



Financial Results for 1H FY06/23

(July 1 to December 31, 2022)
[Non-Consolidated]

Intelligent Wave Inc.
Announced on February 3, 2023

Financial Results 1H FY06/23

Key initiatives in 1H FY06/23

Forecast for FY06/23

Reference

Overview

Million yen

	1H FY06/22	1H FY06/23	Change (YoY)		Change (vs.Forecast)
Net sales	4,887	6,789	+ 1,902	+ 38.9%	△ 0.2%
Operating income	478	803	+ 325	+ 68.0%	△ 10.8%
Ordinary income	499	824	+ 325	+ 65.1%	△ 10.4%
Net income	337	558	+ 221	+ 65.6%	△ 12.8%
Amount of orders	7,516	6,459	△ 1,057	△ 14.1%	
Orders on hand	7,963	9,233	+ 1,270	+ 15.9%	

Sales by categories YoY comparison

- (+) “Hardware” increased due to FEP system* renewal for existing customers, “cloud services” increased, “system development” increased due to large projects for a credit card company.
- (Δ) “In-house products & Services” decreased mainly due to several license sales of in-house products in the previous fiscal year.

Million yen

	1H FY06/22	1H FY06/23	Change
Net Sales	4,887	6,789	+ 1,902
Payment & Finance	3,915	5,393	+ 1,478
System Development	2,369	2,840	+471
Maintenance	725	816	+91
In-house Products & Services	377	218	△159
Third-party products & Services (Hardware, etc.)	442	1,517	+ 1,075
Cloud Services	493	881	+ 388
Security	478	514	+ 36

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

* 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 categories vs. Forecast

- (+) “Payment & Finance” exceeded the plan due to an increase in projects in new areas.
“Cloud Services” performed as planned.
- (Δ) “Security” fell short of plan due to lack of new projects.

Million yen

	1H FY06/22	1H FY06/23	Change
Net Sales	6,800	6,789	△ 11
Payment & Finance	5,320	5,393	+ 73
System Development	2,820	2,840	+ 20
Maintenance	800	816	+ 16
In-house Products & Services	170	218	+ 48
Third-party products & Services (Hardware, etc.)	1,530	1,517	△ 13
Cloud Services	880	881	+ 1
Security	600	514	△ 86

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

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

	1H FY06/22	1H FY06/23	Change
Net Sales	4,887	6,789	+ 1,902
Payment & Finance	3,915	5,393	+ 1,478
FEP · Fraud detection	2,660	3,625	+ 965
Payment Systems. etc	904	1,377	+ 473
Finance & Others	350	389	+ 39
Cloud Services	493	881	+ 388
Security	478	514	+ 36

Top Three Clients by Sales

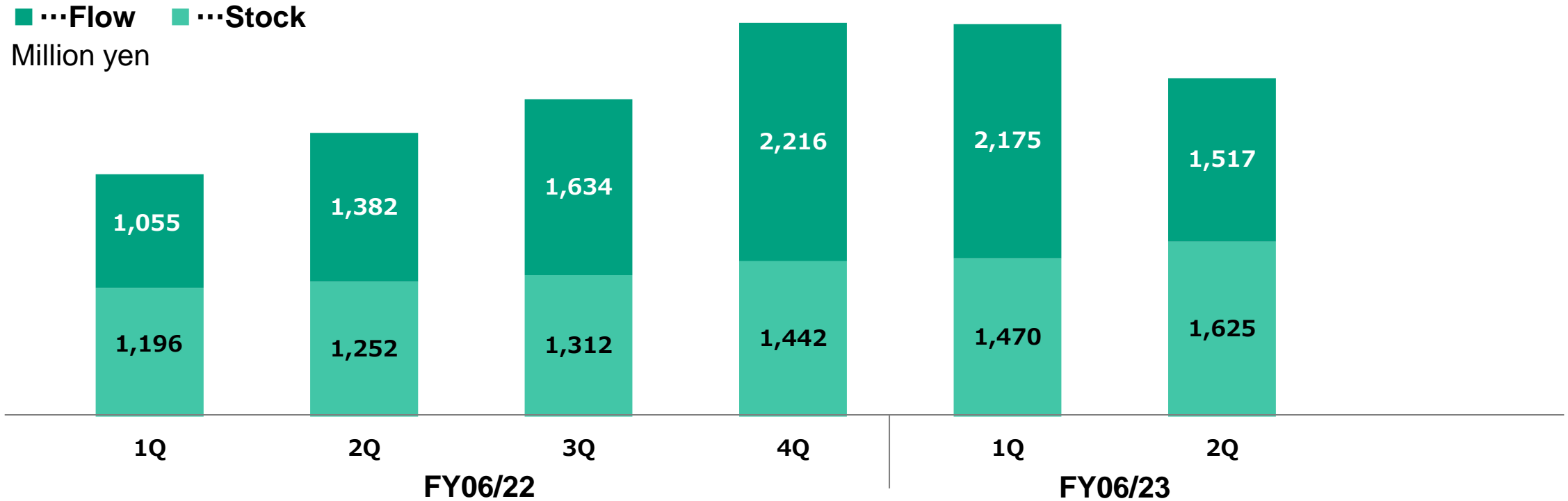
Million yen

		1H FY06/22	1H FY06/23	Change	Main projects
1.	System Integrator	497	1,197	+ 700	Hardware sales and system development due to FEP system renewal
2.	D N P	691	877	+ 186	Tokenization Service system (for Smartphone payment transaction) , Payment Platform* , System operations (24/7)
3.	System Integrator	244	457	+ 213	System development for credit card company

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

Sales by “Stock” and “Flow”

Sales of “Stock” is steadily increasing due to higher sales of cloud services and maintenance.



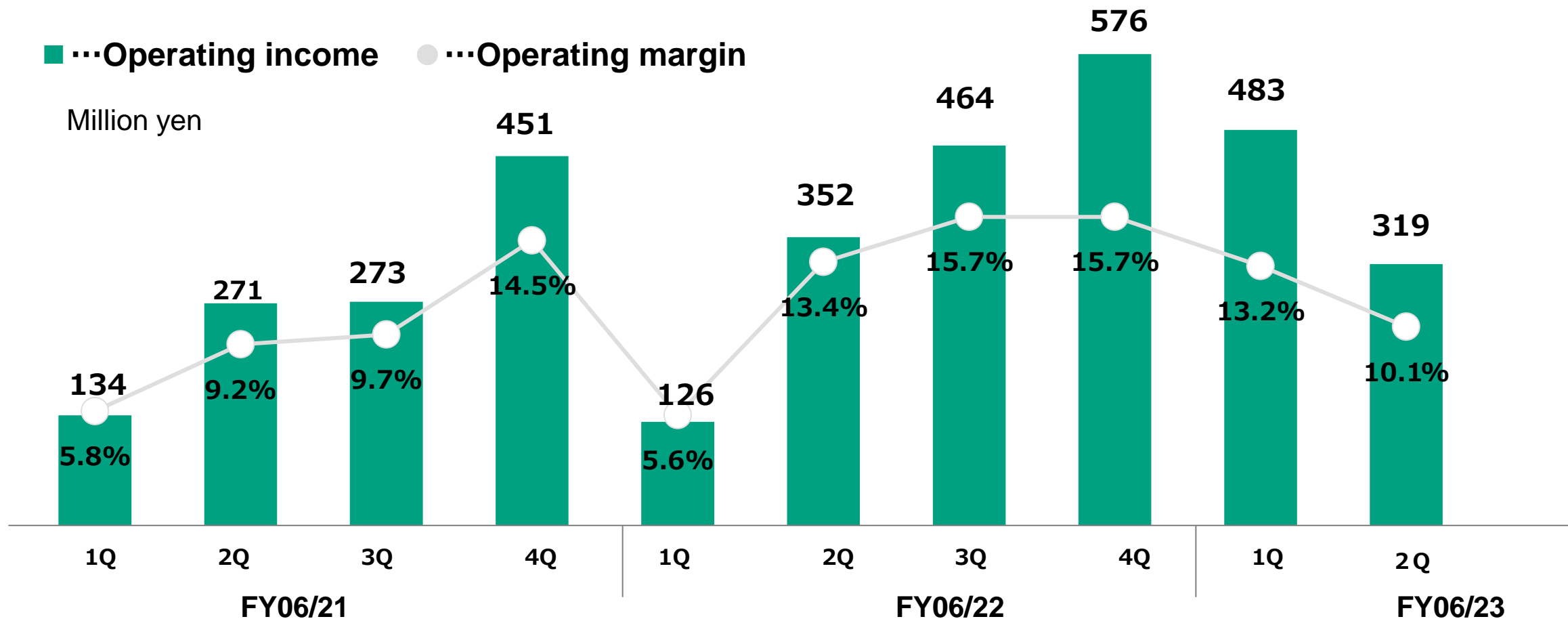
Stock: categories with contracts that allow us to record sales of a fixed amount on a regular basis
Flow : categories with contracts that are not stationary in terms of the amount and timing

* The classification of sales based on so-called "stock-type" and "flow-type" sales has been redefined from the previous year.

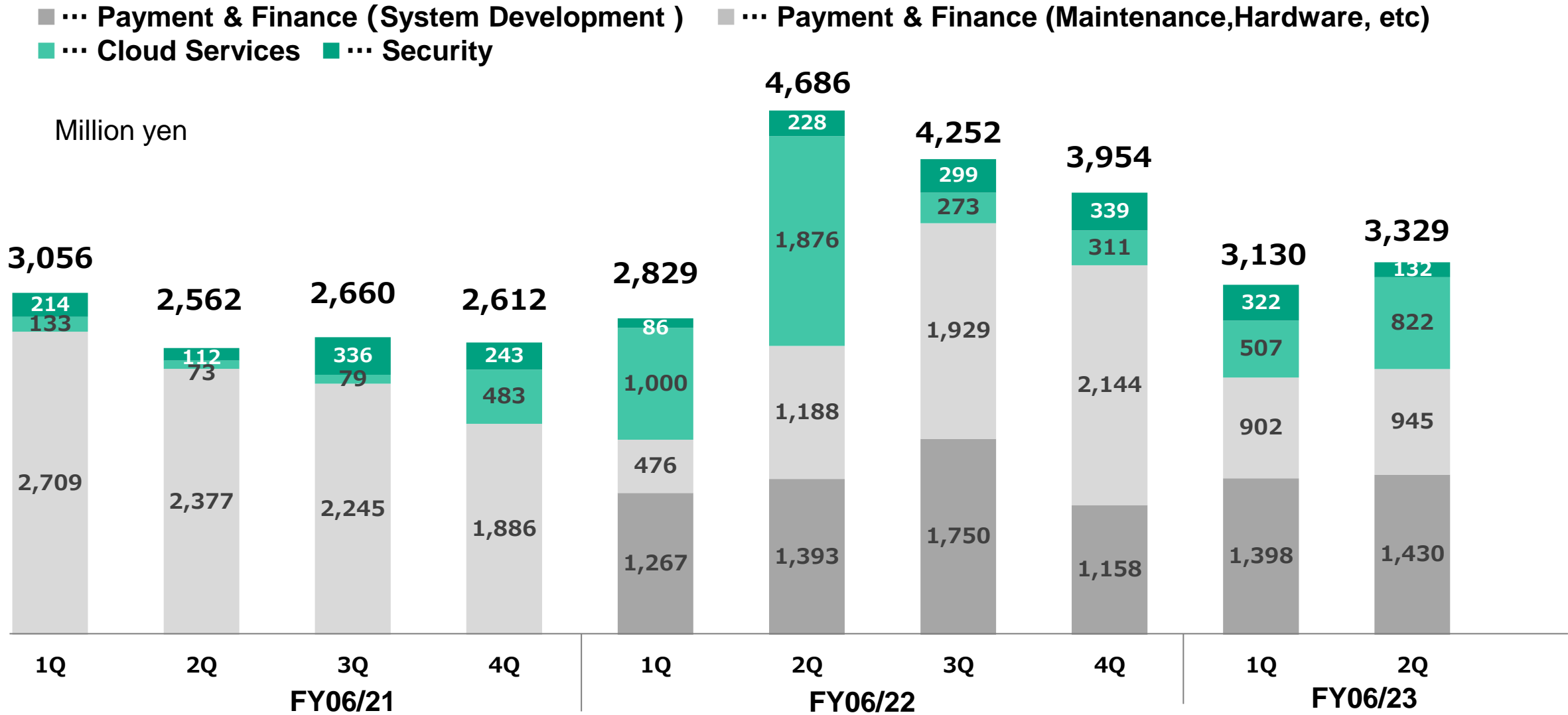
Operating income

(+) Increase in sales due to hardware sales and system development.

(△) Decrease in sales of In-house Products & Services, Increase expenses for cloud services and higher SG&A expenses, etc.



Amount of Orders

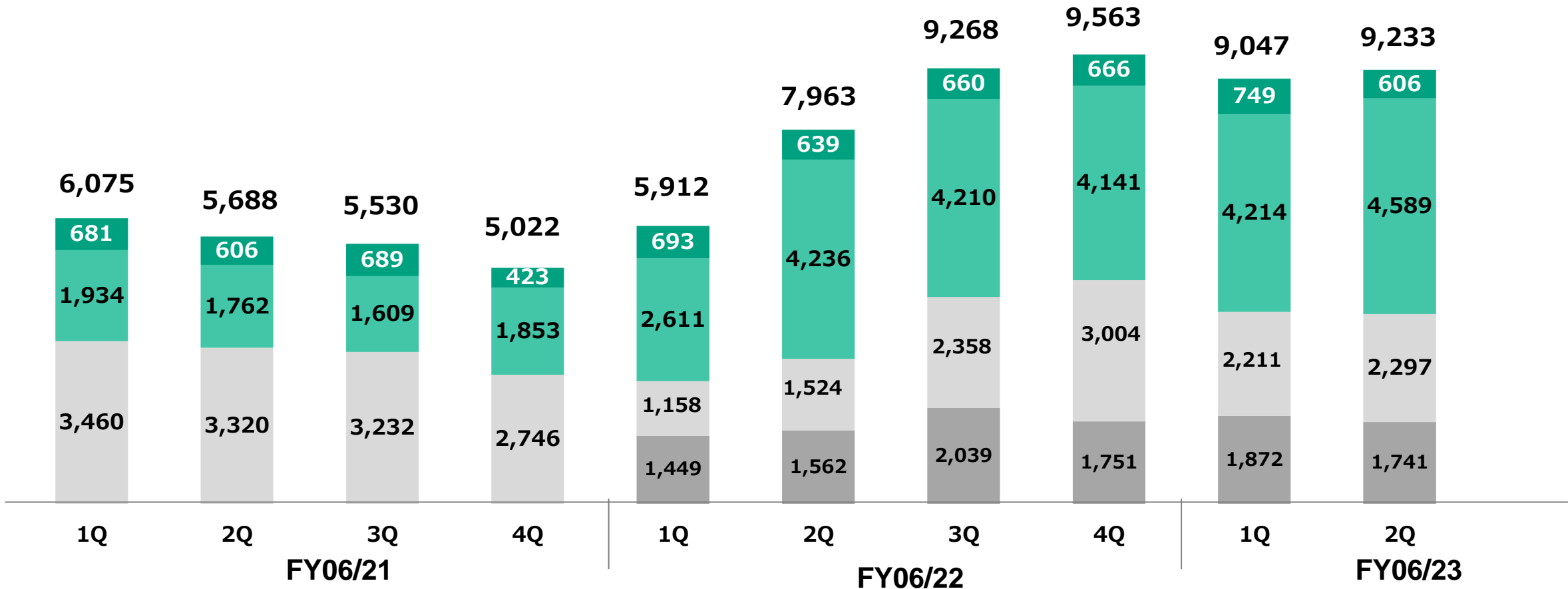


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Orders on Hand

- ... Payment & Finance (System Development) ■ ... Payment & Finance (Maintenance, Hardware, etc)
- ... Cloud Services ■ ... Security

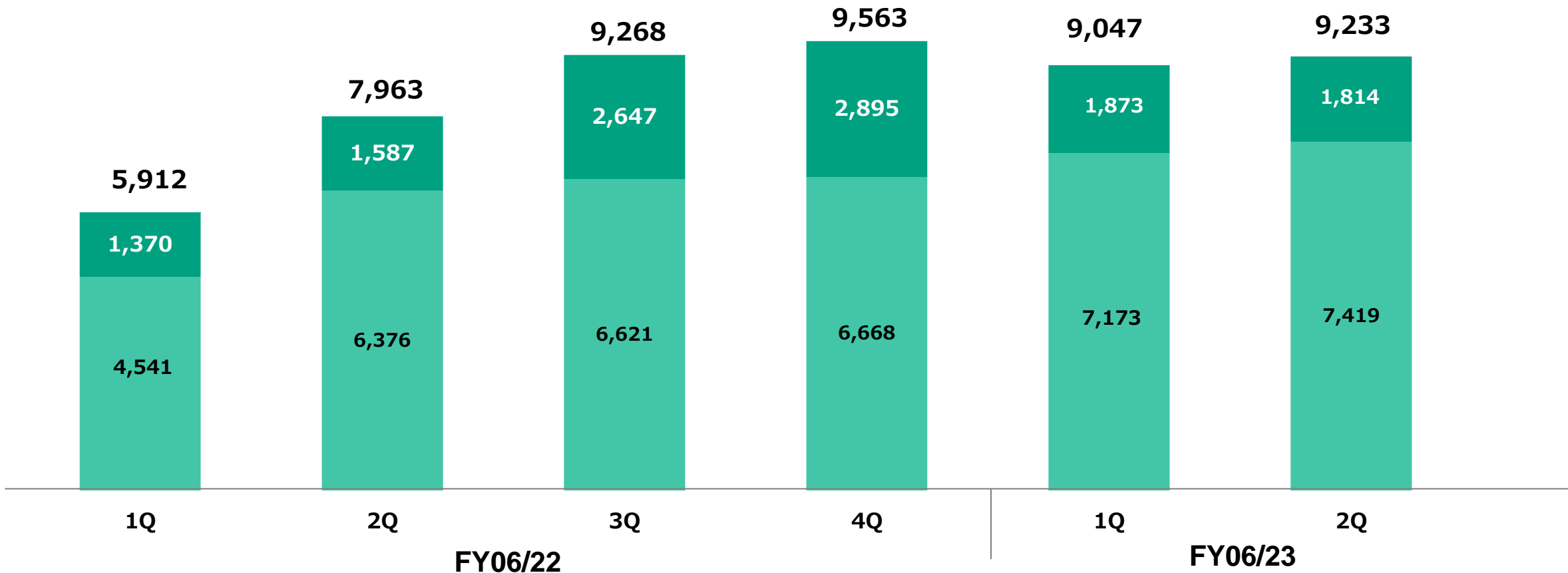
Million yen



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

Orders on Hand by “Stock” and “Flow”

■ ...Flow ■ ...Stock
Million yen



* The classification of sales based on so-called "stock-type" and "flow-type" sales has been redefined from the previous year.

Cloud Service Business

Sales increased significantly YoY due to an increase in the number of users. On the other hand, compared to the plan, sales are in line with the plan, but profits are lower than the plan at the beginning of the period due to an increase in expenses to strengthen the system in line with the expansion of the number of users in some service.

Million yen

		FY06/22					FY06/23				
		1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Net sales	Plan						430	450	470	650	2,000
	Actual	243	250	299	380	1,173	434	447			
Gross profit	Plan						33	67	62	138	300
	Actual	△19	31	84	25	120	△4	29			

No. of customers by service lines (Actual)

		1Q	2Q	3Q	4Q	Full year	1Q	2Q		YoY
■ IOASIS		5	6	7	10	10	10	10		+ 4
■ IFINDS		3	3	3	3	3	4	5		+ 2
■ IGATES		4	4	5	6	6	6	7		+ 3
■ IPRETS		1	1	1	1	1	1	1		0

Orders for Cloud Services

IOASIS received several large orders in the previous fiscal year, and IFINDS and IGATES are receiving strong inquiries for orders, and the number of users is expected to increase.

Million yen

	FY06/22				FY06/23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Amount of orders	1,000	1,876	273	311	507	822		
Orders on hand	2,611	4,236	4,210	4,141	4,214	4,589		

No. of orders

	Overview
■ IOASIS	One company plans to start using service in the second half of the year. Existing customer has inquired about adding new feature.
■ IFINDS	2 companies plan to start using service in the second half of the year. One company has made an offer to use the new service for shared scoring service for fraud detection.
■ IGATES	2 companies plan to start using service in the second half of the year. Major client has inquired about large project, preparing to sign the contract.

Financial Results 1H FY06/23

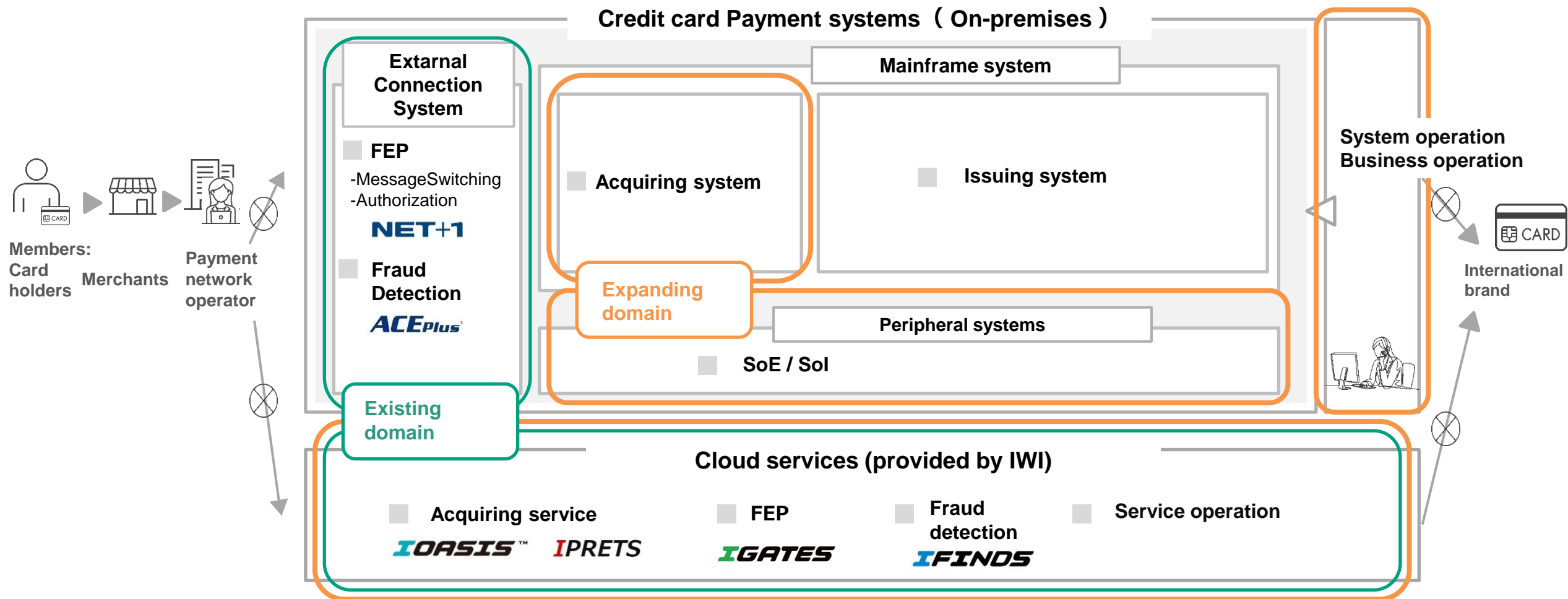
Key initiatives in 1H FY06/23

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.



Status of Strategies by Business Domain

Payment & Finance

- Collaborated with JCB to strengthen measures to prevent card fraud throughout the industry-wide. Launched the first project.
- Expanding business domain into peripheral systems area by supporting IT strategies of major credit card company client.
- Expanding system development with major credit card company client under lab contract

Cloud Services

- Strengthening management structure to improve profitability
- Increasing inquiries about our fraud detection service due to damage expansion for card fraudulent use
- Migrating to public cloud in some service for reduce operating costs

Security

- Promoting the synergy with DNP (including sales for DNP use)
- Upgrading the major version and developing additional features of the in-house product 'CWAT'

New business (Digital Transformation area)

- Developing new service relating to National Language Processing
- Promoting overseas sales of the solution for broadcasters 'EoM' (acquired the patent in the US and planning to conduct POC in several companies in Europe)

Published Japanese Proofread Tool by AI (demo version)

Started R&D of National Language Processing (NLP) from 2016.

Developed 'IWI Japanese Proofread Tool' utilizing AI and published the demo version in November 2022.

Development background

Utilizing NLP in Japanese

While many new services based on NLP AI technology have been developed in English-speaking world, application of the technology to Japanese language has been relatively behind due to Japanese peculiar expressions. IWI promotes the application of NLP to Japanese.

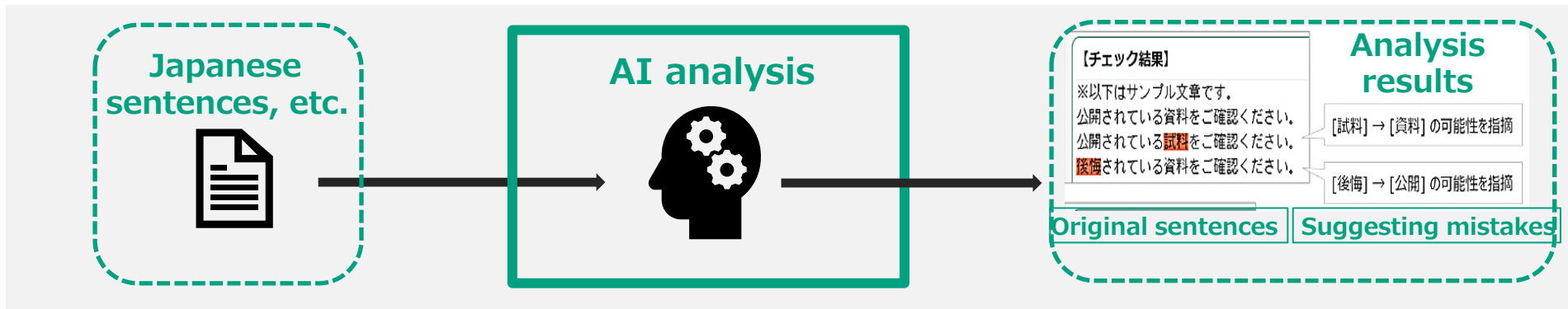
Our initiatives on NLP technology

- (2016) started up a specialized team for NLP
- (2018) introduced high accuracy document searching system to a major insurance company
- (2019) introduced data analysis technology to a major insurance company for supporting determination of percentage of fault of accident response system

Function details

AI proofreads sentences

Enables users to find not only typographical errors, but semantic unnaturalness depending on the context and mistakes in expressions peculiar to Japanese.



considering to release official version and to provide corporate service

Financial Results Q2 FY06/23

Key initiatives in Q2 FY06/23

Forecast for FY06/23

Reference

FY06/23 Full-year Forecasts

Million yen

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

*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 (actual)			FY06/23 (forecast)			YoY
	1 H	2 H	Full year	1 H (actual)	2 H (Full year-1H actual)	Full year	
Net sales	4,887	6,606	11,493	6,789	6,711	13,500	+ 1.6%
Payment & Finance	3,915	5,313	9,229	5,393	4,757	10,150	△10.5%
System Development	2,369	2,720	5,089	2,840	2,970	5,810	+9.2%
Maintenance	725	772	1,497	816	824	1,640	+6.7%
In-house Products & Services	377	190	567	218	182	400	△4.2%
Third-party products & Services (Hardware, etc.)	442	1,631	2,073	1,517	783	2,300	△51.9%
Cloud Services	493	680	1,173	881	1,119	2,000	+64.5%
Security	505	612	1,090	514	836	1,350	+36.6%
Operating income [OM]	478 (9.8%)	1,041 (15.8%)	1,519 (13.2%)	803 (11.8%)	997 (14.9%)	1,800 (13.3%)	△4.2%

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

Financial Results 1H FY06/23

Key initiatives in 1H FY06/23

Forecast for FY06/23

Reference

Cost of manufacturing

Thousand yen

	FY06/22				FY06/23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Materials cost	7,194	8,162	11,264	10,943	21,857	6,582		
Labor cost	718,848	734,397	714,332	724,102	731,531	737,858		
Expenses	431,898	413,397	403,356	501,360	486,571	517,615		
Subcontracting cost	603,162	668,363	757,872	831,229	892,098	911,802		
Total manufacturing cost	1,761,105	1,824,322	1,886,826	2,067,636	2,132,058	2,173,859		
Work in progress (beginning of period)	209,668	283,587	279,908	324,040	257,338	317,327		
Work in progress (end of period)	283,587	279,908	324,040	257,338	317,327	262,103		
Transfer to other accounts	247,200	344,251	396,910	376,174	337,209	382,237		
Cost of sales	1,439,985	1,483,749	1,445,783	1,758,164	1,734,864	1,846,841		

SG&A expenses

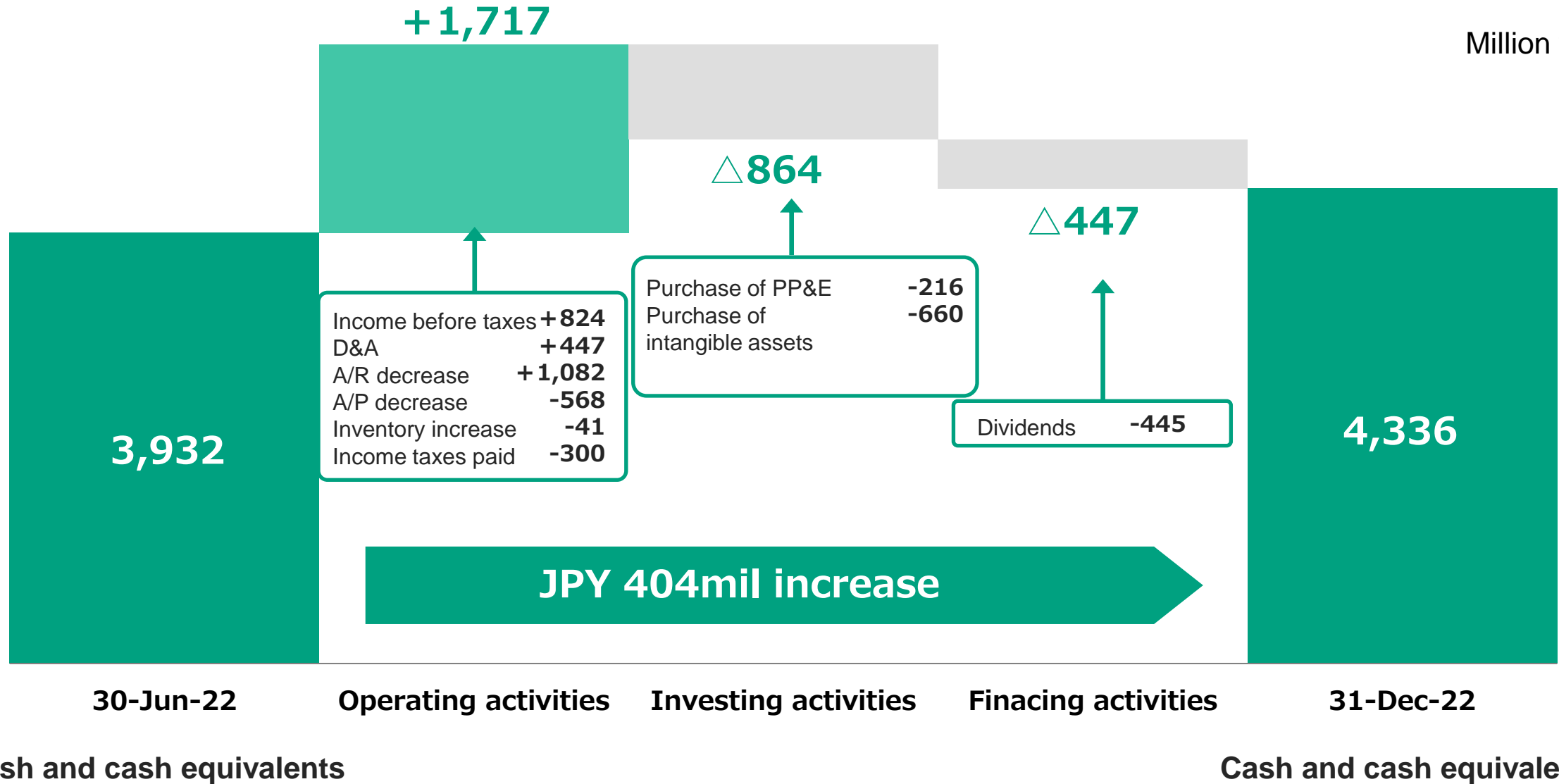
Thousand yen

	FY06/22				FY06/23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Salaries	290,810	310,527	335,648	361,087	384,909	388,481		
Training and recruiting	10,332	13,989	24,046	24,878	14,951	22,121		
Rent	18,793	18,328	16,822	17,320	24,509	25,362		
Advertising	12,691	11,432	12,179	9,110	9,994	13,631		
R&D	9,301	5,513	1,855	0	1,319	6,972		
Depreciation and amortization	9,570	9,705	10,193	11,260	9,125	10,246		

	Q1 FY06/22	Q1 FY06/23	Change	Million yen
SG&A	1,018	1,317	+298	
(breakdown)		salaries	+172	
		Training and recruiting	+12	
		Advertising	△0	
		Research and development	△6	
		Others	+120	

Cash Flows

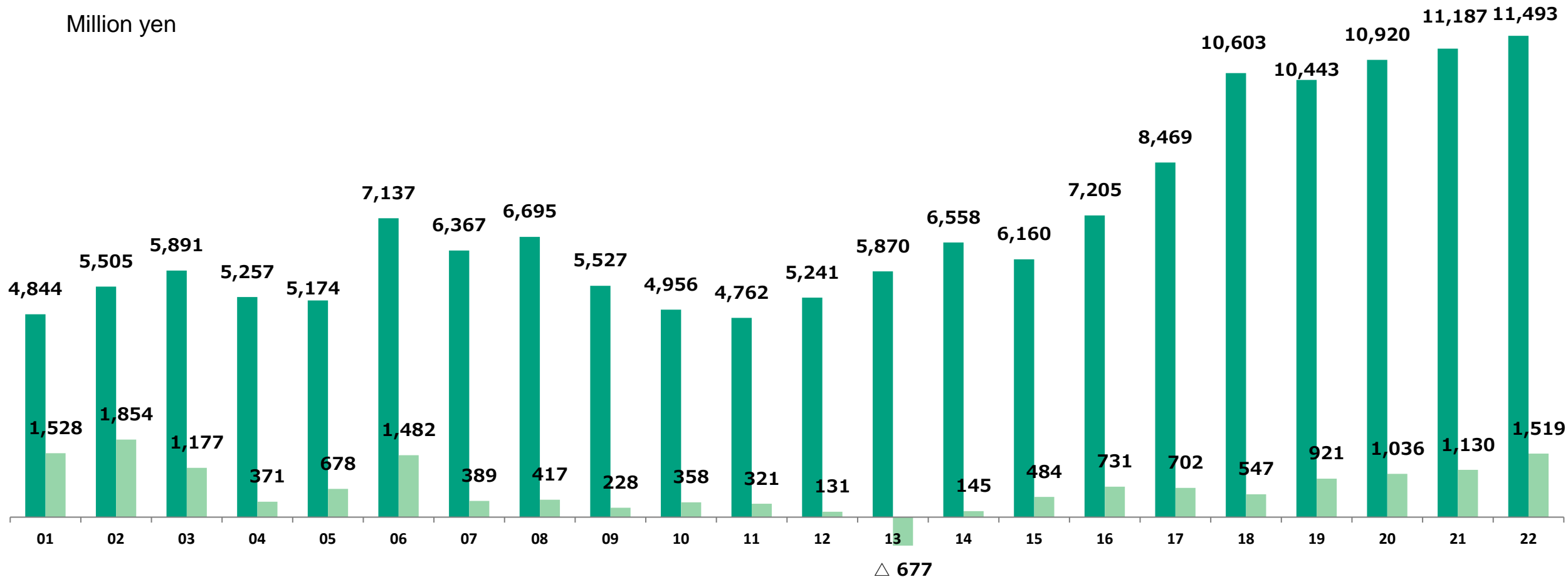
Million yen



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 December 31,2022

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	9,525

	Ownership (%)		% of shareholders
Individuals, others	35.68%	Individuals, others	98.00%
Japanese financial institutions	6.37%	Japanese financial institutions	0.10%
Other Japanese corporations	51.08%	Other Japanese corporations	0.44%
Foreign corporations	4.28%	Foreign corporations	1.11%
Japanese securities firms	2.36%	Japanese securities firms	0.33%
Treasury stock	0.23%	Treasury stock	0.01%



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