

# 4847 INTELLIGENT WAVE INC.

Sponsored Research  
November 17, 2020



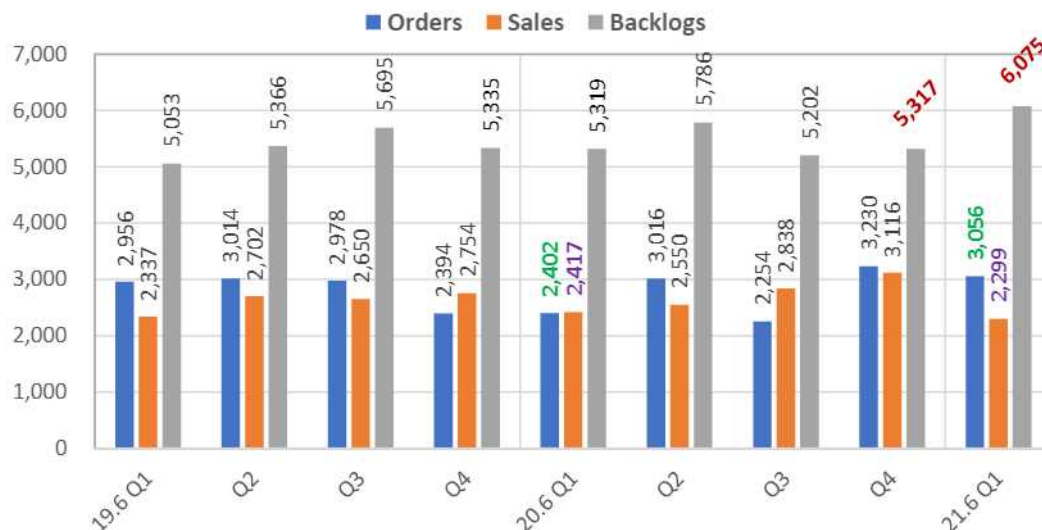
## 1H client demand largely unaffected by COVID

Both sales and OP are on track to achieve gains on record backlogs

### SUMMARY

- While 1Q 6/21 headline results of roughly 5% declines for both net sales and OP may look weak on the surface, relative to internal concerns that the severe economic environment might negatively impact client capex, 1H client project growth has been largely unaffected by coronavirus. 1Q sales declined by -4.9%, mainly attributed to a decline in hardware from the high base last term, and a portion of system development pushed into the 2Q. At the same time, focus initiative cloud service sales rose +25.8% as the business gains critical mass. OP declined slightly on one-off costs associated with cloud service, but 1Q OPM was flat YoY at 5.8%. The 1Q OP progress ratio of 11.7% relative to full-term guidance was ahead of the 5-year average of 10.5%. 1Q orders of ¥3,056mn rose +27.2% YoY, and backlogs reached ¥6,075mn, up 14.3% from the end of the 4Q, posting a record 1Q high. Core earnings momentum remains solid.
- The share price declined -23.0% from the closing price of 906 on 8/6, the day after reporting strong 4Q 6/20 results, and revising up MTP OP targets, to a closing price of 698 on 11/6, the morning the company held its 1Q 6/21 results briefing. During the same period, the Nikkei 225 rose +8.5%. We believe there are two main factors for this. The first is the weak trend in credit card transactions under COVID. Following double-digit declines in April and May, Jun/Jul/Aug have been down -3% to -4% due to severe conditions for lodging and dining, raising concerns credit card companies might push out 2H capex. The second is difficult earnings for parent Dai Nippon Printing, which has a high gearing to the general economy. The current P/E of 23x is trading at a deep discount to the historical 3-year and 10-year averages of roughly 33x. While the company acknowledges possible risk to the 2H, it is currently seeing no signs of that in underlying orders/inquiries, leaving room for a re-rating.

### IWI Quarterly Trend of Orders, Sales and Backlogs (JPY mn)



Source: compiled by Sessa Partners from company IR materials.

### 1Q Follow-up



#### Focus Points:

Systems integrator boasting an overwhelming share with credit card companies in FEP systems development for nonstop secure datacenter connection packages.

#### Key Indicators

Share price (11/13)	716
YH (20/8/6)	918
YL (20/3/23)	398
10YH (18/10/24)	1,180
10YL (11/3/16)	160
Shrs out. (mn shrs)	26.34
Mkt cap (¥ bn)	18.86
EV (¥ bn)	14.99
Equity ratio (9/30)	68.2%
21.6 P/E (CE)	23.0x
20.6 ROE (act)	11.4%
20.6 P/B (act)	2.70x
21.6 DY (CE)	1.40%

#### YTD price chart (weekly)



Source: SPEEDA

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### ① 1Q 6/21 Earnings Results Key Points

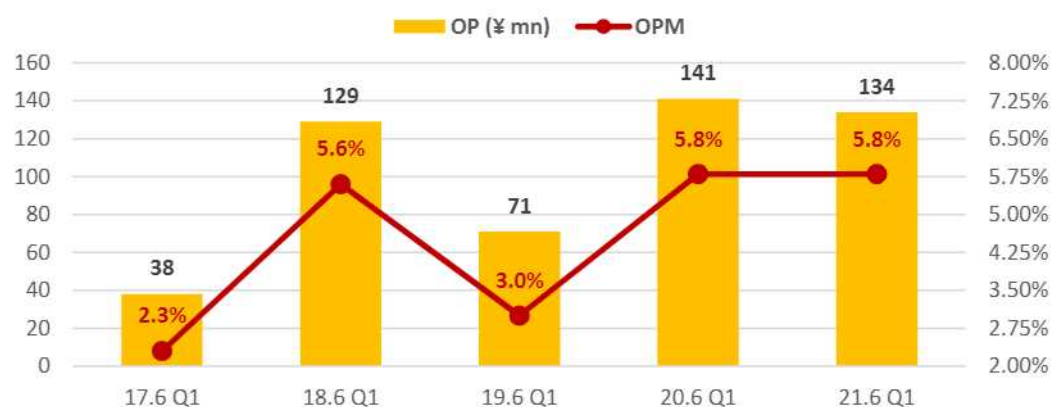
- 1Q sales declined -4.9%, mainly due to a decline in hardware from the high base last term, and a portion of system development pushed into the 2Q (see bottom table).
- However, focus initiative cloud service and high margin in-house package software among others posted high double-digit gains (see bottom table).
- 1Q OP declined -5.0% due in part to one-off costs related to cloud service, but OPM was flat at 5.8% (see graph below). The 1Q OP progress ratio of 11.7% relative to full-term guidance was ahead of the 5-year average of 10.5% (see upper table P3).
- 1Q orders rose +27.2%, and backlogs reached ¥6,075mn, up 14.3% from the end of the 4Q, posting a record 1Q high. 1H sales and OP are on track to post YoY gains.

#### IWI Quarterly YoY Trend of Orders, Sales and Backlogs

JPY mn, %	Orders	YoY	Sales	YoY	Backlogs	YoY
19.6 Q1	2,956	6.7	2,337	0.6	5,053	(4.9)
Q2	3,014	28.5	2,702	14.0	5,366	1.5
Q3	2,978	21.6	2,650	(15.5)	5,695	23.7
Q4	2,394	(8.1)	2,754	(0.8)	5,335	20.3
20.6 Q1	2,402	(18.7)	2,417	3.4	5,319	5.3
Q2	3,016	0.1	2,550	(5.6)	5,786	7.8
Q3	2,254	(24.3)	2,838	7.1	5,202	(8.7)
Q4	3,230	34.9	3,116	13.1	5,317	(0.3)
<b>21.6 Q1</b>	<b>3,056</b>	<b>27.2</b>	<b>2,299</b>	<b>(4.9)</b>	<b>6,075</b>	<b>14.2</b>

Source: compiled by Sessa Partners from company IR materials

#### IWI 5-Year Trend of 1Q Operating Profit and OPM



Source: compiled by Sessa Partners from SPEEDA's earnings database

#### IWI Sales by Product/Service Category

J-GAAP	20.6	21.6	CHG	YoY	FY6/20	FY6/21	CHG	YoY
JPY mn. %	1Q	1Q	amt		act	init CE	amt	
<b>Net sales</b>	<b>2,417</b>	<b>2,298</b>	<b>(119)</b>	<b>(4.9)</b>	<b>10,920</b>	<b>11,000</b>	<b>80</b>	<b>0.7</b>
• System software development (flow)	1,251	1,113	(138)	(11.0)	5,791	5,362	(429)	(7.4)
• Software maintenance (stock)	301	315	14	4.7	1,246	1,284	38	3.0
• In-house package software (flow)	97	144	47	48.5	244	397	153	62.7
• Cloud service (stock)	178	224	46	25.8	828	940	112	13.5
• Hardware (flow)	353	208	(145)	(41.1)	1,526	1,494	(32)	(2.1)
• Third party package software (flow)	61	110	49	80.3	220	423	203	92.3
• Security products (flow)	173	181	8	4.6	1,063	1,100	37	3.5
<b>Operating profit (OP)</b>	<b>141</b>	<b>134</b>	<b>(7)</b>	<b>(5.0)</b>	<b>1,036</b>	<b>1,150</b>	<b>114</b>	<b>11.0</b>

Source: compiled by Sessa Partners from company IR materials.



IWI Earnings Margins Analysis

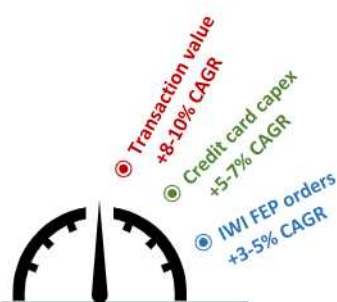
J-GAAP	JPY mn, %	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1H	2H	FY	1H	2H	FY
		Earnings				Margins				Earnings			Margins		
<b>FY6/16</b>	<b>GP</b>	<b>332</b>	<b>477</b>	<b>556</b>	<b>628</b>	<b>24.9%</b>	<b>28.6%</b>	<b>29.4%</b>	<b>27.1%</b>	<b>809</b>	<b>1,184</b>	<b>1,993</b>	<b>27.0%</b>	<b>28.1%</b>	<b>27.7%</b>
Consol	SG&A	297	309	329	344	22.3%	18.6%	17.4%	14.8%	606	673	1,279	20.2%	16.0%	17.7%
	EBITDA	84	212	280	352	6.3%	12.7%	14.8%	15.2%	296	632	928	9.9%	15.0%	12.9%
	OP	34	169	227	284	2.6%	10.2%	12.0%	12.2%	203	511	714	6.8%	12.1%	9.9%
<b>FY6/17</b>	<b>GP</b>	<b>342</b>	<b>572</b>	<b>656</b>	<b>562</b>	<b>20.7%</b>	<b>26.7%</b>	<b>29.0%</b>	<b>23.3%</b>	<b>914</b>	<b>1,218</b>	<b>2,132</b>	<b>24.1%</b>	<b>26.0%</b>	<b>25.2%</b>
Non-Con	SG&A	304	362	381	383	18.4%	16.9%	16.8%	15.9%	666	764	1,430	17.6%	16.3%	16.9%
	EBITDA	93	295	372	280	5.6%	13.8%	16.4%	11.6%	388	652	1,040	10.2%	13.9%	12.3%
	OP	38	210	275	180	2.3%	9.8%	12.1%	7.5%	248	455	703	6.5%	9.7%	8.3%
<b>FY6/18</b>	<b>GP</b>	<b>551</b>	<b>472</b>	<b>564</b>	<b>636</b>	<b>23.7%</b>	<b>19.9%</b>	<b>18.0%</b>	<b>22.9%</b>	<b>1,023</b>	<b>1,200</b>	<b>2,223</b>	<b>21.8%</b>	<b>20.3%</b>	<b>21.0%</b>
Non-Con	SG&A	422	411	387	455	18.2%	17.3%	12.3%	16.4%	833	842	1,675	17.7%	14.2%	15.8%
	EBITDA	238	177	296	322	10.2%	7.5%	9.4%	11.6%	415	618	1,033	8.8%	10.5%	9.7%
	OP	129	61	177	181	5.6%	2.6%	5.6%	6.5%	190	358	548	4.0%	6.1%	5.2%
<b>FY6/19</b>	<b>GP</b>	<b>526</b>	<b>672</b>	<b>884</b>	<b>725</b>	<b>22.5%</b>	<b>24.9%</b>	<b>33.4%</b>	<b>26.3%</b>	<b>1,198</b>	<b>1,609</b>	<b>2,807</b>	<b>23.8%</b>	<b>29.8%</b>	<b>26.9%</b>
Non-Con	SG&A	455	474	478	478	19.5%	17.5%	18.0%	17.4%	929	956	1,885	18.4%	17.7%	18.1%
	EBITDA	196	347	642	445	8.4%	12.8%	24.2%	16.2%	543	1,087	1,630	10.8%	20.1%	15.6%
	OP	71	198	407	246	3.0%	7.3%	15.4%	8.9%	269	653	922	5.3%	12.1%	8.8%
<b>FY6/20</b>	<b>GP</b>	<b>622</b>	<b>712</b>	<b>689</b>	<b>958</b>	<b>25.7%</b>	<b>27.9%</b>	<b>24.3%</b>	<b>30.7%</b>	<b>1,334</b>	<b>1,647</b>	<b>2,981</b>	<b>26.9%</b>	<b>27.7%</b>	<b>27.3%</b>
Non-Con	SG&A	480	485	472	507	19.9%	19.0%	16.6%	16.3%	965	979	1,944	19.4%	16.4%	17.8%
	EBITDA	286	375	364	617	11.8%	14.7%	12.8%	19.8%	661	981	1,642	13.3%	16.5%	15.0%
	OP	141	228	217	450	5.8%	8.9%	7.6%	14.4%	369	667	1,036	7.4%	11.2%	9.5%
<b>5Y AVG</b>	<b>GP</b>	<b>475</b>	<b>581</b>	<b>670</b>	<b>702</b>	<b>23.6%</b>	<b>25.4%</b>	<b>26.2%</b>	<b>26.2%</b>	<b>1,056</b>	<b>1,372</b>	<b>2,427</b>	<b>24.6%</b>	<b>26.2%</b>	<b>25.5%</b>
	SG&A	392	408	409	433	19.5%	17.9%	16.0%	16.2%	800	843	1,643	18.6%	16.1%	17.2%
	EBITDA	179	281	391	403	8.9%	12.3%	15.3%	15.1%	461	794	1,255	10.7%	15.2%	13.2%
	OP	83	173	261	268	4.1%	7.6%	10.2%	10.0%	256	529	785	6.0%	10.1%	8.2%
		act	CE							CE	CE	CE			
<b>FY6/21</b>	<b>GP</b>	<b>589</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25.6%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Non-Con	SG&A	455	—	—	—	19.8%	—	—	—	—	—	—	—	—	—
	EBITDA														
	OP	134	246	—	—	5.8%	9.1%	—	—	380	770	1,150	7.6%	12.8%	10.5%

Source: compiled by Sessa Partners from SPEEDA's earnings database.

② Background for the recent share price pullback and valuations

As we explained in our initiation note, IWI belongs in the sector of systems integrators (SI) focused on financial systems. IWI's specialty is in developing FEP (front-end processor) systems for credit card companies, specifically on-premise infrastructure in the form of authorization center connection packages (system software development + hardware). Sessa Partners estimates IWI has a 70-80% overwhelming share in this market. Credit card companies are enjoying robust structural growth not only from the ongoing shift to e-commerce, but also from government policy promoting raising the ratio of cashless payments.

The graphic on the left highlights the point that the primary driver of FEP orders is credit card company capex. The graph on the top of the following page shows the YoY monthly trend of total credit card transactions. For the last 25 years and 8 months of 2020, growth averaged +6-7% over the entire period, +8-10% over the last 5 years. Until this year, there were only 3 cases of declines: the financial crisis in 2009, March and April 2011 after the earthquake and tsunami, and Mar-2015 in reactionary declining to frontloading demand ahead of the consumption tax hike in Apr-2014. In stark contrast, April and May this year under stay-at-home orders posted high double-digit declines, and they have continued -3% to -4% declines from June through August. While the shift to teleworking and spending more time at home gave a boost to e-commerce, use of restaurants and bars dropped sharply, and occupancy at hotels cratered in the wake of travel restrictions. One concern for IWI is that credit card companies may seek to push out ongoing capex projects given the tough environment.



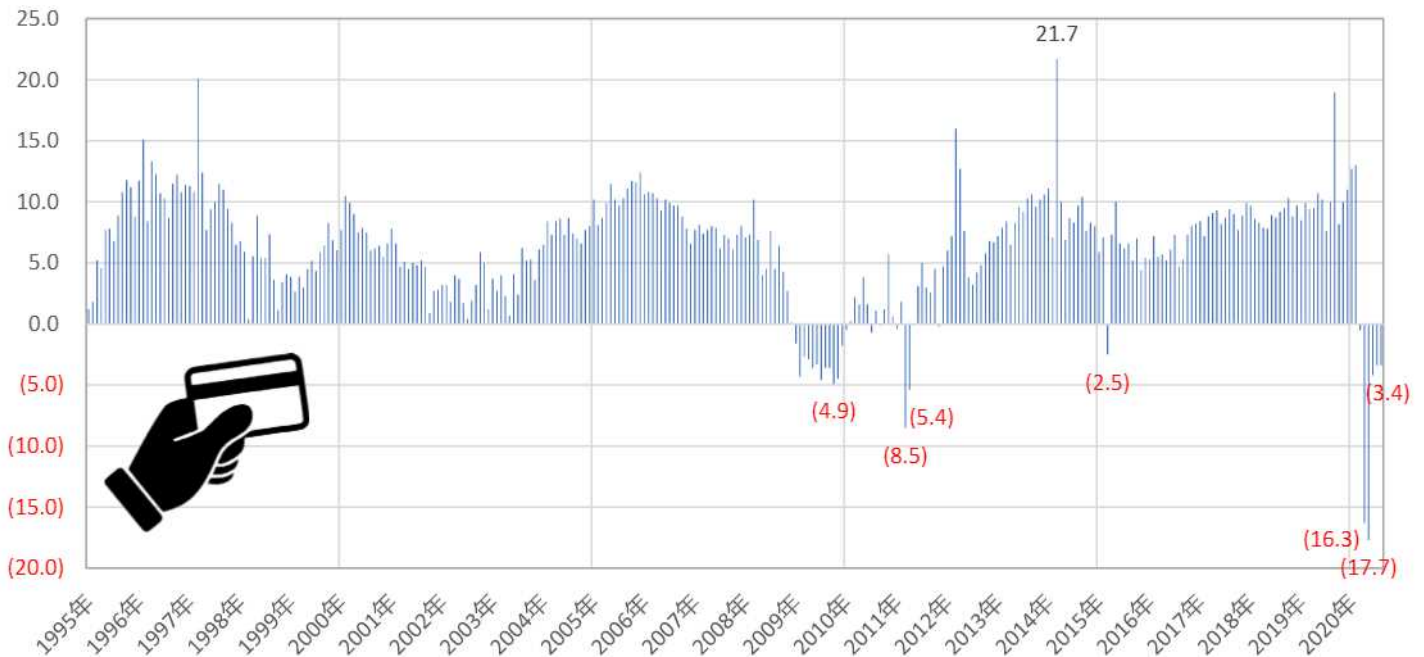
**Growth Outlook:**  
The primary driver of FEP orders is credit card capex

Source: IR handout material  
Note: growth ests added by Sessa Partners



**FEP (front-end processing):**  
credit card on-premise infrastructure for authorization center connection packages

METI Current Survey of Selected Service Industries: YoY Monthly Trend of Total Credit Card Transactions

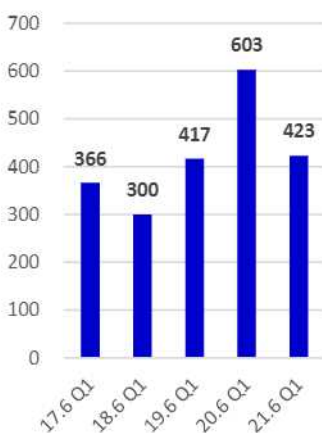


Source: Ministry of Economy, Trade and Industry monthly data from Jan-1995 — Aug-2020. Note: average monthly growth over the period is +6.3% YoY.

IWI’s parent company is Dai Nippon Printing (50.6% stake), which is also the largest customer, accounting for annual sales of roughly ¥2bn out of ¥10-11bn total sales. Another concern for IWI is the difficult earnings environment for DNP, which has a high gearing to general economic activity. However, as can be seen from the graph on the left, the decline in 1Q this term was a reactionary decline to a high base last term, and it does not represent a significant deviation from normal years.

DNP

DNP 1Q Sales (JPY mn)



Source: company IR materials

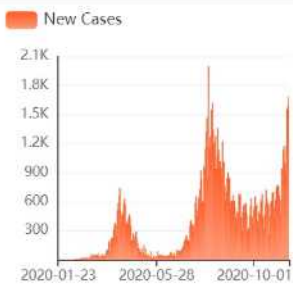
Sales by Top 3 Customers

	JPY mn	FY6/17	FY6/18	CHG	Main projects
① DNP	1,818	2,115	297	Smartphone payment, payment platforms, security products	
② Credit card issuer	268	1,935	1,667	Credit card brand unification	
③ Credit card issuer	377	647	270	Network gateway	
	JPY mn	FY6/18	FY6/19	CHG	Main projects
① DNP	2,116	1,952	(164)	Smartphone payment, payment platforms, security products	
② Credit card issuer	406	684	278	FEP, network gateway	
③ Credit card issuer	1,935	674	(1,261)	Credit card brand unification	
	JPY mn	FY6/19	FY6/20	CHG	Main projects
① DNP	1,952	2,270	318	Smartphone payment, payment platform	
② Credit card issuer	684	832	148	Network gateway	
③ System dev. co.	313	740	427	Network gateway	
	JPY mn	20.6 Q1	21.6 Q1	CHG	Main projects
① DNP	603	423	(180)	TSP system (smartphone payment), system operations (24/365), payment platform	
② System dev. co.	51	297	246	FEP system for telecom co. credit card business, fraud detection	
③ Credit card issuer	58	191	133	FEP replacement (software + hardware)	

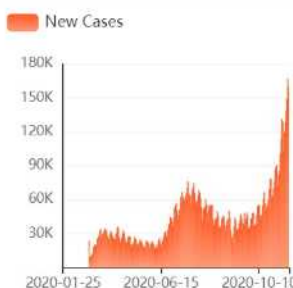
Source: compiled by Sessa Partners from company IR materials

**MSN COVID-19 Case Tracker**  
(as of Nov 14)

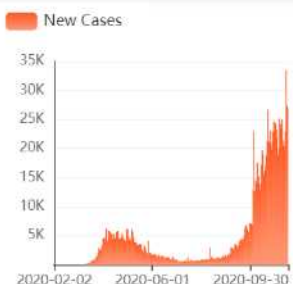
**Japan**



**United States**



**United Kingdom**



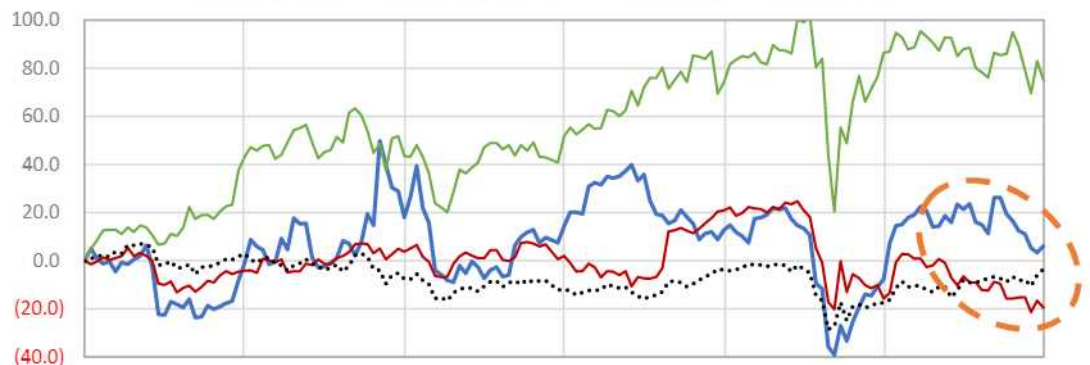
Source: CDC, WHO, et al.

While the company acknowledges potential risk to the 2H from credit card companies pushing out capex plans, the company said it has seen no signs of a slowdown in orders/inquiries. Of course this could change depending on how bad the winter season of COVID + flu infections gets, but countermeasures have become smarter from lessons in the spring, and widespread lockdowns are a lower probability. The market is currently assigning a deep discount to the historical average P/E, likely incorporating risk of a 2H deterioration. On 2Q results in February, if there is no change in outlook, there appears to be room for a significant rebound.

**IWI performance since strong 4Q results / MTP OP targets upward revision**

close	TOPIX	pct chg	Nikkei 225	pct chg	IWI	pct chg	DNP	pct chg
8/06	1,549.88	—	22,418.15	—	906	—	2,237	—
11/06	1,658.49	7.0	24,325.23	8.5	698	(23.0)	2,056	(8.1)

**3-Year Weekly Share Price, Historical P/E and Relative Performance**





Newly appointed CEO  
Kunimitsu Sato (60)



Newly appointed Chairman  
Tsukasa Iseki (65)

### ③ New CEO Sato reiterates commitment to achieve MTP targets

The company announced on 8/19 that the Board of Directors resolved to make changes in representative directors, subject to approval at the AGM on 9/25. Tsukasa Iseki was appointed Chairman, and Kunimitsu Sato was appointed the new CEO. Brief bios for each are shown on the following page.

At DNP, Mr. Sato was mainly engaged in the development of new businesses using ICT, including DNP's IC card business. That included traffic cards, electronic money, credit cards, cash cards, employee and student ID cards, and ETC cards. He has been directly involved with IWI since DNP made the TOB in 2010, and fully recognizes IWI's technical capabilities. IWI provides services which are fully utilized by domestic financial institutions, banks, credit card issuers, and payment service providers. Since then, he has worked to develop new businesses in such broad areas as security and IoT other than IC cards, including digital marketing.

After introducing his work experience, Mr. Sato went on to summarize the various challenges and growth opportunities facing the company. We were impressed that he fully commits to focusing on achieving the new MTP profitability targets, making them his own. Although the new MTP includes a broad range of initiatives, we believe the two most consequential in raising profitability are the focus on expanding cloud business, which should turn profitable from next year, as the company targets shifting the business model from flow business to stock business, as well as taking this year to thoroughly review Security Products business in terms of allocation of management resources, recognizing that the current model focused on finding and selling third-party products has higher than acceptable volatility, resulting in low margins.

#### FY6/21 Outlook

As can be seen from the table on the bottom of P2, system development sales are expected to decline with no large-scale projects currently under development, but income is expected to be relatively stable. Conversely, high-margin in-house package software is expected to recover sharply on the back of a number of FEP upgrade projects. Hardware sales are expected to remain flat at a high level on the aforementioned FEP upgrade projects.

Cloud service sales are expected to continue growing on 3 new expected contracts, however the company assumes no new IOASIS customers this term due to COVID-19. Also, profitability will temporarily deteriorate due to upfront leading investment costs, pushing back turning profitable to FY6/22.

One encouraging development is the company is changing reporting segments this term temporarily as it reviews turning around the low profitability of security software products. Just eliminating red ink would have a large impact on the road to 15% OPM.

Key points of the revised MTP and the focus on expanding cloud business, are summarized on P9 and P10. The updated list of major shareholders is shown on P11.

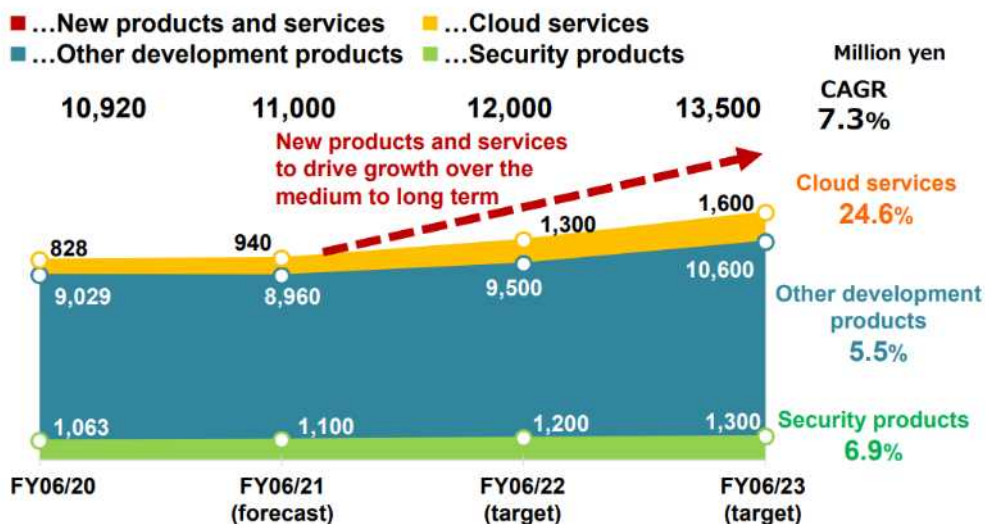
Brief Bios for the Newly Appointed Chairman and CEO

Post	Name	Birthdate	Biography	Term	No. of shares owned
Chairman, Representative Director	Tsukasa Iseki	Born on Feb. 14, 1955	Apr. 1978 Joined Dai Nippon Printing Co., Ltd. Oct. 2003 Chief of the 5 <sup>th</sup> sales division, the 1 <sup>st</sup> IPS sales dept., IPS Business Section of the company Apr. 2006 Chief of the 6 <sup>th</sup> IPS sales dept., IPS Business Section of the company Oct. 2012 Vice chief of Information Solutions Business Section Sep. 2013 Director of our company Sep. 2014 Representative director and vice-president of our company Sep. 2015 Representative director and president of our company Sep. 2020 Representative director and chairperson of our company (current)	Note 4	2,500
Chief Executive Officer, Representative Director	Kunimitsu Sato	Born on Dec. 23, 1959	Apr. 1983 Joined Dai Nippon Printing Co., Ltd. Oct. 2001 Chief of the sales development division, IC card dept., Business Form Business Section of the company. Apr. 2006 Chief of the IC card business development division, IC card business development dept., IPS Business Section of the company Apr. 2007 Head of IC card business development dept., IPS Business Section of the company Oct. 2012 Head of digital security dept., Information Solutions Business Section of the company Apr. 2016 Deputy director of C&I Center, Information Innovation Business Section of the company Apr. 2018 Director of C&I Center, Information Innovation Business Section of the company Sep. 2019 Director of our company Apr. 2020 Vice chief of Information Innovation Business Section of Dai Nippon Printing Sep. 2020 Representative director and president of our company (current)	Note 4	—

Source: Annual Securities Report (YUHO 9/25)

New MTP

Net sales  
Cloud service, new products and services to drive expansion



Source: IR results briefing materials





## Growth Initiatives in the MTP

The three main growth initiatives are: ① **expand existing domains**, including FEP system upgrades (new development projects, hardware upgrades), smartphone payments, fraud detection, disaster recovery, ② **sharply boost sales of cloud services** aimed at migrating from a flow to stock revenue model targeting regional banks, and ③ **launch new products**, including next-generation Net+1 (provide diverse network connections in addition to card payments, system upgrades for existing customers and new demand from new entrants, expand into new domains outside of finance), and next-generation fraud detection (respond to growing e-commerce payments, leverage AI to boost capacity and detection accuracy, proof of concept (PoC) projects underway with multiple existing card issuers). New long-term targets include net sales of ¥15.0bn, and OPM of 15%. The drivers of higher profitability are cloud services turning profitable and improving profitability of security software.

### Rolling 3-Year Medium-Term Management Plan (MTP)

2017.08.02	FY6/17	FY6/18	FY6/19	FY6/20	3Y
JPY mn, %	act	init CE	MTP	MTP	CAGR
Net sales	8,469	9,000	10,000	10,500	7.4
YoY	17.5	6.3	11.1	5.0	
Financial Systems Solutions	7,447	7,700	8,550	8,900	6.1
Product Solutions	1,022	1,300	1,450	1,600	16.1
Operating profit	702	850	950	1,000	12.5
OPM	8.3%	9.4%	9.5%	9.5%	



2018.08.01	FY6/18	FY6/19	FY6/20	FY6/21	3Y
JPY mn, %	act	init CE	MTP	MTP	CAGR
Net sales	10,603	10,700	11,000	11,200	1.8
YoY	25.2	0.9	2.8	1.8	
Financial Systems Solutions	9,332	9,300	9,500	9,600	1.0
Product Solutions	1,271	1,400	1,500	1,600	8.0
Operating profit	547	880	930	1,000	22.3
OPM	5.2%	8.2%	8.5%	8.9%	

2019.08.07	FY6/19	FY6/20	FY6/21	FY6/22	3Y
JPY mn, %	act	init CE	MTP	MTP	CAGR
Net sales	10,443	10,600	11,200	12,000	4.7
YoY	(1.5)	1.5	5.7	7.1	
Financial Systems Solutions	9,336	9,400	9,900	10,600	4.3
Product Solutions	1,106	1,200	1,300	1,400	8.2
Operating profit	921	1,000	1,080	1,200	9.2
OPM	8.8%	9.4%	9.6%	10.0%	

2020.08.05	FY6/20	FY6/21	FY6/22	FY6/23	3Y
JPY mn, %	act	init CE	MTP	MTP	CAGR
Net sales*	10,920	11,000	12,000	13,500	7.3
YoY	4.6	0.7	9.1	12.5	
Financial Systems Solutions	9,857	9,900			
Product Solutions	1,063	1,100			
Operating profit	1,036	1,150	1,250	1,500	13.1
OPM	9.5%	10.5%	10.4%	11.1%	

Source: compiled by Sessa Partners from respective press releases.

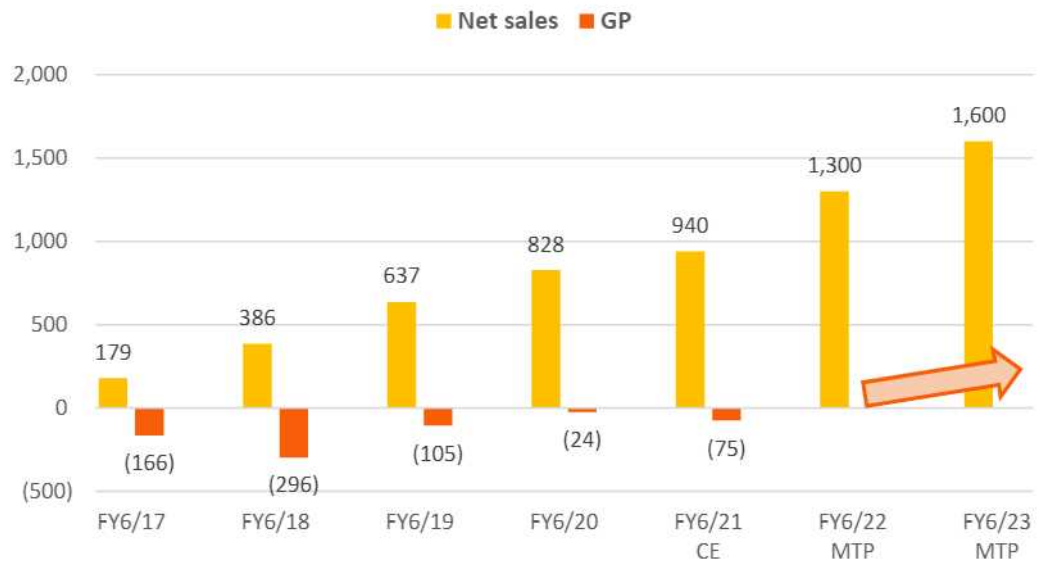
Note: reporting segments change to one single segment from FY6/21. Figures shown in grey are for reference only.

**Cloud Services**

According to the Japanese Bankers Association (JBA), as of December 2019, there are 64 regional banks, and 39 type-2 regional banks, for a total of 103. IW identified a major business opportunity here, targeting regional banks considering to become credit card issuers. IWI's IOASIS cloud service to support acquiring merchants is the only one of its kind available.

Given the smaller scale relative to the megabanks, the initial investment burden for installing their own FEP switching system is a potential barrier. By porting IWI's proprietary Net+1 and AcePlus into cloud service solutions, the benefit to the regional bank client is an affordable scheme to lease the service, fixing the running costs including maintenance. **In return, IWI gets a recurring revenue stream that is scalable.**

**Sharply boost sales of cloud services, turn OP profitable from FY6/22 (JPY mn)**



Source: compiled by Sessa Partners from IR results briefing materials



Cloud Service	Functionality
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IOASIS: Merchant acquiring

IFINDS: Fraud detection

IGATES: Switching, gateway

IPRETS: Point rebate system

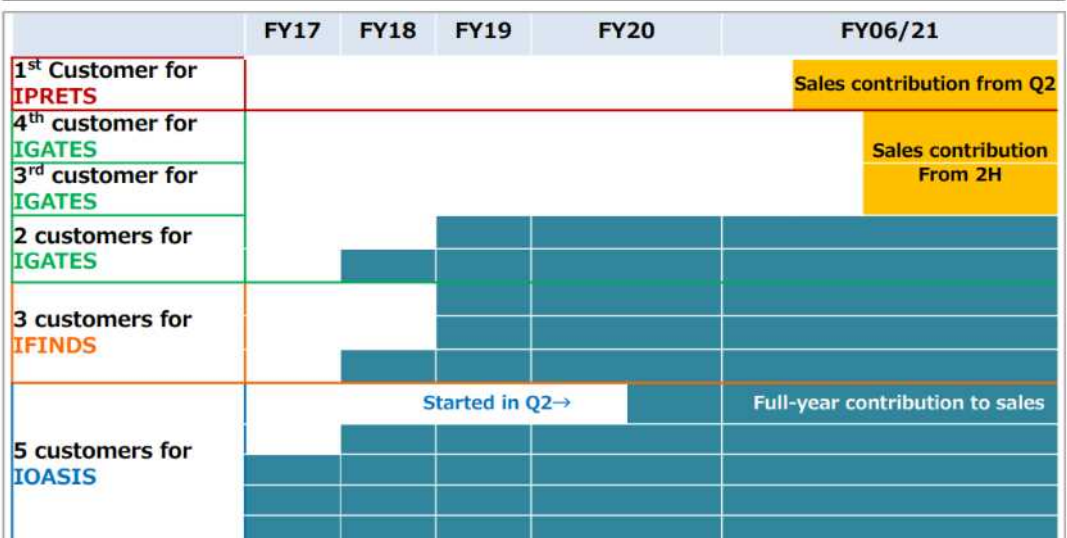
**FY6/21: Upfront investment results in higher costs, expecting 3 new clients**

	FY06/17 actual	FY06/18 actual	FY06/19 actual	FY06/20 actual	FY06/21 forecast
Net sales	179	386	637	828	940
Gross profit (loss)	(166)	(296)	(105)	(24)	(75)

Services and customers	FY17	FY18	FY19	FY20	FY06/21
IPRETS	0	0	0	0	1
IGATES	0	1	2	2	4
IFINDS	0	1	3	3	3
IOASIS	3	4	4	5	5



Regional Banks (103)



IPRETS (Point system): Started in October

Source: IR results briefing materials

Updated IWI Major Shareholders List

As of June 30, 2020

Name	Address	Number of shares owned (stock)	The ratio of the number of shares owned to the total number of outstanding shares (excluding treasury shares) (%)
Dai Nippon Printing Co., Ltd.	1-1-1 Ichigayakagacho, Shinjuku-ku, Tokyo	13,330,700	50.69
Kazuhiko Adachi	Konan-ku, Yokohama City	2,382,900	9.06
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy) MUFG Bank, Ltd.	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	857,924	3.26
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	549,600	2.09
Intelligent Wave Employee Shareholding Association	1-21-2 Shinkawa, Chuo-ku, Tokyo	512,300	1.95
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	309,500	1.18
Motoichi Mizota	Chiyoda-ku, Tokyo	301,000	1.14
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11 Harumi, Chuo-ku, Tokyo	235,900	0.90
Hideki Nishino	Midori-ku, Yokohama City	209,000	0.79
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	200,000	0.76
Total	—	18,888,824	71.83

Source: Annual Securities Report (YUHO 9/25)

IWI Shareholder Breakdown by Investor Type

(As of June 30, 2020)

Established	December 27, 1984		
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo		
Employees	435		
Parent company	Dai Nippon Printing Co., Ltd. (50.61%)		
Capital stock	JPY843.75mn		
Shares outstanding	26,340,000	Shareholders	10,738
	Ownership (%)		% of shareholders
Individuals, others	36.61%	Individuals, others	98.54%
Japanese financial institutions	6.61%	Japanese financial institutions	0.14%
Other Japanese corporations	51.07%	Other Japanese corporations	0.41%
Foreign corporations	4.84%	Foreign corporations	0.65%
Japanese securities firms	0.71%	Japanese securities firms	0.25%
Treasury stock	0.16%	Treasury stock	0.01%

Source: FY6/20 IR results briefing materials

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