

May 10, 2021



Financial Results for 3Q FY06/21 (July 1, 2020 to March 31, 2021) [Non-Consolidated]

Financial and Operating Results 3Q FY06/21

Forecasts for FY06/21

Key initiatives in FY06/21

Reference

3Q FY06/21

Overview of results, YoY comparison

Sales and income increased

Best historical net sales for 3Q



	3Q FY06/20	3Q FY06/21	Change	Million yen Percentage Change
Net sales	7,805	8,067	262	+3.4%
Operating income	585	678	93	+15.9%
Ordinary income	601	696	95	+15.8%
Net income	398	470	72	+18.1%

Top three clients, by sales YoY comparison



Million yen

	1H FY06/20 Sales	1H FY06/21 Sales	Change	Main projects
1 . DNP	1,590	1,217	(373)	TSP system (Smartphone payment) , System operations(24/365), Payment Platform
2 . System Integrator	200	992	792	FEP system and Fraud detection for new entry to the industry
3 . Credit card company	338	836	498	Development and hardware sales for FEP replacement

3Q FY06/21

Net sales



- (+) Increased sales of Hardware for the replacement of FEP and fraud detection systems and Third-party products increased.
- (△) System Development declined, but compensated by the sales increase of Hardware and Third-party products.

	3Q FY06/20	3Q FY06/21	Change
Net Sales	7,805	8,067	262
System Development	4,382	3,710	(672)
Maintenance	926	992	66
In-house products	207	267	60
Cloud service	609	702	93
Hardware	869	1,339	470
Third-party products	148	431	283
Security products	661	622	(39)

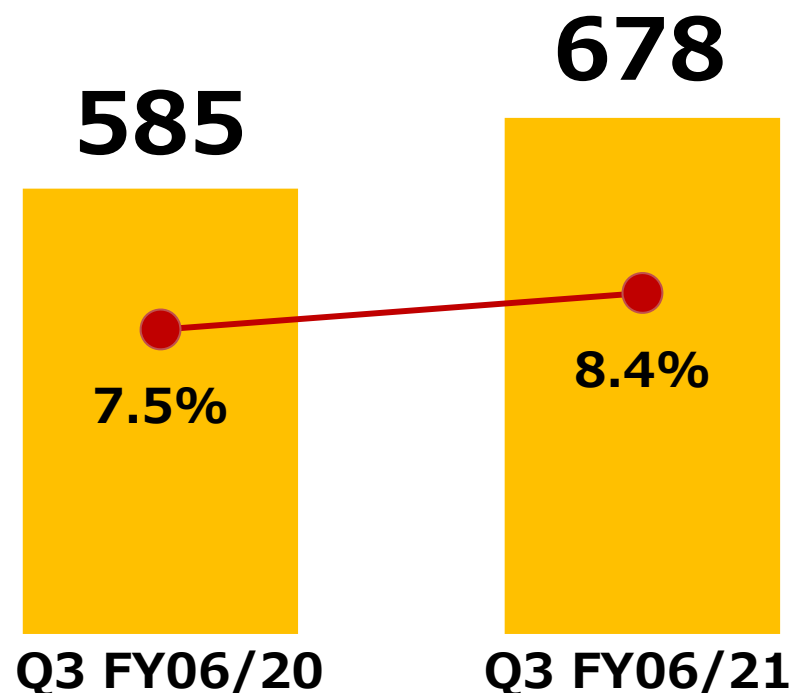
3Q FY06/21

Operating income

- (+) Hardware and others sales increased.
Improved stability of System Development projects.
- (△) Decreased in sales of System Development

Million yen

- ...Operating income
● ...Operating margin



+93

YoY

Reasons for changes

(Reasons for increase)

- Increased in sales of hardware and third-party products
- Improved quality of development products
- Improved profitability of information security business

(Reason for decrease)

- Decreased in sales of System Development (in reaction to the large-scale project recorded in previous period)

Financial and Operating Results 3Q FY06/21

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FY06/21 Full-year Forecasts



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

Million yen

	FY06/20 actual			FY06/21 forecasts			Change (Full-year)
	3Q	4Q	Full-year	3Q Actual	4Q difference	Full-year	
Net sales	7,805	3,115	10,920	8,067	2,933	11,000	+0.7%
Operating income [OM]	585 (7.5%)	451 (14.5%)	1,036 (9.5%)	678 (8.4%)	472 (16.1%)	1,150 (10.5%)	+11.0%
Ordinary income [OM]	601 (7.7%)	473 (15.2%)	1,074 (9.8%)	696 (8.6%)	494 (16.8%)	1,190 (10.8%)	+10.8%
Net income [NM]	398 (5.1%)	364 (11.7%)	762 (7.0%)	470 (5.8%)	350 (11.9%)	820 (7.5%)	+7.6%

3Q FY06/21

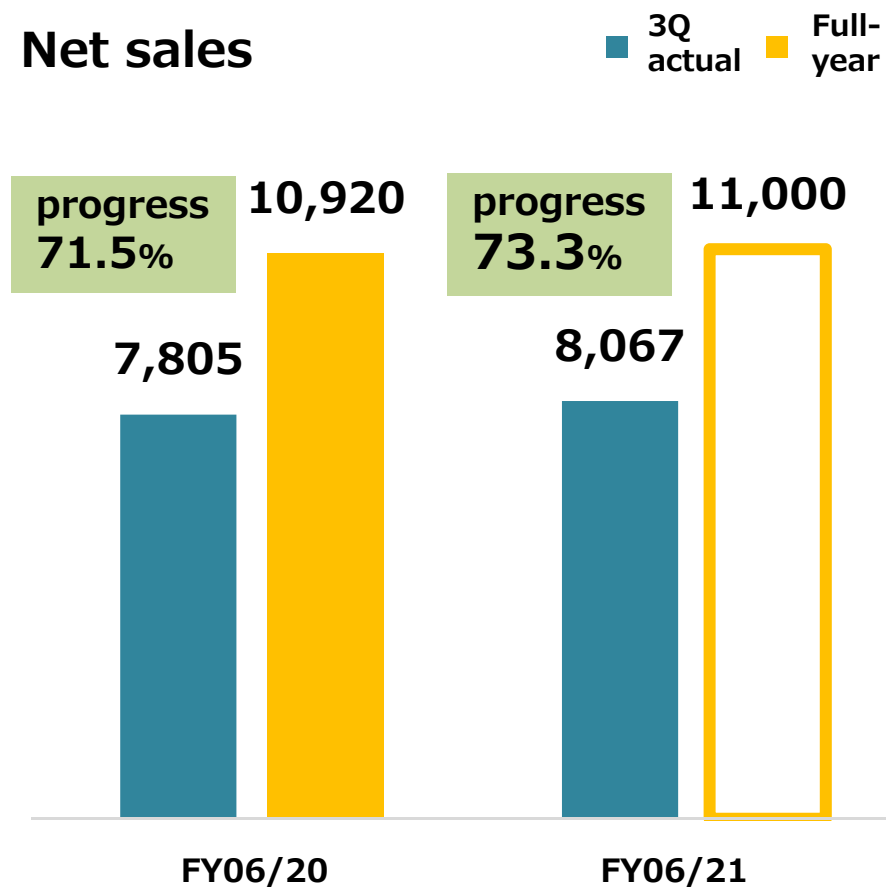
Progress on Full-year forecasts



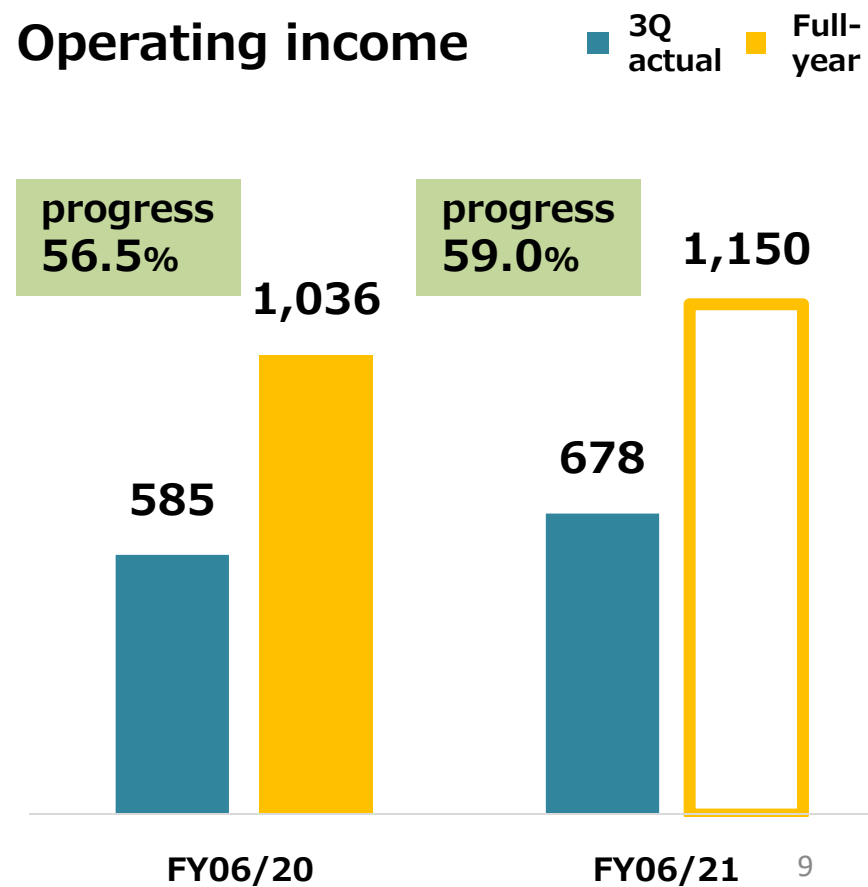
Better progress rate than previous year results.

Million yen

Net sales



Operating income



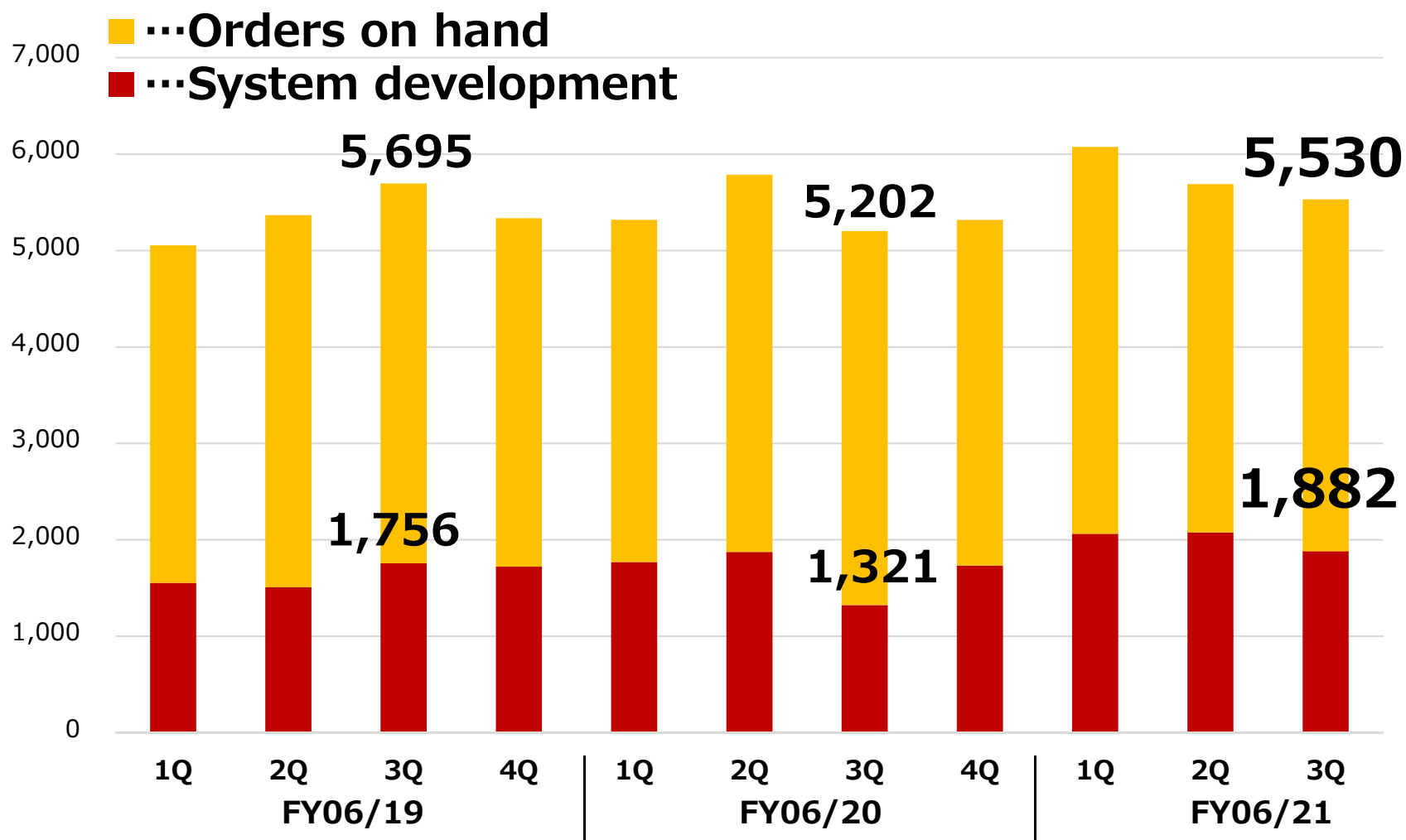
3Q FY06/21

Progress on Full-year forecasts

Orders on hand keep higher level.
System development order increased.



Million yen



Business for financial industry

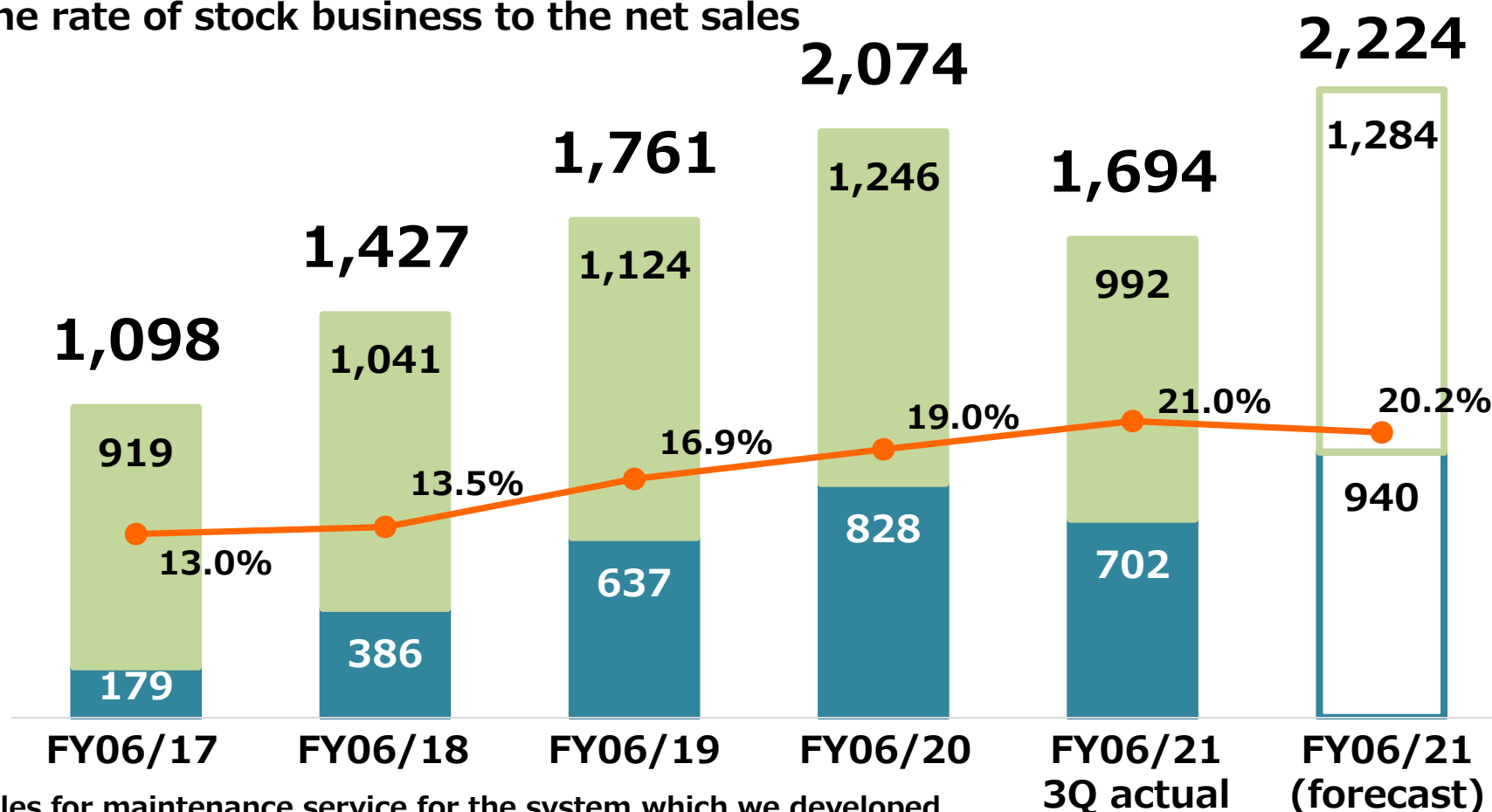
Stock business steadily expanded.

Million yen

net sales of stock business

■ Cloud service ■ Maintenance※

● the rate of stock business to the net sales



※sales for maintenance service for the system which we developed

Impact of 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)
- * As of today, 4 persons tested positive (2 employees, 2 subcontractors) ⇒ **No negative impact to our business**

(Impact on business)

- 3Q results : No impact
- 4Q forecasts : Slight uncertainty
(Depends on customers' circumstances, under unchanged major trend)

Financial and Operating Results 3Q FY06/21

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Medium-term business plan



FY06/23 targets:

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

Aiming 15% Operating Margin in longer term.

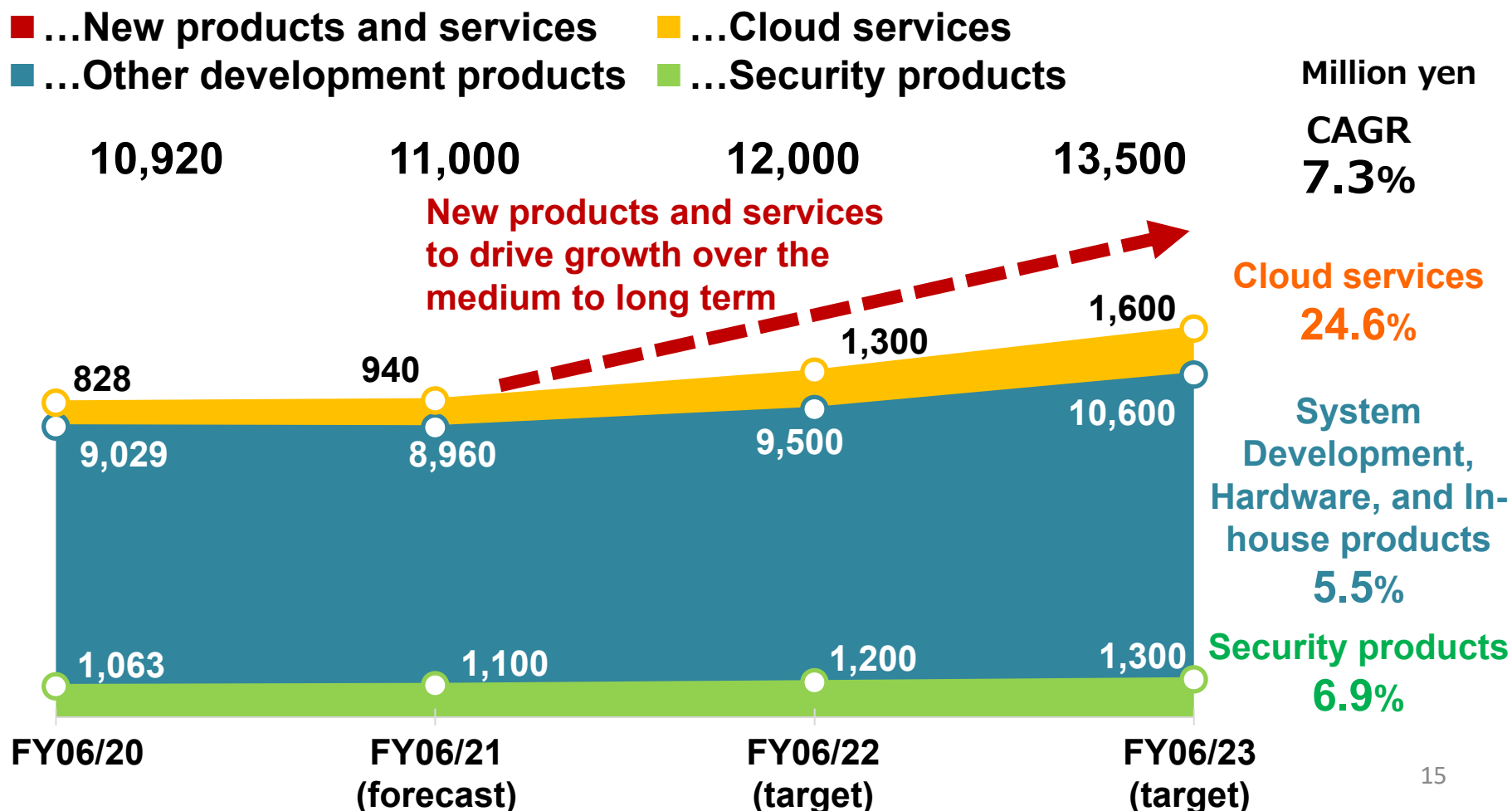
Million yen					
	FY06/20 (actual)	FY06/21 (Forecast)	FY06/22 (target)	FY06/23 (target)	CAGR
Net sales	10,920	11,000	12,000	13,500	7.3%
Operating income [OM]	1,036 [9.5%]	1,150 [10.5%]	1,250 [10.4%]	1,500 [11.1%]	13.1%

Medium-term business plan



Net sales

Cloud service, new products and services to drive expansion



FY06/21 Cloud service business



increasing IOASIS need and emerging large-scale projects

Services and customers

	FY 06/17	FY 06/18	FY 06/19	FY06/20	FY06/21
Net sales (million yen)	179	386	637	829	940 (予想)
1 st Customer for IPRETS					
4 th customer for IGATES					
3 rd customer for IGATES					
2 customers for IGATES					
3 customers for IFINDS					
5 customers for IOASIS					

4Q FY06/21
orders to be
scheduled

IFINDS

adopted by
4th customer
(major consumer
finance company)

IOASIS

adopted by 6th, 7th
customers
(includes major
telecommunication
company)

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

Medium-term business plan

Key initiatives



For growth in the long term,
accelerate investment in new business
in specific domains

Providing as
cloud service

<new business development to tackle in FY06/21>

Shared-use front-end processing system	Provide Shared-use front-end processing system based on knowledge and experience of FEP system, our strength.
Integrated security platform	Develop integrated platform where users receive optimized security function depending on their environment.
Next-generation fraud detection system	In addition to making existing fraud detection efficient, provide as cloud service Fraud detection with AI technology.
Analyzing media platform	Create new pillar business by making use of technical knowledge of FPGA acquired through developing 'EoM', IP monitoring solution for broadcasters.

Initiatives towards new business (expanding domain)



① "Cloud-First"

Acquire cloud technology and utilize it for our product infrastructure to respond to the changing needs of customers.

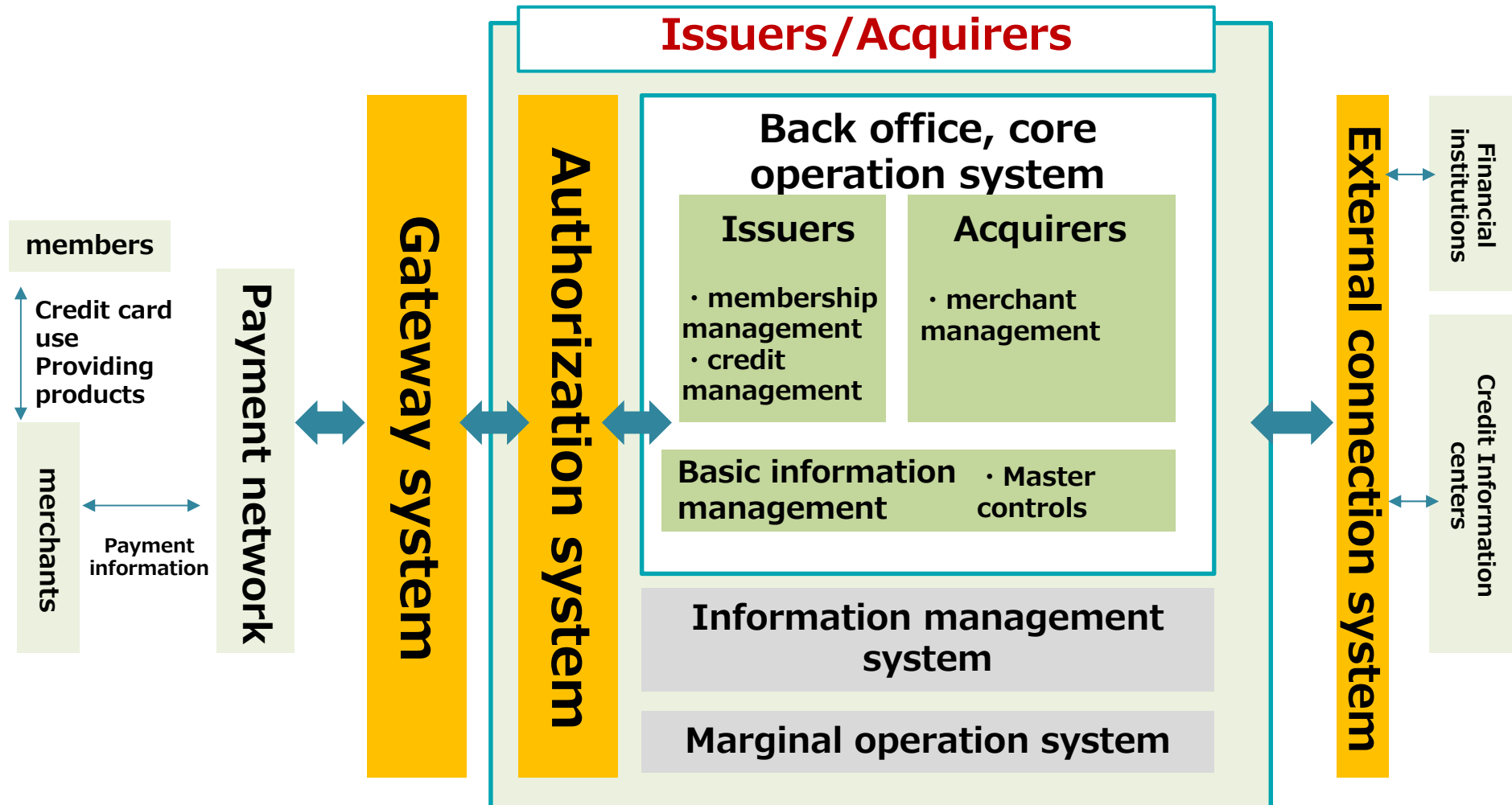
- 1. Acquire the knowledge of public cloud**
- 2. Plan to transfer current cloud service infrastructure to the public cloud**

**Expand the business scale in co-creation ways by deepening relationship with customers.
Aim for expanding cloud service overseas primarily.**

Initiatives towards new business (expanding domain)

② FEP system

Developing new service utilizing authorization data



■ ...FEP (Front End Processing) system

Initiatives towards new business (expanding domain)



③ Security products

Strengthen sales activities to capture the market needs.

Expecting to increase the net sales YoY.



Meet the increasing demand for **prevention from internal information leakage**, and enhance functions



Protect **unknown attacks**
Integrate with Microsoft products

Respond to emerging needs with spread of telework and cloud use and **PPAP issue**.

Initiatives towards new business (Broadening application of technology)

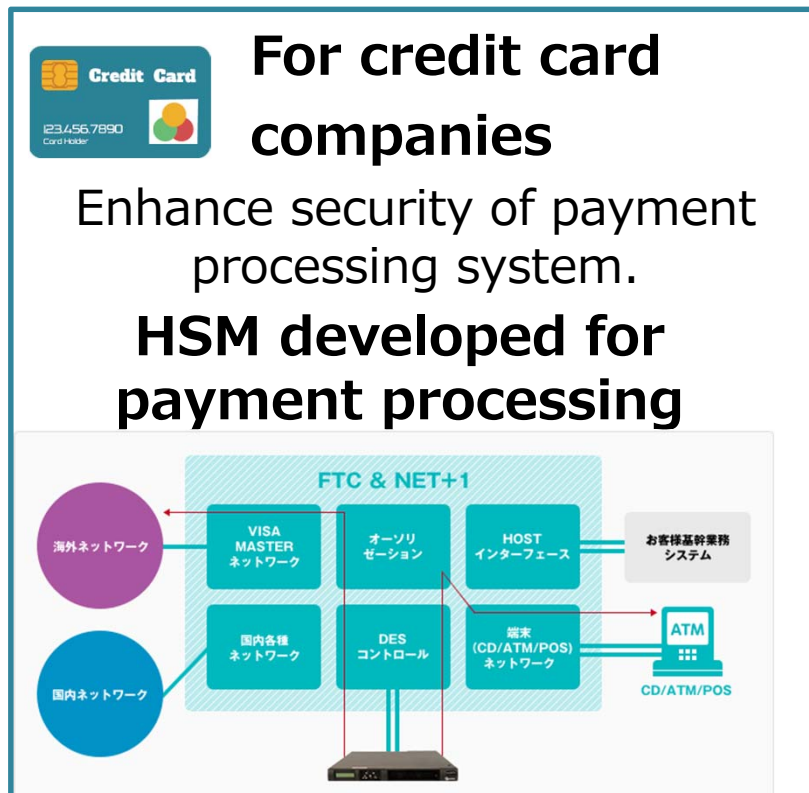


④ HSM (new product for the automobile industry)

Enhance security of IoT devices utilizing HSM

Apply the knowledge of HSM for payments business to **automobile industry**.

FY06/20→FY06/21
67 mn yen→94 mn yen (forecast)



HSM: Hardware Security Module

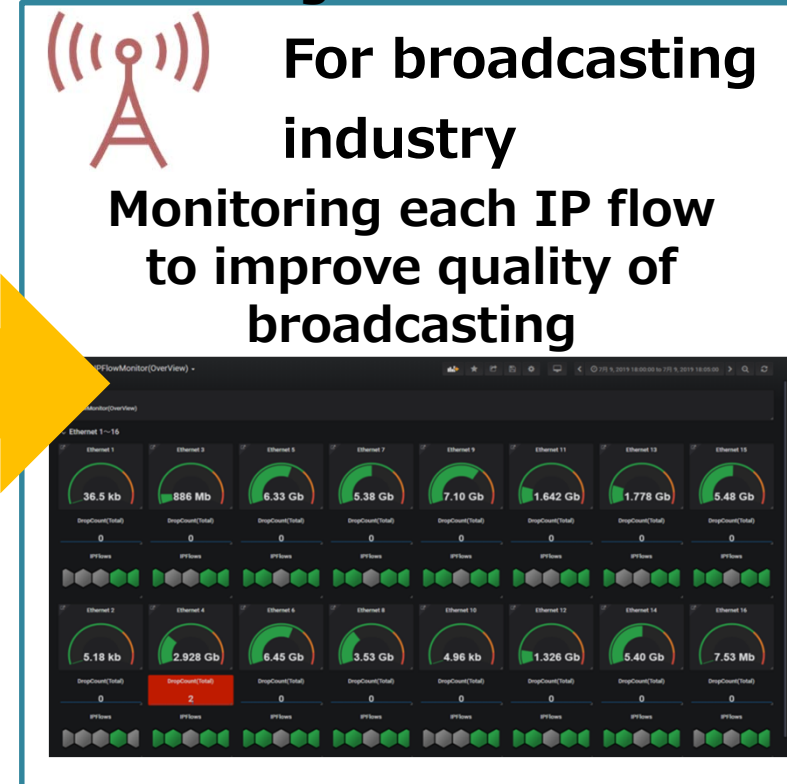
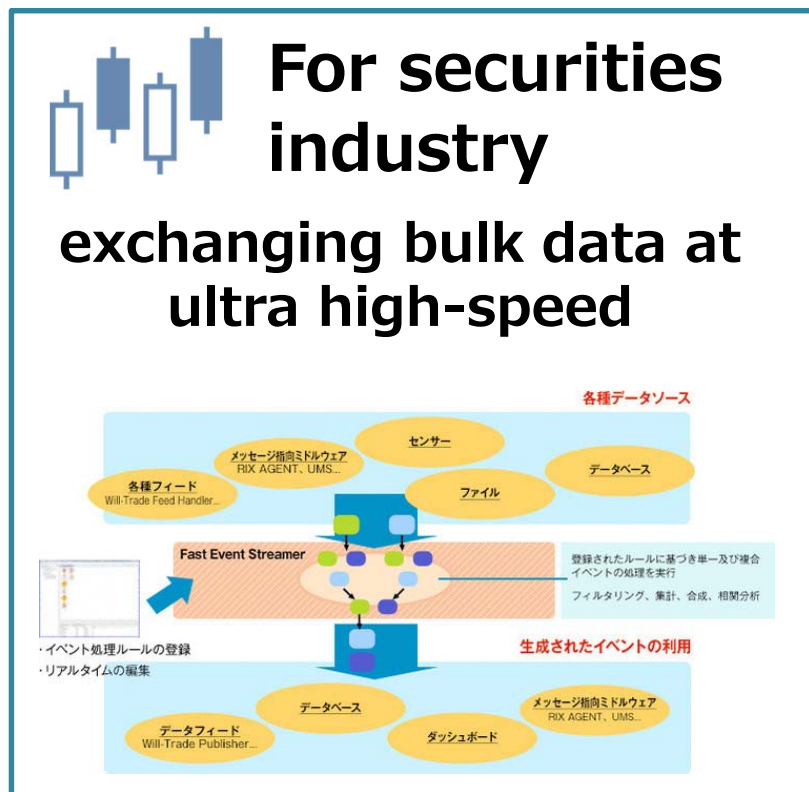
Initiatives towards new business (Broadening application of technology)

⑤ EoM (new product for the broadcasting industry)

New system infrastructure to support IP-based broadcasting equipment.

Apply the knowledge of processing bulk data and ultra high-speed transmission for securities industry **to broadcasting industry.**

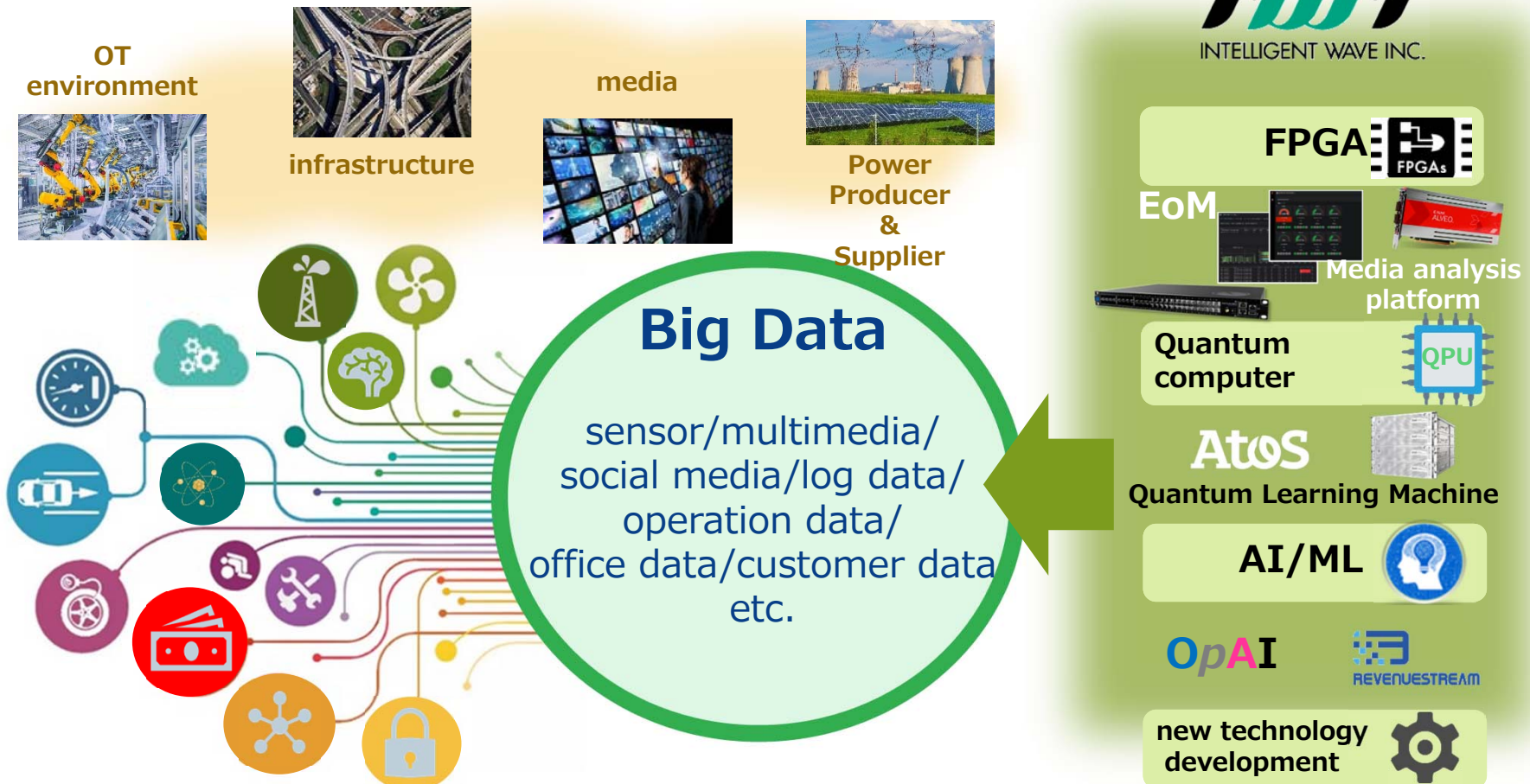
Aim for building 1 billion business



New business development utilizing existing and new technologies



Provide new solution for business domains requiring real-time and ultra high-speed bulk data processing with technology and knowledge of **acceleration and analysis.**

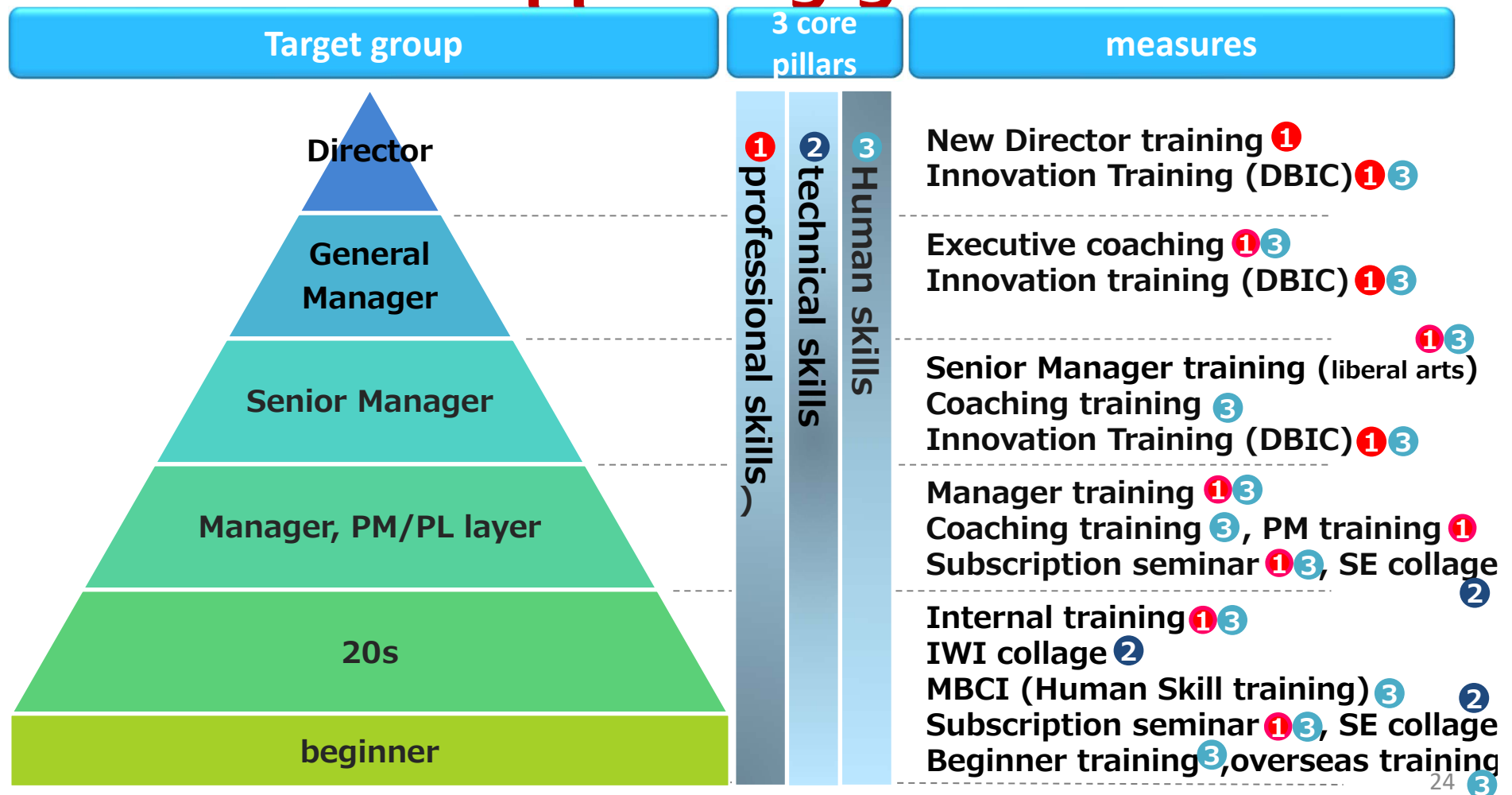


Human resources development



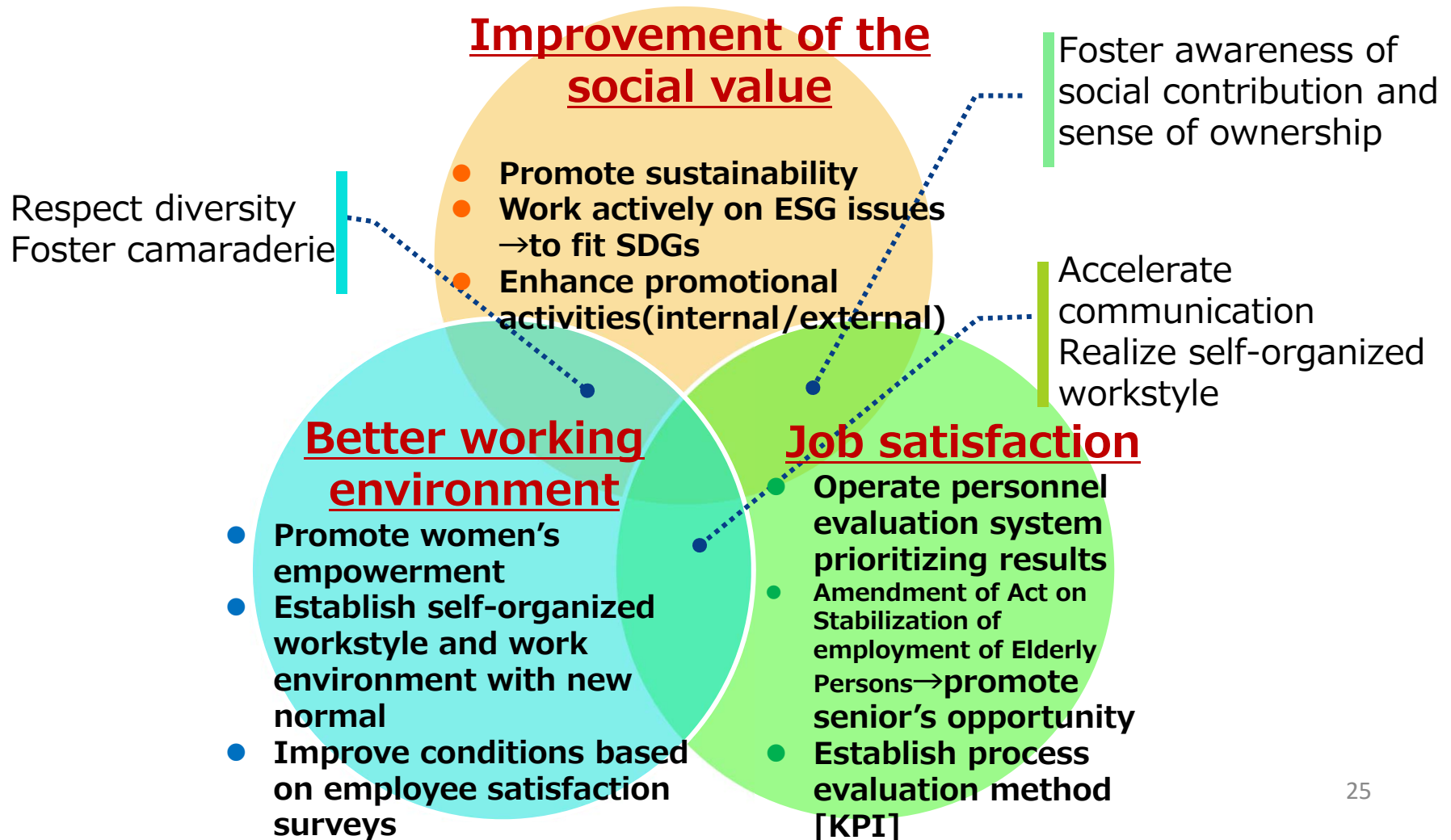
Improve technical skills and innovative creativity

Build foundation of human resources supporting growth



Strengthen sustainability efforts

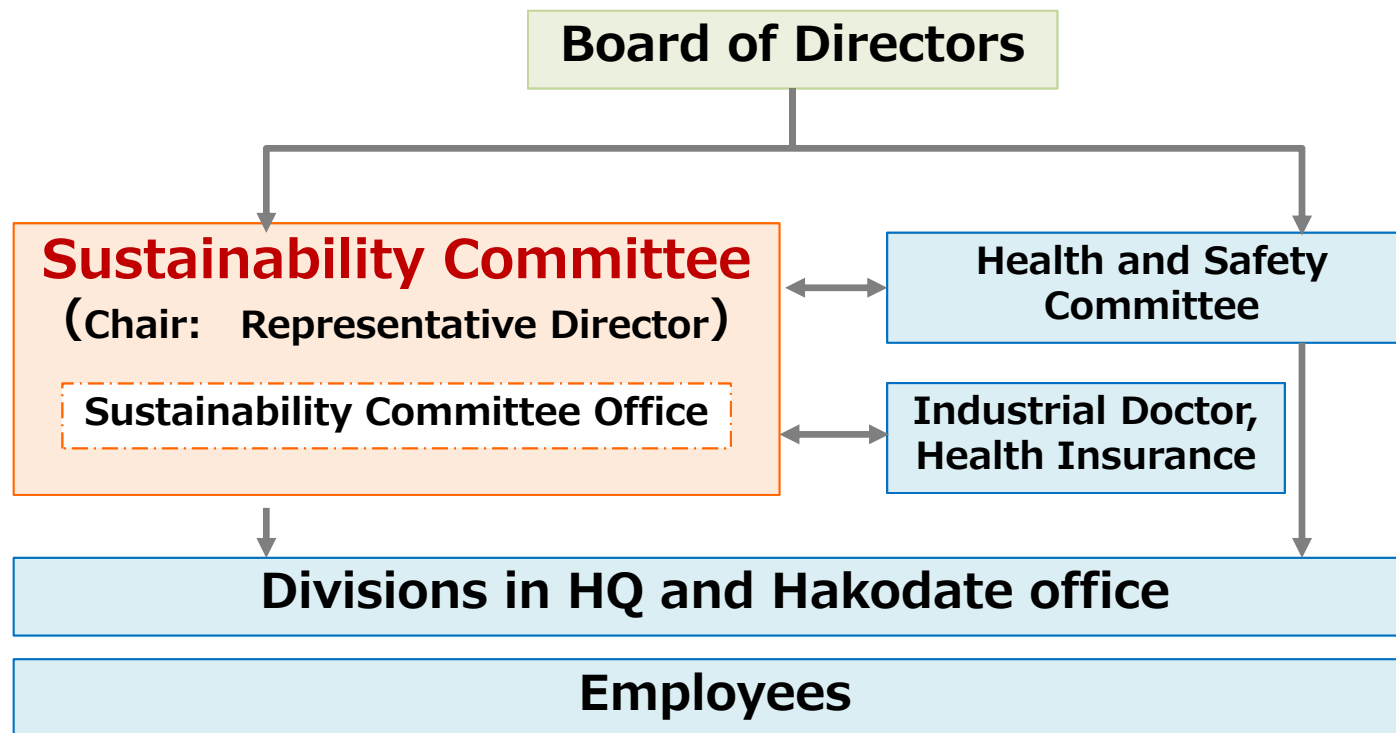
Pursue 'better working environment' and 'job satisfaction', and realize self-organized workstyle.



Strengthen sustainability efforts

Establish Sustainability Committee

- Aim to increase the sustainability of the business while contributing to the sustainable development of society.
- CEO as the chairman promotes company-wide activities.



Promote Health and productivity management



Achieve sustainable growth by maintaining and improving the health of employees

<Declaration of Health and productivity management adopted in Board of Directors>

We will promote initiatives for our employees to remain healthy both physically and mentally.

<Future plan>

For obtaining 'Health and productivity Management Organization' and 'White 500' promoted by METI, newly establish Health and Productivity Management Working Group.

Summary



Results

- **3Q (cumulative) : Sales and income increased YoY with best historical net sales for 3Q.**
- **Full-year (forecasts) : No revision for Full-year forecast proceeding as initially planned.**

Initiatives for growth

- **Respond to increasing opportunities for cloud services with spread of cashless payment.**
- **Strengthen security product sales activities to capture to the market needs.**

Management foundation

- **Enhance the development of human resources for future growth.**
- **Establish Sustainability Committee and promote Health and productivity management.**

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FY06/21 Full-year Forecasts



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

Million yen

	FY06/20 actual			FY06/21 forecasts			
	3Q actual	4Q	Full-year	3Q actual	4Q difference	Full-year	Change (Full-year)
Net sales	7,805	3,115	10,920	8,067	2,933	11,000	+0.7%
Operating income [OM]	585 (7.5%)	451 (14.5%)	1,036 (9.5%)	678 (8.4%)	472 (16.1%)	1,150 (10.5%)	+11.0%
Ordinary income [OM]	601 (7.7%)	473 (15.2%)	1,074 (9.8%)	696 (8.6%)	494 (16.8%)	1,190 (10.8%)	+10.8%
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FY06/21: Forecasts

Sales by segment category



Million yen

	3Q Actual	FY06/21 Forecast	Progress rate	Stock/ Flow
Net sales	8,067	11,000	73.3%	
System development	3,710	5,362	69.2%	Flow
Maintenance	992	1,284	77.3%	Stock
In-house products	267	397	67.3%	Flow
Cloud services	702	940	74.7%	Stock
Hardware	1,339	1,494	89.6%	Flow
Third-party products	431	423	101.9%	Flow
Security products	622	1,100	56.5%	Flow
Operating income	678	1,150	59.0%	

※ 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	2,074	2,224
(YoY)		30.0%	23.4%	17.8%	7.2%
Flow	7,371	9,176	8,682	8,846	8,776
(YoY)		24.5%	(5.4%)	1.9%	(0.8%)
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	1Q	2Q	3Q	4Q	Full-year
Net sales	Initial plan		224	235	235	246	940
	Actual	828	224	246	232		
Gross profit	Initial plan		(14)	(10)	(29)	(22)	(75)
	Actual	(24)	(37)	(12)	(28)		

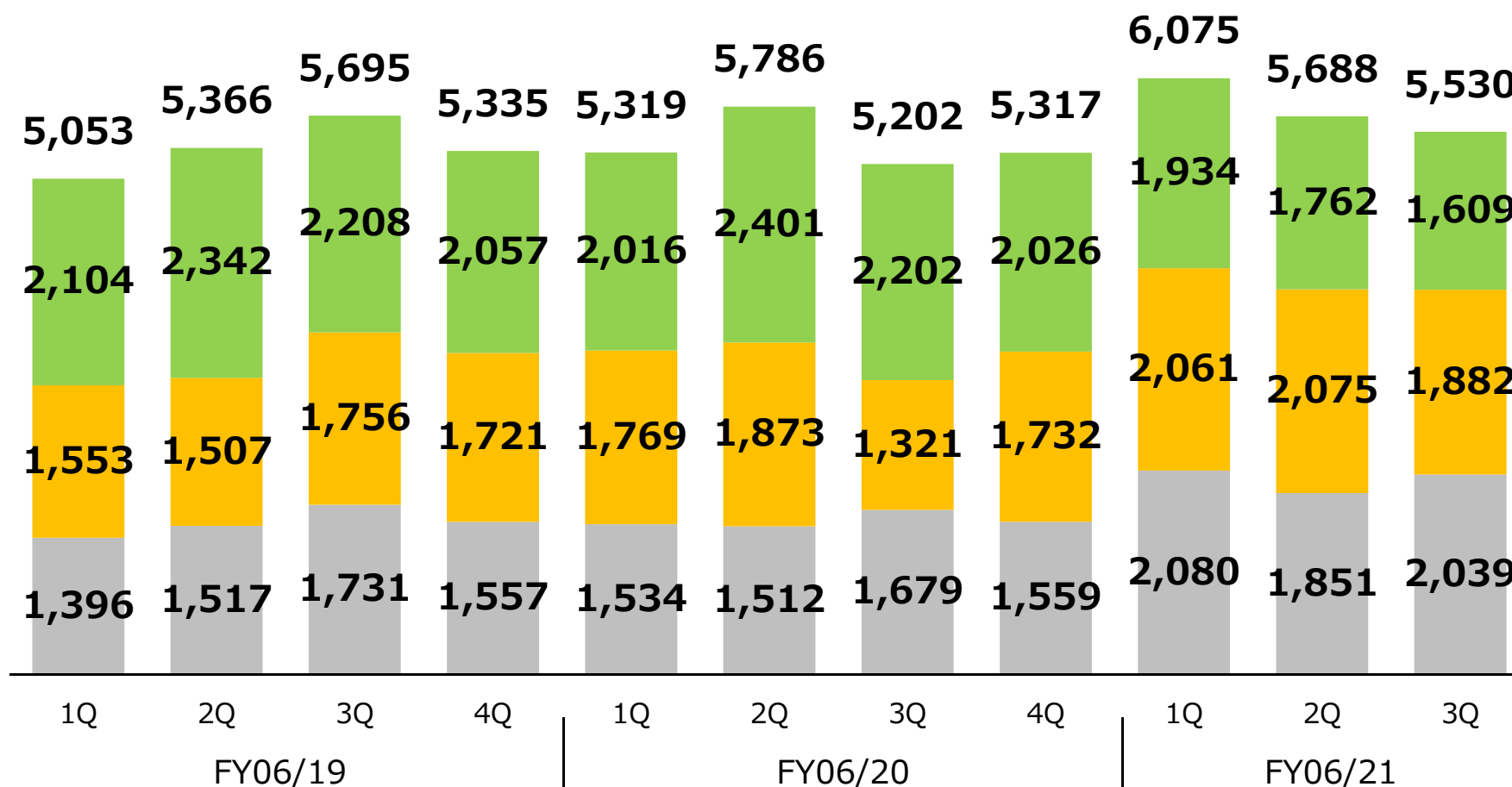
No. of customers	■ IPRETS	0	0	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	■ IGATES	2	2	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
	■ IFINDS	3	3	3	3	3	3
	■ IOASIS	5	5	5	5	5	5

Orders on hand



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

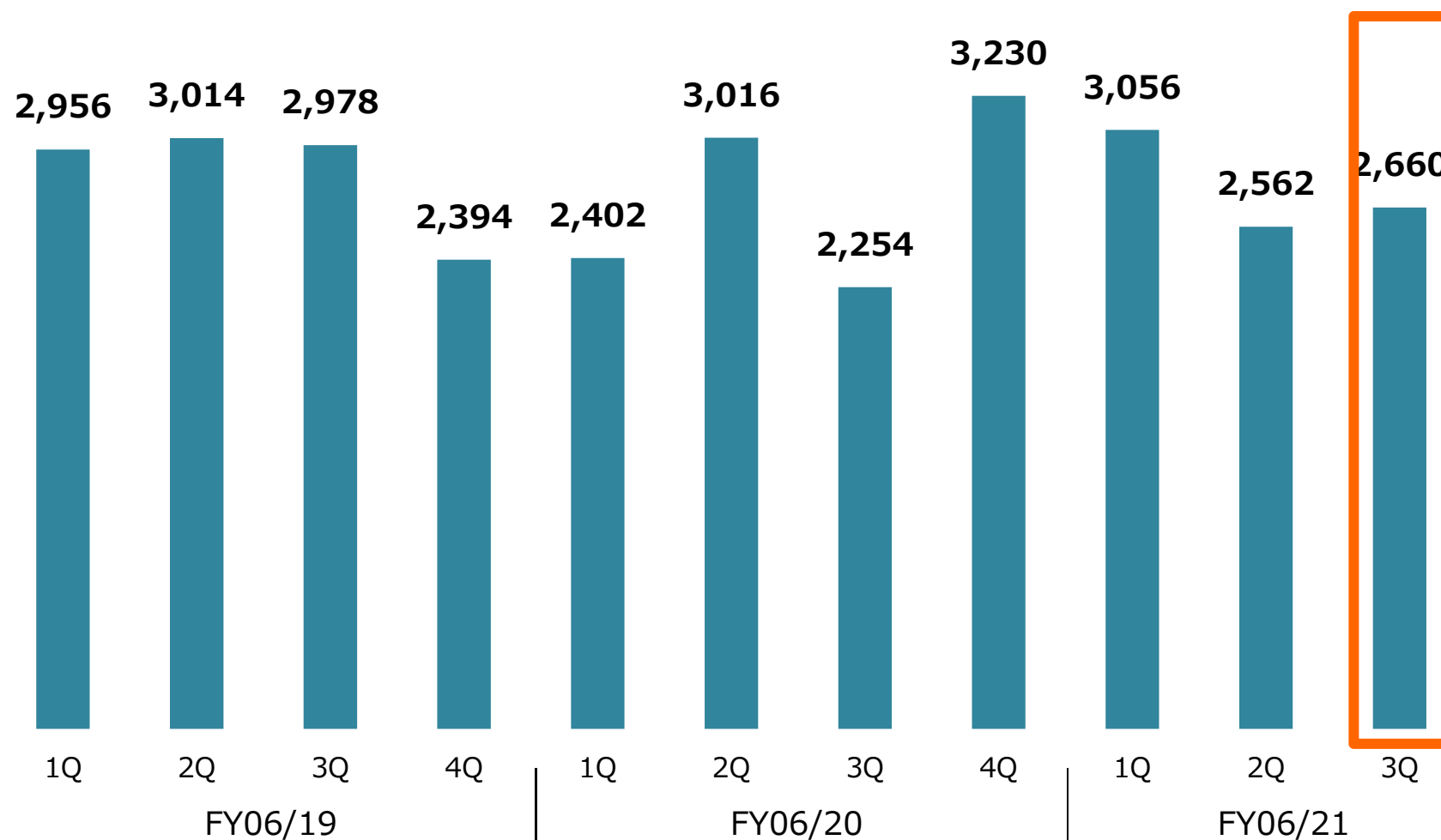
Million yen



Amount of orders



Million yen



3Q FY06/21



Overview of results, YoY comparison

Sales and income increased

Best historical net sales for 3Q

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3Q FY06/21

Sales by categories



- (+) Increased sales of Hardware and Third-party products
Solid growth of Cloud service.
- (△) System Development declined, but compensated by other sales increase.

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Net sales	7,805	8,067	262
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Security products	661	622	(39)
Operating income	585	678	93

3Q FY06/21

Operating income



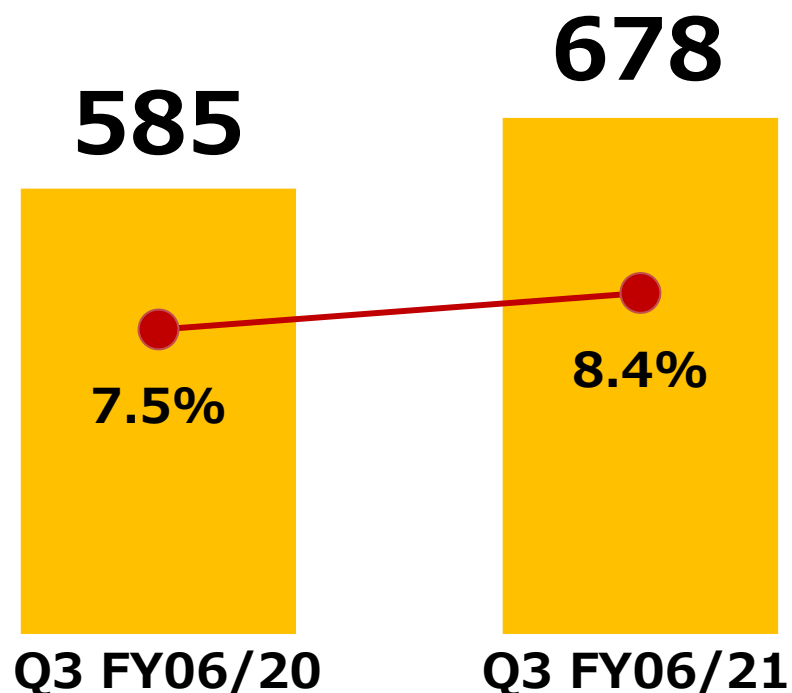
(+) Hardware and others sales increased.
Improved stability of System Development projects.

(△) Decreased in sales of System Development.

Million yen

■ ...Operating income

● ...Operating margin



+93
YoY

Reasons for changes

(Reasons for increase)

- Increased in sales of hardware and third-party products
- Improved quality of development products
- Improved profitability of information security business

(Reason for decrease)

- Decreased in sales of System Development (in reaction to the large-scale project recorded in previous period)

3Q FY06/21 production costs



INTELLIGENT WAVE INC.

Thousand yen

	FY06/20				FY06/21		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Materials cost	13,473	15,597	10,163	4,078	4,890	6,337	8,255
Labor cost	669,478	677,925	676,878	705,015	708,202	739,778	712,358
Expenses	322,071	324,894	324,855	333,834	363,448	353,011	368,936
Subcontracting cost	636,415	679,101	640,094	603,288	581,894	546,583	565,629
Total manufacturing cost	1,641,439	1,697,518	1,651,991	1,646,216	1,658,435	1,645,711	1,655,180
Work in progress (beginning of period)	626,309	741,783	839,812	460,178	381,557	515,004	503,982
Work in progress (end of period)	741,783	839,812	460,178	381,557	515,004	503,982	534,449
Transfer to other accounts	166,499	136,522	150,296	142,737	100,020	87,206	124,252
Cost of sales	1,359,465	1,462,967	1,881,328	1,582,100	1,424,967	1,569,526	1,500,459

3Q FY06/21 SG&A expenses

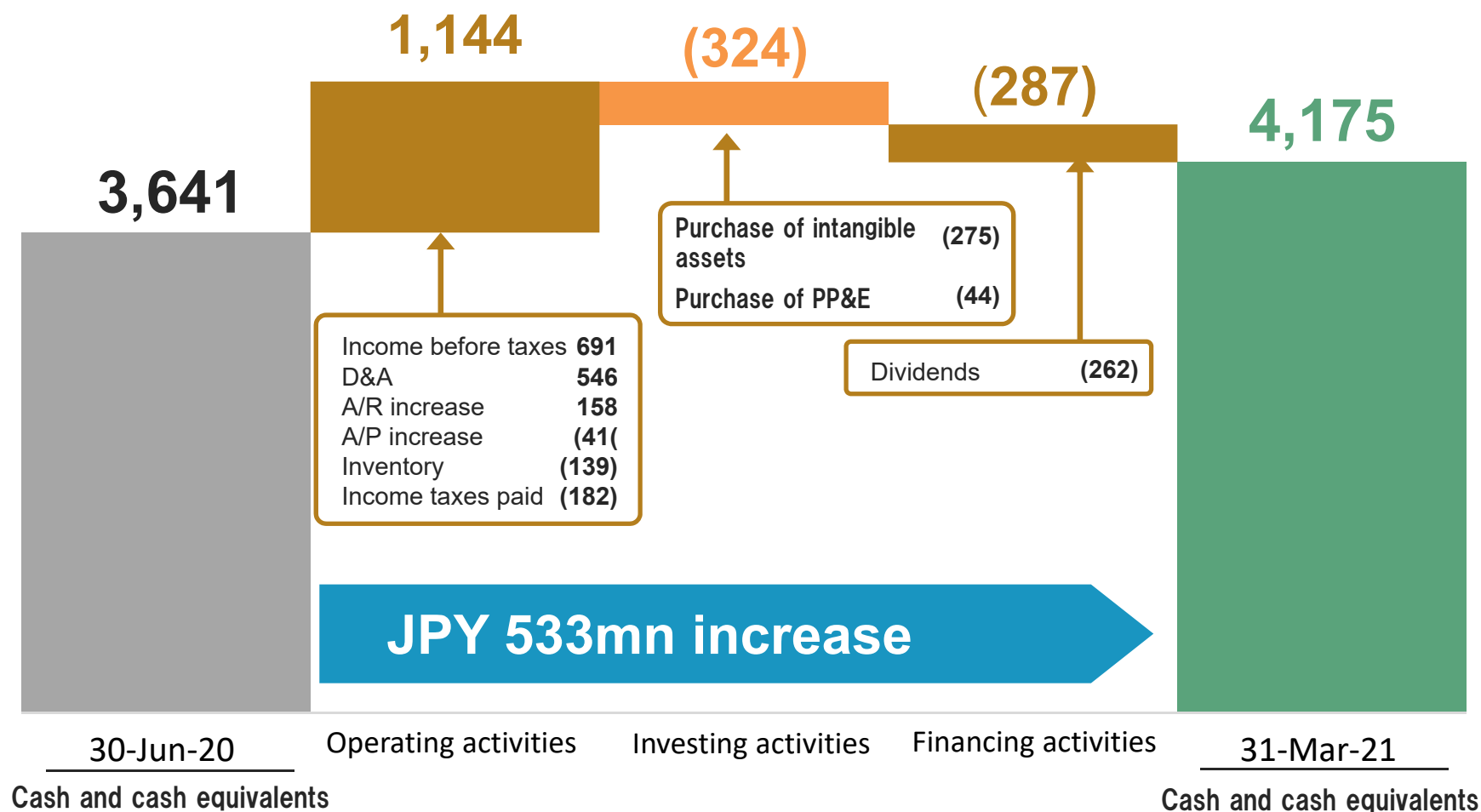
	FY06/20				FY06/21		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Salaries	302,437	294,538	295,482	342,620	287,425	323,927	312,972
Training and recruiting	13,243	18,471	18,739	6,860	5,321	17,463	13,352
Rent	21,204	17,334	17,849	18,116	17,621	17,615	17,918
Advertising	9,917	8,219	2,088	1,463	1,586	4,239	3,228
R&D	4,914	6,344	13,371	7,179	8,723	22,254	19,250
Depreciation and amortization	8,826	9,148	9,969	11,010	9,457	9,952	10,291

	3Q FY06/20	3Q FY06/21	Change	Million yen
SG&A	1,436	1,477	+41	
(breakdown)				
		Increase in salaries	+32	
		Training and recruiting	(14)	
		Advertising	(11)	
		Research and development	+26	
		Others	+8	

3Q FY06/21 Cash flows



Million yen



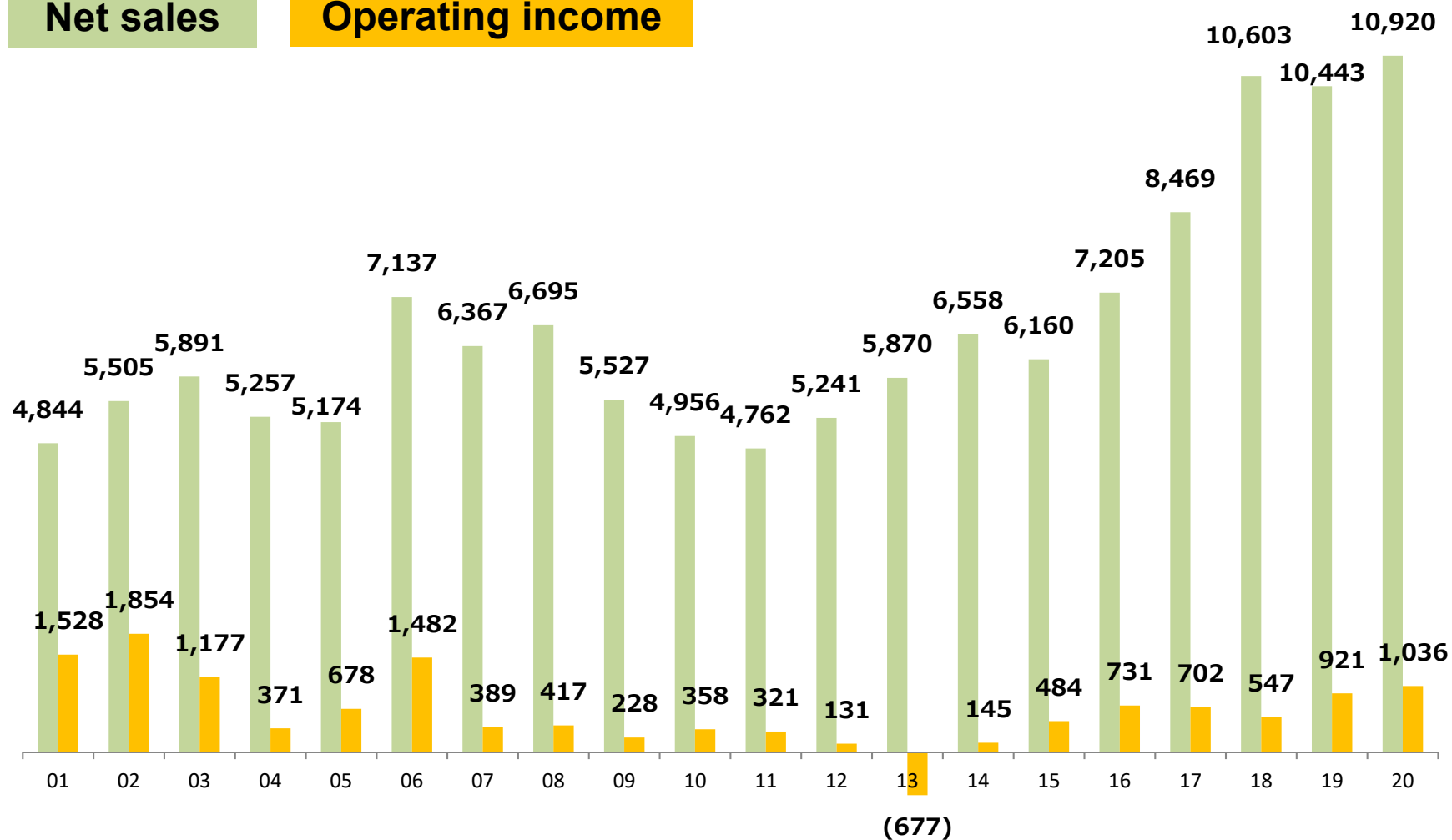
Historical performance



Million yen

Net sales

Operating income



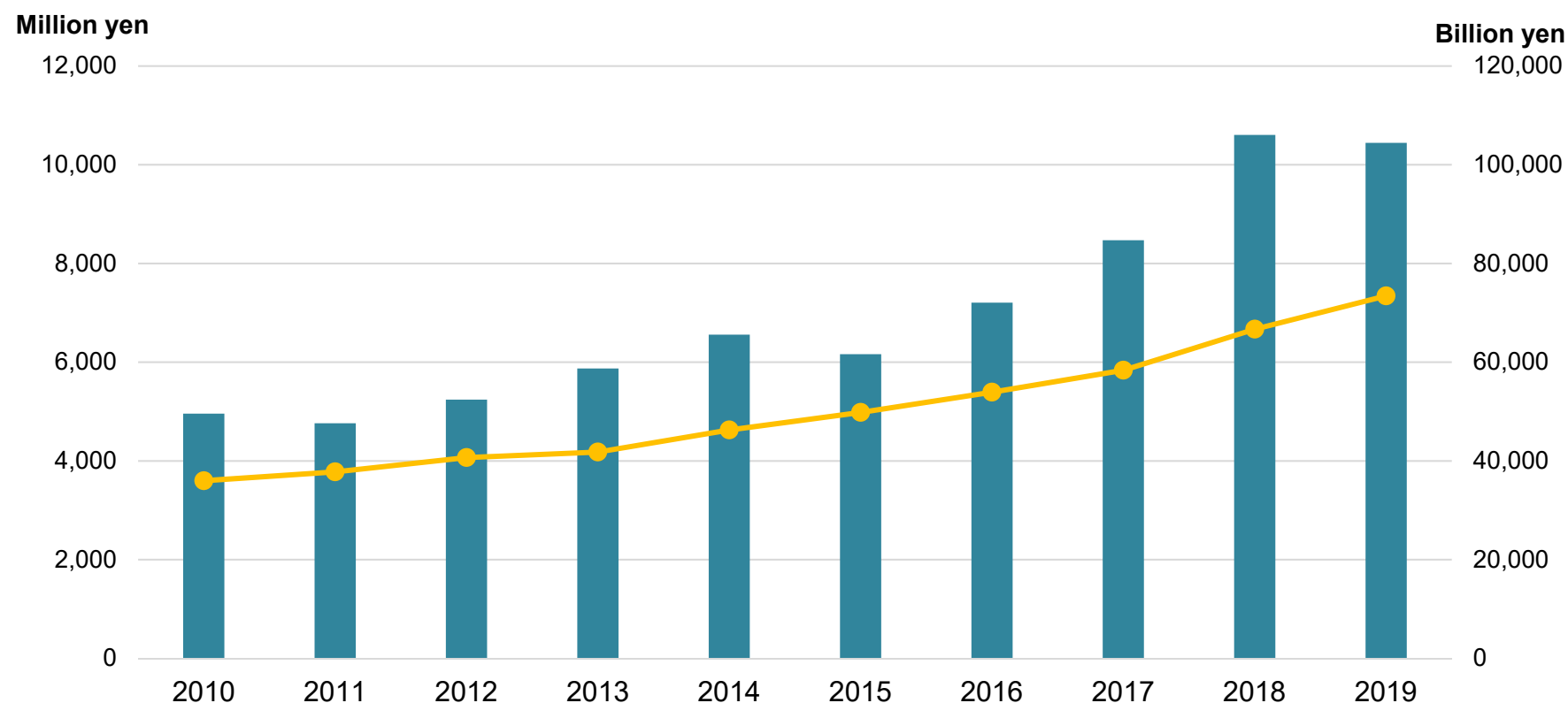
Note: Consolidated results are shown through FY06/15.

(Reference) Relationship between company performance and credit card use



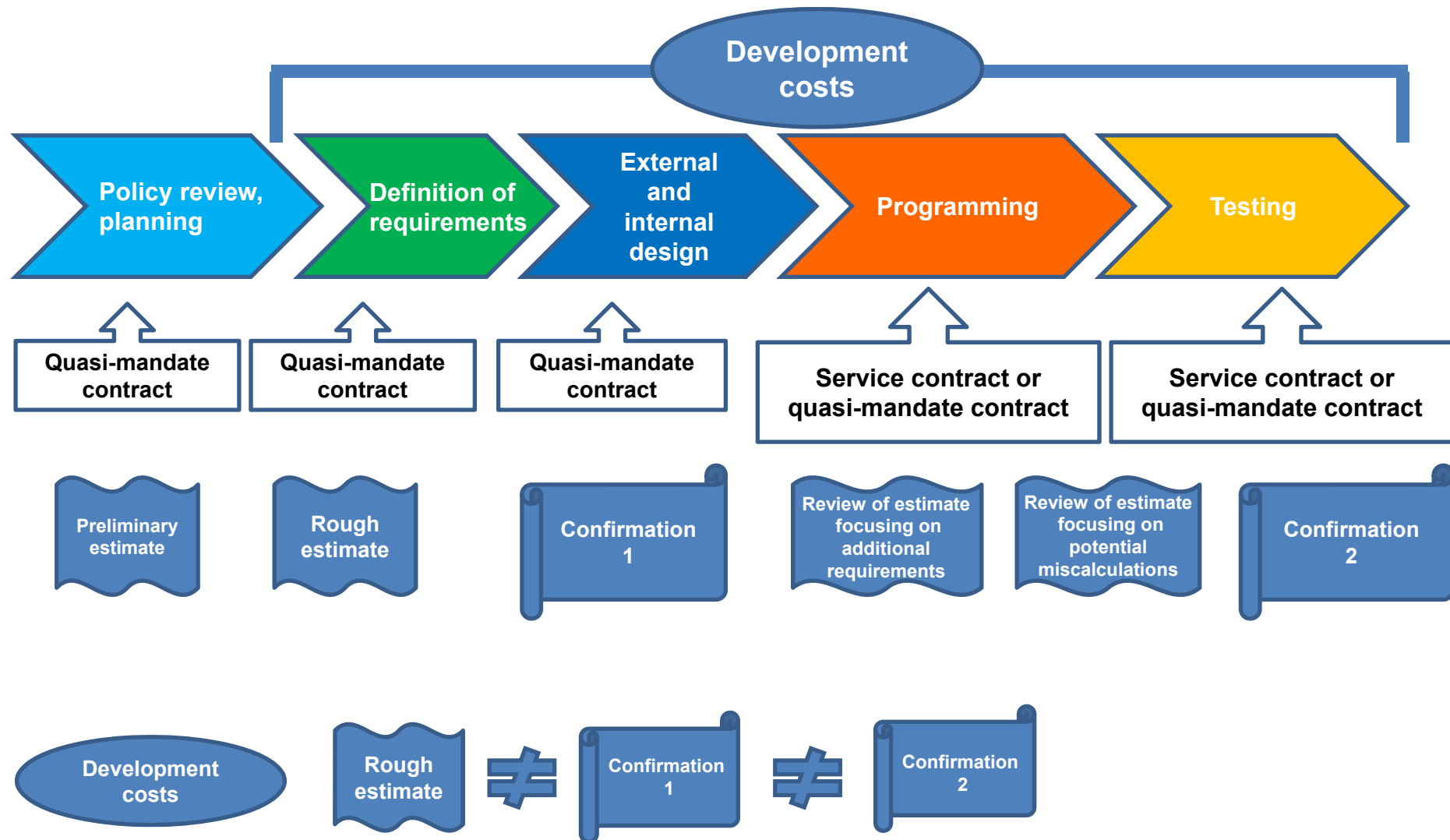
■ Net sales (left-hand scale): CAGR of 8.6%

● 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	JPY843.75k
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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Intelligent Wave Inc.

Management Planning Office E-mail: ir_info@iwi.co.jp