

Intelligent Wave Globally Launches Extrusion Prevention System and Embarks on Explosive Growth Again



Kazuhiko Adachi, Chairman

Software Firm Strong in Retail Finance

IWI, an independent software firm with distinguished results in retail finance, is again embarking on a period of growth following an adjustment period on the heels of several years of strong growth. Chairman Kazuhiko Adachi points out, "We have overcome our worst period during which we were hit by the reorganization of the financial industry in Japan. We anticipate a period of high revenues from next fiscal year when our next mainstay product, the system for combating the extrusion of internal information, will begin contributing to performance in earnest."

Founded in 1984 by Chairman Adachi following his serving as chairman of various foreign IT firms, IWI has since posted continuous strong growth as a specialist in processing network connections, authentication and other matters indispensable to credit card payment systems. Specifically, over the four years between the fiscal year ended in June 1998 (fiscal 1998) and fiscal 2002, IWI rapidly expanded with sales growing from 3,147 million yen to 5,505 million yen and ordinary profit exploding from 104 million yen to 1,846 million yen.

However, such factors as the impact of suppressed investments in credit card and other finance related companies inevitably resulted in a slump in performance with ordinary profit in fiscal 2004 of 365 million yen. Chairman Adachi explains, "Our performance stagnated because the burden of advance investment grew in line with a drop in demand for our mainstay service but the period of adjustment was short." In fact, ordinary profit in fiscal 2005 grew 88.5% year-on-year to 688 million yen.

Intelligent Wave Inc. (IWI) posted strong growth by specializing in the niche market of credit card-related systems. Founded in twenty years of expertise, IWI has developed the extrusion prevention system for digital assets, CWAT, which is the crux of its accelerated expansion of overseas operations, as it challenges itself to attain new growth.

New Demand in Card Related Software

The improvement in earnings registered since fiscal 2005 is being supported by a recovery in demand related to the front office operations of retail banking, a major service area of IWI. Chairman Adachi comments, "Performance has recovered as a result of the industry reorganization and financial institutions are increasing their investments in systems. There is also additional demand from new banks and credit card companies. These factors have combined to produce a recovery that is greater than anticipated." As a result, dramatic increases in both sales and profit are foreseen for fiscal 2006, with forecasted sales of 7,081 million yen (36.9% year-on-year increase) and ordinary profit of 1,823 million yen (year-on-year increase of 165.0%).

Great demand is expected in the front office operations of retail banking for the ACE system, a high precision system for detecting illegal use of cards. This is a proprietary product that IWI developed by creating a defined set of rules on credit card related criminal patterns. Presently, IWI is developing even greater detection precision joints with Credit Saison, the leading retail related credit card issuer.

Chairman Adachi comments, "We are improving this system so that it can also be used with bank debit cards and will develop new demand centering on regional banks. We would like to 'localize' it so that it can be sold in the U.S. and Europe within one to two years."

CWAT, the Driver of Our Next Leap Forward

IWI expects its next growth engine to be the extrusion prevention system for digital assets, CWAT. This 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, occur. CWAT was developed by combining the technologies and know-how for systems to detect illegal use of credit cards that we have accumulated over the past twenty years.

Since its release in February 2004, CWAT

has been highly appraised by the market, as evidenced by more than thirty entities, including the NTT Group and other major computer vendors contracting as distributors. For example, NTT Communications and Fujitsu FIP provide managed services where they enter blanket contracts for managing CWAT. Chairman Adachi states, "The revenue from this service correlates with the use volume so we can expect stable income over the long term."

Reinforcing Our Global Sales Infrastructure

IWI is presently reinforcing its global sales infrastructure for CWAT. We are doing so because of strong global demand for systems that prevent the extrusion of digital assets and the strong interest in CWAT functions of U.S. and UK governmental agencies.

The largest market is the U.S. and we have launched sales activities there by contracting with four agents through Intelligent Wave USA, which IWI established in September 2004. We have also launched a sales partnership comprised of an eight-company consortium led by a major security consultant.

IWI has finished its vendor registration with the National Security Agency and prepared for handling negotiations with governmental offices for which the greatest hurdle had been an evaluation report of CWAT by Gartner released in January. Chairman Adachi emphasizes, "We have completed building our sales scheme for CWAT in the U.S. over the past year."

As for the European and Asian markets, sales of CWAT are proceeding steadily through local IWI subsidiaries in the UK and South Korea, and agents. Chairman Adachi describes prospects saying, "We will enter a path of high growth from next fiscal year when the overseas marketing of CWAT begins to contribute to our performance in earnest."



INTELLIGENT WAVE INC.

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