

Global Attention Focused on Internal Information Leakage Prevention System

Intelligent Wave Sets Sights on Explosive Growth with New Business Model



Kazuhiko Adachi, Chairman & President

Achieving High Growth through Niche Market Specialization

Intelligent Wave has grown as an independent software company specializing in network connection, authentication and other essential processing systems for credit cards. President Kazuhiko Adachi emphasizes, "The mainstream approach in the software industry is a cross market approach of providing general purpose software, but our characteristic is a vertical business model strictly focused on the financial retail market."

Intelligent Wave was founded in 1984 by President Adachi, who had garnered extensive knowledge from his experience serving as president of Tandem Computers Japan and other foreign IT companies. President Adachi comments, "Since our founding, we have been exclusively devoted to the four areas of credit card systems, consumer finance systems, securities trading systems and anti-crime systems. The ultimate strength of our vertical business model is that the same representative can provide customized services that meet the specific needs of our customer companies."

Despite the fact that the Japanese economy suffered a prolonged slump from the late 1990s to the early 2000s, Intelligent Wave realized high growth and profits during this period. In fact, over the four years from the fiscal year ended in June 1998 (fiscal 1998) to fiscal 2002, company sales increased from 3,147 million yen to 5,505 million yen and operating profit rapidly grew from 104 million yen to 1,846 million yen.

However, the latest performance figures reflect a period of adjustment following this high growth and ordinary profit slumped to 365 million yen in fiscal 2004. President Adachi explains, "We have been reforming our operations from several years ago to meet the changes of the era, but the impact of industry reorganizations among our customers—credit card companies and other finance related companies—was greater than expected."

Intelligent Wave Inc. boasts a brilliant track record for high growth through specialization in developing credit card related systems. Now, the world's attention is focused on Intelligent Wave's internal information leakage prevention system — developed based on its twenty years of expertise.

Entering New Areas Based on 20 Years of Experience

Intelligent Wave expects its next growth engine to be the internal information leakage prevention system, "CWAT," which was released in February 2004. This anti-crime system prevents company and government office insiders from extracting confidential information by monitoring use conditions and terminating connections when improper activities, such as the copying of classified data, is detected. The primary characteristic of CWAT is that it can comprehensively monitor all points from which information can be leaked — from the network to the terminal.

CWAT contains an amalgamation of the technology and know-how that Intelligent Wave has accumulated over the past twenty years in its development of illegal credit card use detection systems. President Adachi explains the objective of the development in the following manner, "We believe development of businesses in new areas based on the profits of existing operations is essential to survive in an era of transformation, and thus spent several years and about 2 billion yen in developing this product. CWAT is positioned as a product that can provide the horizontal business model by which our company can service a large number of customers. We are making solid steps forward in establishing a new business model."

The fact that the NTT Group and other major computer vendors have lined up as product distributors is a solid endorsement of the high appraisal of CWAT by the market. President Adachi continues, "Already more than 200 customer companies across a broad range of industries have installed CWAT."

Since being released, there has been a prominent increase in alliances with IT companies built around this product. For example, Intelligent Wave has teamed with Dai Nippon Printing with regards to the authentication function and a total anti-crime system is presently being sold that combines the anti-crime software of Dai Nippon with CWAT.

President Adachi comments, "Our technology partners are increasing because various solutions can be provided by combining the technologies of other firms with CWAT. Incidentally, Intelligent Wave has allied with NTT, Mitsubishi Electric and two other companies with regards to encoding. There is also a clear trend that the demand for encoding and authentication

software increases after being combined with CWAT. CWAT is thus serving as the infrastructure of anti-crime systems. CWAT is the definitive leader in anti-crime software."

Solidifying Global Sales Organization for CWAT

Intelligent Wave is in the process of completing its organization for selling CWAT globally. President Adachi explains the background for this step in saying, "The world is seeking a system that prevents the leakage of digital assets."

Intelligent Wave established a local corporation in New York in September 2004 and is conducting sales activities centering on U.S. financial institutions through four distributors it has positioned under the local corporation. Furthermore, Intelligent Wave has established a British corporation to serve as its sales base in the European market and formed distributors in the Asian markets of South Korea, Taiwan, Singapore and Thailand along with Russia. The company also plans to open sales bases in South America and the Middle East. The company already sells English and Korean versions of CWAT.

Intelligent Wave is also working to develop a new product to follow CWAT from the viewpoint of sustaining high growth through the development of new markets. The focus is on risk management systems for the finance industry and Intelligent Wave is developing three specific systems: the non-performing debt generation prevention system, money laundering prevention system and corporate crime prevention system for financial institutions.

Intelligent Wave expects CWAT and these other new products to account for 10-20 billion yen in sales over the next three years. President Adachi states, "We believe an annual sales growth of 20% is possible even with conservative estimates. We are confident that we will embark on a path of high growth over the next several years through the contribution of these new products."



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FinanceAsia

Reprinted from FinanceAsia February 2005 issue