <b>409</b>                      | <b>804</b>                   | <b>+10.9%</b>  |
| <b>In-house Products &amp; Services</b>                     | <b>186</b>                  | <b>191</b>                   | <b>377</b>                  | <b>136</b>                   | <b>32</b>                       | <b>168</b>                   | <b>-55.4%</b>  |
| <b>Third-party products &amp; Services (Hardware, etc.)</b> | <b>160</b>                  | <b>282</b>                   | <b>442</b>                  | <b>1,162</b>                 | <b>366</b>                      | <b>1,528</b>                 | <b>+245.7%</b> |
| <b>Cloud Services</b>                                       | <b>243</b>                  | <b>250</b>                   | <b>493</b>                  | <b>434</b>                   | <b>453</b>                      | <b>887</b>                   | <b>+79.9%</b>  |
| <b>Security</b>   | <b>221</b>                  | <b>257</b>                   | <b>438</b>                  | <b>239</b>                   | <b>421</b>                      | <b>660</b>                   | <b>+38.1%</b>  |
| <b>Operating income [OM]</b>                                | <b>126</b><br><b>(5.6%)</b> | <b>352</b><br><b>(13.4%)</b> | <b>478</b><br><b>(9.8%)</b> | <b>483</b><br><b>(13.2%)</b> | <b>417</b><br><b>(13.2%)</b>    | <b>900</b><br><b>(13.2%)</b> | <b>+88.3%</b>  |

\*The registration of categories has been partially revised from the previous fiscal year, and figures for new categories are disclosed.

**Financial Results Q1 FY06/23**

**Financial Results Q1 FY06/23**

**Forecast for FY06/23**

**Reference**

# Cost of manufacturing

Thousand yen

|  | FY06/22   |           |           |           | FY06/23   |    |    |    |
|--|-----------|-----------|-----------|-----------|-----------|----|----|----|
|  | Q1        | Q2        | Q3        | Q4        | Q1        | Q2 | Q3 | Q4 |
| Materials cost                         | 7,194     | 8,162     | 11,264    | 10,943    | 21,857    |    |    |    |
| Labor cost                             | 718,848   | 734,397   | 714,332   | 724,102   | 731,531   |    |    |    |
| Expenses                               | 431,898   | 413,397   | 403,356   | 501,360   | 486,571   |    |    |    |
| Subcontracting cost                    | 603,162   | 668,363   | 757,872   | 831,229   | 892,098   |    |    |    |
| Total manufacturing cost               | 1,761,105 | 1,824,322 | 1,886,826 | 2,067,636 | 2,132,058 |    |    |    |
| Work in progress (beginning of period) | 209,668   | 283,587   | 279,908   | 324,040   | 257,338   |    |    |    |
| Work in progress (end of period)       | 283,587   | 279,908   | 324,040   | 257,338   | 317,327   |    |    |    |
| Transfer to other accounts             | 247,200   | 344,251   | 396,910   | 376,174   | 337,209   |    |    |    |
| Cost of sales                          | 1,439,985 | 1,483,749 | 1,445,783 | 1,758,164 | 1,734,864 |    |    |    |

# SG&A expenses

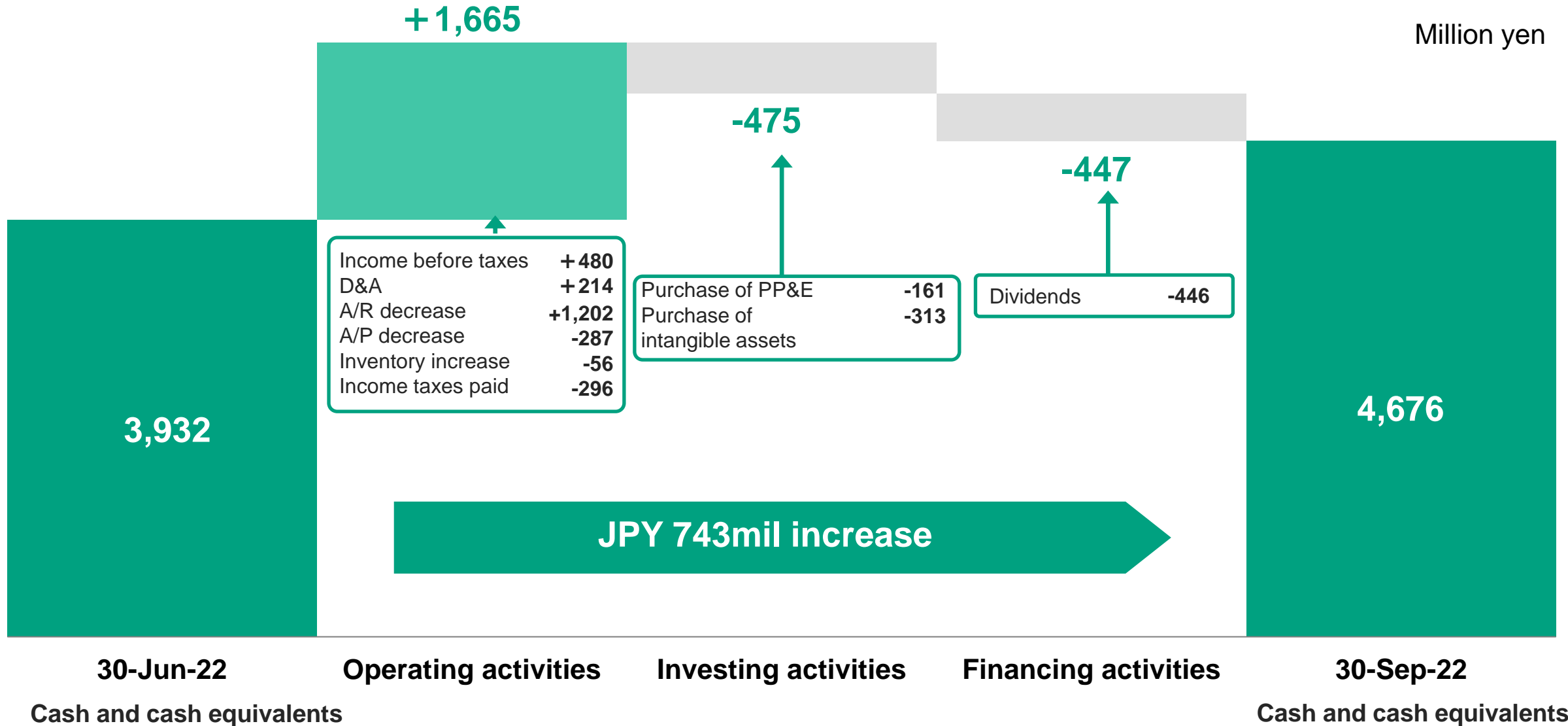
Thousand yen

|                               | FY06/22 |         |         |         | FY06/23 |    |    |    |
|-------------------------------|---------|---------|---------|---------|---------|----|----|----|
|                               | Q1      | Q2      | Q3      | Q4      | Q1      | Q2 | Q3 | Q4 |
| Salaries                      | 290,810 | 310,527 | 335,648 | 361,087 | 384,909 |    |    |    |
| Training and recruiting       | 10,332  | 13,989  | 24,046  | 24,878  | 14,951  |    |    |    |
| Rent                          | 18,793  | 18,328  | 16,822  | 17,320  | 24,509  |    |    |    |
| Advertising                   | 12,691  | 11,432  | 12,179  | 9,110   | 9,994   |    |    |    |
| R&D                           | 9,301   | 5,513   | 1,855   | 0       | 1,319   |    |    |    |
| Depreciation and amortization | 9,570   | 9,705   | 10,193  | 11,260  | 9,125   |    |    |    |

|             | Q1 FY06/22 | Q1 FY06/23               | Change | Million yen |
|-------------|------------|--------------------------|--------|-------------|
| SG&A        | 493        | 651                      | +157   |             |
| (breakdown) |            | salaries                 | +94    |             |
|             |            | Training and recruiting  | +4     |             |
|             |            | Advertising              | -2     |             |
|             |            | Research and development | -7     |             |
|             |            | Others                   | +68    |             |

# Cash Flows

Million yen

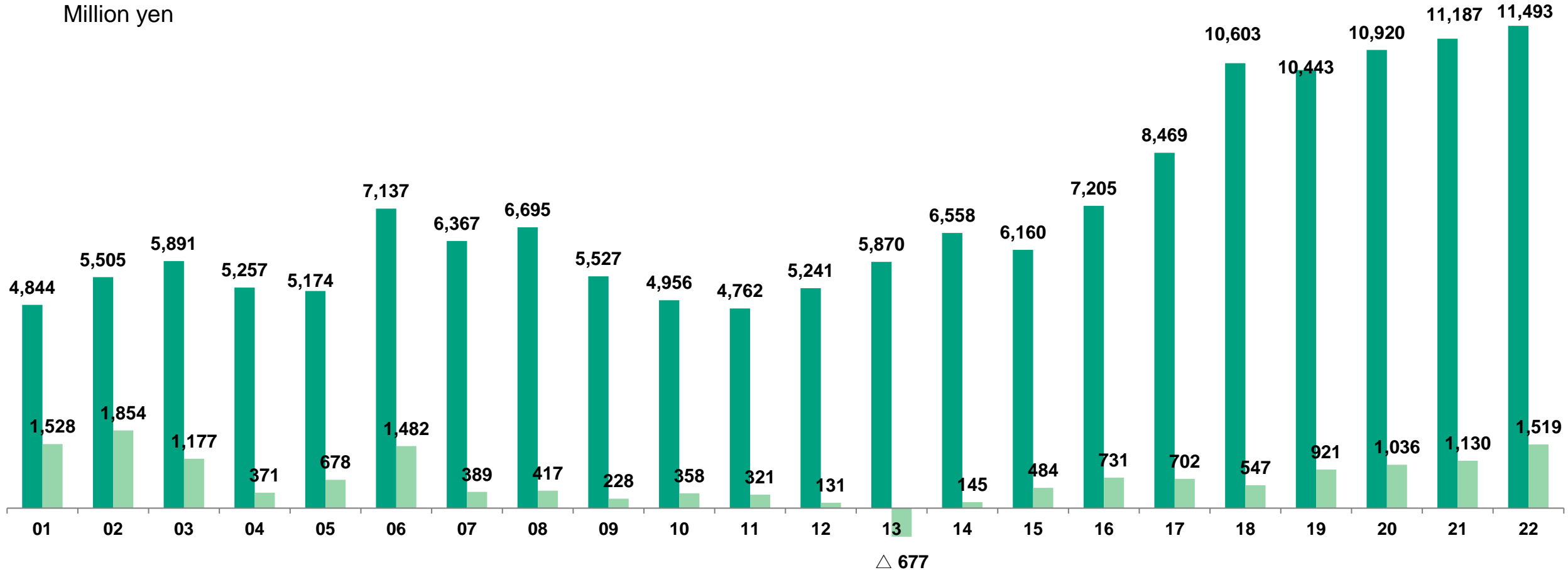




# Historical performance

■ Net sales    ■ Operating income

Million yen



Note: Consolidated results are shown through FY06/15.

# Reference) Our Cloud Services

## ■ **IOASIS**

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

## ■ **IPRETS**

- Point management system that grants points at the time of payment, etc.

## ■ **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.

# Company overview



As of June 30,2022

|                    |  |              |       |
|--------------------|--|--------------|-------|
| Established        | December 27, 1984                                |              |       |
| Location           | Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo |              |       |
| Employees          | 449  |              |       |
| Parent company     | Dai Nippon Printing Co., Ltd. (50.71%)           |              |       |
| Capital stock      | JPY843.75k                                       |              |       |
| Shares outstanding | 26,340,000                                       | Shareholders | 8,939 |

|                                 | Ownership (%) |                                 | % of shareholders |
|---------------------------------|---------------|---------------------------------|-------------------|
| Individuals, others             | 35.16%        | Individuals, others             | 98.38%            |
| Japanese financial institutions | 6.58%         | Japanese financial institutions | 0.10%             |
| Other Japanese corporations     | 51.06%        | Other Japanese corporations     | 0.44%             |
| Foreign corporations            | 6.08%         | Foreign corporations            | 0.81%             |
| Japanese securities firms       | 0.90%         | Japanese securities firms       | 0.27%             |
| Treasury stock                  | 0.22%         | 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.

**Intelligent Wave Inc.**

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