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August 6, 2025

## Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2025 (Under Japanese GAAP)

Company name: INTELLIGENT WAVE INC.  
 Listing: Tokyo Stock Exchange, Prime Market  
 Securities code: 4847  
 URL: <https://www.iwi.co.jp/en/>  
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 Scheduled date of annual general meeting of shareholders: September 24, 2025  
 Scheduled date to commence dividend payments: September 25, 2025  
 Scheduled date to file annual securities report: September 17, 2025  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Non-consolidated financial results for the fiscal year ended June 30, 2025 (from July 1, 2024 to June 30, 2025)

#### (1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	15,596	7.4	1,848	(9.0)	1,890	(8.8)	1,349	(5.0)
June 30, 2024	14,518	8.5	2,030	30.5	2,072	29.3	1,420	21.9

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2025	51.55	—	14.4	10.6	11.9
June 30, 2024	54.19	—	15.8	13.6	14.0

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended June 30, 2025: ¥14 million

For the fiscal year ended June 30, 2024: ¥17 million

#### (2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2025	18,690	9,475	50.7	361.91
June 30, 2024	16,847	9,222	54.7	352.26

Reference: Equity

As of June 30, 2025: ¥9,475 million

As of June 30, 2024: ¥9,222 million

**(3) Non-consolidated cash flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2025	4,263	(1,599)	(1,052)	6,422
June 30, 2024	3,815	(2,681)	(1,018)	4,813

**2. Cash dividends**

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended June 30, 2024	—	15.00	—	25.00	40.00	1,051	73.8	11.6
Fiscal year ended June 30, 2025	—	15.00	—	20.00	35.00	919	67.9	9.8
Fiscal year ending June 30, 2026 (Forecast)		17.00		20.00	37.00		57.5	

Note: Breakdown of dividends for the fiscal year ended June 30, 2024

Ordinary dividend: 15.00 yen

Commemorative dividend: 10.00 yen

**3. Forecast for the Fiscal Year Ending June 30, 2026 (July 1, 2025 to June 30, 2026)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,000	6.1	950	10.8	970	9.3	670	9.7	25.49
Full year	17,400	11.6	2,400	29.8	2,440	29.1	1,690	25.2	64.31

**\* Notes**

(1) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: Yes
- (iii) Changes in accounting estimates: Yes
- (iv) Restatement: None

(2) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2025	26,340,000 shares
As of June 30, 2024	26,340,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2025	158,342 shares
As of June 30, 2024	158,286 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended June 30, 2025	26,181,663 shares
Fiscal year ended June 30, 2024	26,219,449 shares

Note: The company has implemented a stock compensation system called the “Board Benefit Trust (BBT).” The number of treasury shares at the end of the period includes the shares of the company held by the trust (98,200 shares as of June 30, 2025, 98,200 shares as of June 30, 2024). Furthermore, the shares of the company held by the trust are included in the treasury shares deducted in the calculation of the average number of shares during the period (98,200 shares as of June 30, 2025, 60,469 shares as of June 30, 2024).

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

\* Proper use of earnings forecasts, and other special matters

Forward-looking statements contained in these materials are based on currently available information and include uncertainties. Actual results may differ from forecast figures due to changes in business conditions. Please refer to “1. Overview of Operating Results (4) Business and Other Forecasts” on page 7 of the accompanying materials for the assumptions underlying the performance and notes to the use of earnings forecasts.

The company intends to hold a financial results briefing for institutional investors and securities analysts on August 8, 2025. The materials for this presentation will be uploaded to the company’s website soon after the event.

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## Overview of Operating Results

### (1) Report of Operating Results

We have formulated a three-year medium-term management plan covering the period from the fiscal year ending June 30, 2025 to the fiscal year ending June 30, 2027. In this plan, we have set the theme of “Transformation for the Future,” focusing on business diversification and building a foundation for sustainable growth with a view to the 2030s. To achieve these goals, we will focus on three key areas of transformation: “business,” “technology,” and “human resources.”

In formulating the medium-term management plan, we have reorganized our business domain into three categories based on function: “payment,” “security,” and “data communication and analysis infrastructure (new area).” We are promoting measures for growth in each of these domains.

In the core payment domain, with the increasing use of cashless payments, our major business partners in the payment industry have been considering system modernization and open systems initiatives. We are enhancing the value of our proprietary solutions, which are our strength, and expanding our business into the acquiring area in addition to the FEP\* and fraud detection areas. Furthermore, with an increase in card fraud across the domestic card industry, we are working to enhance the value we provide to the industry through initiatives such as the launch of a new cross-industry fraud prevention solution.

In the security domain, we are working to enhance the value of our highly profitable proprietary products and strengthen sales, while also focusing on expanding into overseas markets, particularly in Southeast Asia. In addition, we are participating in the DNP Group’s all-in-one security services, which range from consulting to operation and education, and are working to expand our customer base and business areas.

In the data communication and analysis infrastructure domain, we are exploring the application of our core technologies—high-speed, large-capacity data communication/analysis processing—to other industries, and are challenging ourselves to expand into new markets.

For the fiscal year under review, net sales were ¥15,596 million (up 7.4% year on year), operating profit was ¥1,848 million (down 9.0% year on year), ordinary profit was ¥1,890 million (down 8.8% year on year), and profit was ¥1,349 million (down 5.0% year on year).

(Reference) Sales by business domain

(millions of yen)

	Previous term (from July 1, 2023 to June 30, 2024)	Current term (from July 1, 2024 to June 30, 2025)	Year on year
Net Sales	14,518	15,596	107.4%
Payment	12,151	12,755	105.0%
Cloud services	2,504	3,479	138.9%
Security	1,558	2,022	129.8%
Data communication and analysis infrastructure	808	817	101.1%

In terms of sales, sales in the payment domain increased due to steady investment demand centered on credit card companies. With the increase in credit card fraud, demand for fraud detection to remain high. sales in the security domain increased due to the introduction of products to a major customer. In the data communication and analysis infrastructure domain, system development for securities companies utilizing core technologies increased.

Regarding profits, although the gross profit margin for system development and maintenance improved, the overall gross profit margin declined and operating income decreased due to the impact of quality enhancement measures for a certain project, product composition in the security domain, and lump-sum depreciation of some of our own products. In terms of selling, general and administrative (SG&A) expenses, personnel expenses increased in particular, but the SG&A expense ratio decreased.

Orders received amounted to ¥19,322 million (down 4.0% year-on-year), and the order backlog was ¥20,311 million (up 22.5% year-on-year). Orders received decreased, mainly in system development, due to a

large-scale project transitioning to the development phase. Looking ahead to the next fiscal year, we are promoting proposals in anticipation of multiple system renewal projects from major credit card companies. The order backlog increased significantly due to recurring revenue\* projects for cloud services in the payment domain, security products, and infrastructure operation services for financial institutions.

For cloud services in the payment domain, net sales were ¥3,479 million (up 38.9% year on year) and gross profit was ¥410 million (up 17.1% year on year). As for orders, cloud services primarily consist of multi-year contract orders, with an order backlog of ¥10,850 million (up 15.1% year on year) as of June 30, 2025.

\*1 Front-end processing (FEP) system: Hardware and software with network connectivity, card usage authentication, and other functions required for credit card payment processing

\*2 Recurring revenue: Revenue generated from projects and contracts on a regular basis

## **(2) Report of Financial Position**

### **(Assets)**

As of June 30, 2025, total assets were ¥18,690 million, up ¥1,843 million from the end of the previous fiscal year. Current assets amounted to ¥10,460 million, up ¥1,181 million from the end of the previous fiscal year. This was mainly due to decreases in notes and accounts receivable—trade and contract assets of ¥768 million, while there were increases of ¥1,610 million in cash and deposits and ¥563 million in advance payments to suppliers.

Non-current assets totaled ¥8,229 million, up ¥661 million from the end of the previous fiscal year. This was mainly due to an increase of ¥158 million in intangible assets and ¥559 million in deferred tax assets.

### **(Liabilities)**

As of June 30, 2025, total liabilities amounted to ¥9,215 million, up ¥1,590 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥215 million in notes and accounts payable—trade, while there were increases of ¥220 million in income taxes payable, ¥1,216 million in advances received and ¥332 million in consumption taxes payable.

### **(Net Assets)**

Net assets amounted to ¥9,475 million as of June 30, 2025, up ¥252 million from the end of the previous fiscal year. This was mainly due to a decrease in the valuation difference on available-for-sale securities of ¥45 million, while there was an increase of ¥298 million in retained earnings.

## **(3) Report of Cash Flows**

The balance of cash and deposits at the end of FY06/2025 was ¥6,422 million, an increase of ¥1,609 million from the end of the previous fiscal year.

### **(Cash flows from operating activities)**

Net cash provided by operating activities in FY06/2025 amounted to ¥4,263 million, increasing from the previous fiscal year by 11.7%. This was mainly due to the recording of income before income taxes of ¥1,890 million, depreciation costs as a non-cash item of ¥1,444 million, decrease in trade receivables of ¥1,985 million, decrease in inventories of ¥222 million, decrease in trade payables of ¥760 million, and Income taxes paid of ¥878 million.

### **(Cash flows from investing activities)**

Net cash used in investing activities in FY06/2025 was ¥1,599 million (compared with ¥2,681 million used in the previous fiscal year). This was mainly due to an expenditure of ¥1,351 million for the purchase of intangible fixed assets for the development of software for sales purposes and internal use.

### **(Cash flows from financing activities)**

Net cash used in financing activities was ¥1,052 million (¥1,018 million used in the previous fiscal year). This was mainly due to cash dividends paid of ¥1,050 million.

Cash flow indicators are as follows.

	FY06/2024	FY06/2025
Shareholders' equity ratio (%)	54.7	50.7
Equity ratio based on market value (%)	167.8	156.0
Debt amortization schedule (number of years)	0.0	0.0
Interest coverage ratio (times)	-	-

- (Notes)
1. Shareholders' equity ratio: Shareholders' equity / total assets
  2. Equity ratio based on market value: Market capitalization / total assets  
Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.
  3. Number of years for debt redemption: Interest-bearing debt / operating cash flow  
Interest-bearing debt refers to all liabilities on the balance sheet on which interest is paid.
  4. Interest coverage ratio: Operating cash flow / interest expenses

#### **(4) Business and Other Forecasts**

For the year ending June 2027, the final year of our current medium-term management plan, we have set the following numerical targets.

Net sales: ¥19,000 million

Operating income: ¥2,850 million (Operating margin of 15.0%)

ROE: 17.0% or more

For the next fiscal year (ending June 2026), we aim to achieve net sales of ¥17,400 million (up 11.6 % year on year) and operating profit of ¥2,400 million (up 29.8% year on year). This net sale target is ¥400 million higher than our initial forecast in our medium-term management plan.

In terms of sales, we will respond to the demand for system renewal from major credit card companies. In addition, we will strive to further expand sales by promoting measures based on our medium-term management plan. Profits will continue to be affected by the product mix in the security domain, as in the current fiscal year, but we will strive to improve profitability by improving productivity through standardization and quality enhancement in system development, maintenance, infrastructure, and operations.

#### **1. Basic Policy on Selecting Accounting Standards**

The company employs Japanese accounting standards for financial reporting.

The company's policy is to respond appropriately to the adoption of the International Financial Reporting Standards (IFRS) in light of various circumstances in Japan and overseas.

**Financial Statements**  
**(1) Balance Sheet**

	Thousands of yen	
	The previous fiscal year (as of June 30,2024)	Current fiscal year (as of June 30,2025)
Assets		
Current assets		
Cash and deposits	4,820,601	6,431,303
Notes and accounts receivable - trade, and contract assets	2,453,677	1,685,113
Merchandise and finished goods	138,811	-
Work in process	206,116	128,248
Raw materials and supplies	21,225	15,073
Advance payments to suppliers	1,210,595	1,774,228
Prepaid expenses	422,403	416,423
Other	6,329	10,551
Total current assets	9,279,761	10,460,943
Non-current assets		
Property, plant and equipment		
Buildings	512,830	551,547
Accumulated depreciation	(262,784)	(280,292)
Buildings, net	250,045	271,255
Structures	16,479	16,479
Accumulated depreciation	(15,894)	(16,012)
Structures, net	584	466
Tools, furniture and fixtures	2,058,927	2,121,608
Accumulated depreciation	(1,098,273)	(1,299,350)
Tools, furniture and fixtures, net	960,654	822,258
Leased assets	83,559	90,793
Accumulated depreciation	(81,547)	(82,765)
Leased assets, net	2,012	8,027
Land	84,394	84,394
Construction in progress	-	149,842
Total property, plant and equipment	1,297,691	1,336,246
Intangible assets		
Software	3,119,998	3,843,663
Software in progress	872,292	306,722
Telephone subscription right	3,806	3,806
Total intangible assets	3,996,098	4,154,192
Investments and other assets		
Investment securities	1,314,398	1,260,056
Shares of subsidiaries and associates	24,680	24,680
Long-term prepaid expenses	95,219	131,772
Deferred tax assets	485,451	1,044,581
Other	354,203	278,132
Total investments and other assets	2,273,952	2,739,223
Total non-current assets	7,567,742	8,229,661
Total assets	16,847,503	18,690,605



	Thousands of yen	
	The previous fiscal year (as of June 30,2024)	Current fiscal year (as of June 30,2025)
Liabilities		
Current liabilities		
Accounts payable - trade	632,961	417,402
Lease liabilities	1,207	2,597
Accounts payable - other	347,215	416,609
Accrued expenses	218,908	189,613
Income taxes payable	539,228	759,366
Advances received	4,517,696	5,734,274
Deposits received	146,788	157,615
Provision for bonuses	307,703	305,586
Provision for bonuses for directors	28,870	34,470
Other	65,967	400,040
Total current liabilities	6,806,548	8,417,575
Non-current liabilities		
Lease liabilities	1,006	6,232
Provision for retirement benefits	626,850	614,155
Provision for share awards	4,193	10,165
Provision for share awards for directors	8,920	24,473
Asset retirement obligations	97,192	128,749
Other	79,954	13,870
Total non-current liabilities	818,116	797,647
Total liabilities	7,624,665	9,215,222
Net assets		
Shareholders' equity		
Share capital	843,750	843,750
Capital surplus		
Legal capital surplus	559,622	559,622
Other capital surplus	13,477	13,477
Total capital surplus	573,099	573,099
Retained earnings		
Legal retained earnings	18,000	18,000
Other retained earnings		
General reserve	2,600,000	2,600,000
Retained earnings brought forward	4,801,262	5,099,853
Total retained earnings	7,419,262	7,717,853
Treasury shares	(126,570)	(126,634)
Total shareholders' equity	8,709,542	9,008,068
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	513,296	467,314
Total valuation and translation adjustments	513,296	467,314
Total net assets	9,222,838	9,475,383
Total liabilities and net assets	16,847,503	18,690,605

## (2) Income Statement

	Thousands of yen	
	Previous fiscal year (from July 1,2023 to June 30,2024)	Current fiscal year (from July 1,2024 to June 30,2025)
Net sales		
Net sales of finished goods	11,974,957	12,833,324
Net sales of goods	2,543,335	2,762,807
Total net sales	14,518,293	15,596,131
Cost of sales		
Cost of products manufactured	8,184,196	9,064,897
Cost of finished goods sold	8,184,196	9,064,897
Beginning merchandise inventory	10,786	138,811
Cost of purchased goods	1,754,128	1,725,970
Total	1,764,915	1,864,782
Ending merchandise inventory	138,811	-
Cost of goods sold	1,626,103	1,864,782
Total cost of sales	9,810,299	10,929,679
Gross profit	4,707,993	4,666,452
Selling, general and administrative expenses	2,677,036	2,818,084
Operating profit	2,030,956	1,848,368
Non-operating income		
Interest income	16	1,611
Interest on securities	3,364	3,612
Dividend income	50,603	47,192
Insurance claim income	17,503	-
Other	11,354	16,079
Total non-operating income	82,843	68,495
Non-operating expenses		
Commitment fees	5,256	5,236
Foreign exchange losses	2,334	3,364
Compensation expenses	28,230	11,735
Other	4,995	6,028
Total non-operating expenses	40,816	26,365
Ordinary profit	2,072,983	1,890,498
Profit before income taxes	2,072,983	1,890,498
Income taxes - current	757,958	1,088,401
Income taxes - deferred	(105,752)	(547,689)
Total income taxes	652,206	540,712
Profit	1,420,777	1,349,786

### (3) Statement of Changes in Net Assets

Previous term (from July 1, 2023 to June 30, 2024)

Thousands of yen

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings	Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at beginning of period	843,750	559,622	13,477	573,099	18,000	2,600,000	4,300,282	6,918,282	(26,712)
Changes during period									
Dividends of surplus							(919,797)	(919,797)	
Profit							1,420,777	1,420,777	
Purchase of treasury shares									(31)
Purchase of treasury shares by stock ownership plan trust									(99,825)
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	-	500,979	500,979	(99,857)
Balance at end of period	843,750	559,622	13,477	573,099	18,000	2,600,000	4,801,262	7,419,262	(126,570)

	Shareholders' equity	Valuation and translation adjustments		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	8,308,419	491,222	491,222	8,799,641
Changes during period				
Dividends of surplus	(919,797)			(919,797)
Profit	1,420,777			1,420,777
Purchase of treasury shares	(31)			(31)
Purchase of treasury shares by stock ownership plan trust	(99,825)			(99,825)
Net changes in items other than shareholders' equity		22,073	22,073	22,073
Total changes during period	401,122	22,073	22,073	423,196
Balance at end of period	8,709,542	513,296	513,296	9,222,838

Current term (from July 1, 2024 to June 30, 2025)

Thousands of yen

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings	Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at beginning of period	843,750	559,622	13,477	573,099	18,000	2,600,000	4,801,262	7,419,262	(126,570)
Changes during period									
Dividends of surplus							(1,051,195)	(1,051,195)	
Profit							1,349,786	1,349,786	
Purchase of treasury shares									(64)
Purchase of treasury shares by stock ownership plan trust									
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	-	298,590	298,590	(64)
Balance at end of period	843,750	559,622	13,477	573,099	18,000	2,600,000	5,099,853	7,717,853	(126,634)

	Shareholders' equity	Valuation and translation adjustments		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	8,709,542	513,296	513,296	9,222,838
Changes during period				
Dividends of surplus	(1,051,195)			(1,051,195)
Profit	1,349,786			1,349,786
Purchase of treasury shares	(64)			(64)
Purchase of treasury shares by stock ownership plan trust				-
Net changes in items other than shareholders' equity		(45,981)	(45,981)	(45,981)
Total changes during period	298,526	(45,981)	(45,981)	252,544
Balance at end of period	9,008,068	467,314	467,314	9,475,383

#### (4) Cash Flow Statement

	Thousands of yen	
	Previous fiscal year (from July 1,2023 to June 30,2024)	Current fiscal year (from July 1,2024 to June 30,2025)
Cash flows from operating activities		
Profit before income taxes	2,072,983	1,890,498
Depreciation	1,142,283	1,444,236
Increase (decrease) in provision for bonuses	3,746	(2,117)
Increase (decrease) in provision for bonuses for directors	(12,912)	5,599
Increase (decrease) in provision for retirement benefits	20,843	(12,695)
Increase (decrease) in provision for retirement benefits for directors	(12,975)	-
Increase (decrease) in provision for share awards	4,193	5,972
Increase (decrease) in provision for share awards for directors	8,920	15,553
Insurance claim income	(17,503)	-
Interest and dividend income	(53,985)	(52,416)
Commitment fee	5,256	5,236
Compensation expenses	28,230	11,735
Decrease (increase) in trade receivables	1,721,991	1,985,141
Decrease (increase) in inventories	(118,529)	222,831
Increase (decrease) in trade payables	(400,711)	(760,649)
Increase (decrease) in accrued consumption taxes	(99,604)	332,967
Other, net	21,798	10,229
Subtotal	4,314,026	5,102,123
Interest and dividends received	53,411	52,146
Commitment fee paid	(4,886)	(5,008)
Proceeds from insurance income	17,503	-
Compensation expenses paid	(23,480)	(7,541)
Income taxes paid	(541,168)	(878,115)
Net cash provided by (used in) operating activities	3,815,405	4,263,605
Cash flows from investing activities		
Purchase of property, plant and equipment	(576,856)	(319,919)
Purchase of intangible assets	(2,031,204)	(1,351,727)
Purchase of investment securities	(102,862)	(3,081)
Proceeds from cancellation of insurance funds	29,271	75,551
Other, net	531	149
Net cash provided by (used in) investing activities	(2,681,120)	(1,599,028)
Cash flows from financing activities		
Dividends paid	(917,238)	(1,050,764)
Repayments of lease liabilities	(1,207)	(1,340)
Purchase of treasury shares	(99,857)	(64)
Net cash provided by (used in) financing activities	(1,018,303)	(1,052,168)
Effect of exchange rate change on cash and cash equivalents	3,290	(3,327)
Net increase (decrease) in cash and cash equivalents	119,272	1,609,081
Cash and cash equivalents at beginning of period	4,694,621	4,813,894
Cash and cash equivalents at end of period	4,813,894	6,422,975

## **(5) Notes on the Financial Statements**

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Accounting Policy)

### **1. Accounting for evaluation of assets**

#### **(1) Valuation basis and valuation method of securities**

Securities in affiliates	Cost basis by moving average method
Held-to-maturity debt securities	Amortized cost (straight-line method)
Other securities	Available-for-sale with market value: Securities are stated at fair value based on market prices as of the balance sheet date. (Unrealized gains and losses reported in a separate component of equity. Cost of selling is determined by the moving average method.)
Available-for-sale without market value	Cost basis by moving average method

#### **(2) Evaluation criteria and method of inventory valuation**

Merchandise, work in process and supplies

Inventories are stated at cost determined by the specific identification method. (The balance sheet amounts are written down to reflect declines in profitability.)

### **2. Depreciation and amortization**

#### **(1) Property, plant and equipment (excluding lease assets)**

Straight-line method

The useful lives of property, plant and equipment are follows:

Buildings	8 to 50 years
Structures	10 to 20 years
Tools, furniture and fixtures	4 to 15 years

#### **(2) Intangible assets (excluding leased assets)**

Straight-line method

Software for internal use is amortized using the straight-line method over its estimated useful life (five years). Software for sale is stated at the higher of amortization based on estimated sales revenue or straight-line depreciation based on the remaining useful life of the software (three years).

#### **(3) Leased asset**

The straight-line method is used with the lease term as the useful life and the residual value as zero.

### **3. Accounting for reserves**

#### **(1) Allowance for doubtful accounts**

Allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on uncollectible receivables. The allowance for doubtful accounts is provided at an amount calculated based on the historical write-off ratio for general receivables and an estimate of the uncollectible amount for specific doubtful receivables.

#### **(2) Provision for bonuses**

Allowance for employees' bonuses is provided at an estimated amount to be paid in the current fiscal year.

#### **(3) Provision for bonuses for directors**

Accrued bonuses for directors and corporate auditors are provided at an amount calculated based on the estimated amount to be paid in the current fiscal year.

#### **(4) Provision for retirement benefits**

Accrued retirement benefits for employees are provided based on the retirement benefit obligation at the end of the current fiscal year.

- |    |   |   |
|----|---|---|
| i. | Method of attributing estimated retirement benefits to periods          | In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the period up to the end of the current fiscal year.   |
| i. | Method of amortizing actuarial gains and losses and prior service costs | Prior service costs are amortized by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence.<br>Actuarial gains and losses are amortized on a straight-line basis over 10 years, which is shorter than the average remaining years of service of the eligible employees, starting from the year following the year in which they are incurred. |

(5) Provision for share awards

Provision for share awards is recorded for the estimated amount of stock compensation obligations at the end of the current fiscal year, in preparation for the distribution of our company's stock to executive officers, in accordance with our internal regulations.

(6) Provision for share awards for directors

In preparation for the distribution of our company's stock to directors, provision for share awards for directors is recorded for the estimated amount of stock compensation obligations at the end of the current fiscal year, in accordance with our internal regulations.

4. Accounting standard for revenues and expenses

Revenues from contracts with clients

We recognize the revenues by applying the following five steps.

Step 1: Identify the contracts with clients

Step 2: Identify performance obligations stemming from the contracts

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize the revenues when (or as) the performance obligations are fulfilled

We develop software and sell products and goods, offer maintenance and other services, and we recognize respective revenues as follows.

Revenues are measured based on the compensation stated in the contract with the client and exclude any sums collected on behalf of third parties. We recognize the revenues once the goods or services have been transferred to the client.

Compensation for the performance obligations is typically received within one year after fulfilling the obligations and does not include any important financial components.

i. Software development

Revenue sources from software development include system development based on entrustment contracts and quasi-mandate contracts.

Regarding transactions based on entrustment contracts, the system, etc. under development may not be set aside for other clients or different purposes and these contracts include enforceable rights for payment upon the completion of work. Consequently, we recognize the revenue over a certain period of time as the system development progresses, employing the cost to cost method (sum corresponding to the ratio of cumulative actual costs to the total estimated cost as of the end of the period). Revenues recognized before billing clients are recognized as contract assets. However, in cases where the construction period is very short and the sum is not significant, the revenue is recognized at the point of receipt and inspection by the client.

With regard to transactions based on quasi-mandate contracts, where a certain level of service is typically provided over the contract period, we consider the performance obligations to be fulfilled over time and recognize the revenue based on a proportional division of the sum promised in the contract with each client during the service period.

ii. Products and goods

Revenues from the sale of products and goods is generated through software, hardware, etc.

Our performance obligations are fulfilled by adhering to the delivery requirements specified in contracts.

This includes handover of the products and goods such as software and hardware to clients and accepting

the receipt and inspection. At that point, we recognize the revenue as the sum promised in the contract with the client.

Regarding the sale of software, specifically our in-house security tools, there is no significant difference in the time of shipping and handing over products to clients. As the client has acquired control over the products at the point of shipment, revenue is recognized at that point.

For the sale of goods, in cases where our company acts as an agent, revenue recognition is calculated as the net price. This net price results from deducting the sum paid to another party from the sum received for exchanging the goods provided by said other party. We recognize the revenue once the arrangements for delivering the goods to the client have been completed.

### iii. Services

Revenues from the provision of services encompass maintenance, subscriptions, and cloud services.

These transactions involve routine or recurring services, and our performance obligations are fulfilled over time as we provide services to clients based on contracts. Revenue is proportionally allocated based on the amount promised in the contract over the service period. However, in cases where the sum is not significant, we recognize the revenue as one-time revenue in the month the maintenance or service begins.

## 5. Scope of Cash and Cash Equivalents in the Statement of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, cash withdrawable on demand, and short-term investments with original maturities of three months or less which are readily convertible to known amounts of cash and present insignificant risk of changes in value.

### (Change in Presentation)

#### (Income Statement)

‘Foreign exchange losses’, which were included in ‘other’ under ‘non-operating expenses’ in the previous fiscal year, have been listed separately from this fiscal year, as they exceeded one-hundredth of the total non-operating expenses.

To reflect this change in presentation, we are reclassifying the financial statements of the previous fiscal year. “foreign exchange losses” (¥7,329 thousand in the previous fiscal year) which were included in “other” under ‘non-operating expenses’ in the previous fiscal year, were listed as “foreign exchange losses” (¥2,334 thousand in the previous fiscal year) and “Other” (¥4,995 thousand in the previous fiscal year) from this fiscal year.

### (Changes in accounting estimates)

#### (Change in estimates of asset retirement obligations)

During the current fiscal year, as a result of the acquisition of the recent information on restoration costs, the Company changed its estimates for expected restoration costs and expected usage period with respect to asset retirement obligations which it had recognized as restoration obligations arising from the Company’s real estate lease agreements. This change in the estimate increases the balance of asset retirement obligations by ¥31,415 thousand.

### (Additional Information)

#### (Board Benefit Trust (BBT))

The company has implemented a stock compensation system, a Board Benefit Trust (BBT), for our directors (excluding external directors and non-residents of Japan) and executive officers (hereinafter referred to as “Directors, etc.”).

#### (1) Transaction overview

Under the BBT stock compensation system, the company acquires its own stock through a trust using company-contributed funds. This stock, or its equivalent value in cash, is then provided to Directors, etc., generally at the time of their retirement, in accordance with our internal regulations.

#### (2) Company stock remaining in the trust

The company stock remaining in the abovementioned trust is recorded as treasury shares in the net assets section at book value (excluding incidental expenses). As of the end of the previous fiscal period, the book value and the number of such treasury shares are ¥99,825 thousand and 98,200 shares, respectively. As of the end of the current fiscal period, the book value and the number of such treasury shares are ¥99,825



thousand and 98,200 shares, respectively.

- (3) Book value of borrowings accounted for by application of the gross method  
Not applicable.

(Changes in Accounting Policies Indistinguishable from Changes in Accounting Estimates)

Effective from the current fiscal year under review, we have changed the depreciation method for property, plant, and equipment (excluding leased assets) to the straight-line method. Previously, we mainly applied the declining balance method but had applied the straight-line method to buildings (excluding building fixtures) acquired on or after April 1, 1998, and to building fixtures and structures acquired on or after April 1, 2016.

We are expanding our recurring revenue business through the growth of cloud services. As our cloud services business has grown, the importance of tangible fixed assets related to this business has increased, prompting a review of the overall use of our tangible assets.

As our tangible fixed assets are expected to operate stably over their useful life, allocating costs evenly over their service life will better reflect actual asset usage. As a result, we determined that allocating costs evenly over the useful life of each asset using the straight-line method would better reflect their actual usage patterns and, from the perspective of matching revenues with expenses, would more appropriately reflect our business performance. Therefore, we have decided to change our depreciation method for tangible fixed assets from the declining balance method to the straight-line method starting from the first quarter of this fiscal year.

As a result of this change, operating profit, ordinary profit, and profit before income taxes each increased by ¥83,246 thousand compared with the previous method for the current fiscal year.

(Equity in Earnings of Affiliates, etc.)

1. Affiliates

	(Thousands of yen)	
	Previous term end (as of June 30, 2024)	Current term end (as of June 30, 2025)
Investments in affiliates	24,680	24,680
Investments accounted for using the equity method	169,178	180,525
Equity in earnings of affiliates	17,431	14,562

2. Special purpose companies subject to disclosure

We do not have any special purpose companies subject to disclosure.

(Business Segment)

Business segment information is omitted because the company has a single reportable segment.

(Earnings per Share)

The amounts of net income per share with the respective bases of calculation are as follows.

Items	Previous fiscal year (from July 1, 2023 to June 30, 2024)	Current fiscal year (from July 1, 2024 to June 30, 2025)
Net assets per share (yen)	352.26	361.91
Net income per share (yen)	54.19	51.55

\*1. No dilutive shares exist, so fully diluted EPS is not represented.

\*2. Net income per share is based on the following information:

Items	Previous term (from July 1, 2023 to June 30, 2024)	Current term (from July 1, 2024 to June 30, 2025)
Net income (thousands of yen)	1,420,777	1,349,786
Non-attributable to common shareholders	—	—
Net income attributable to common stocks (thousands of yen)	1,420,777	1,349,786
Weighted-average number of common stocks outstanding for the period	26,219,449	26,181,663

Note:

In calculating net assets per share and net income per share, shares of the Company held by the stock compensation trust (BBT) are included in treasury stock, which is deducted from the total number of issued shares at the end of the fiscal year and the average number of shares during the fiscal year.

The total number of such treasury shares deducted was 98,200 shares in the previous fiscal year and 98,200 shares in the current fiscal year. The average number of shares was 60,469 shares in the previous fiscal year and 98,200 shares in the current fiscal year.

(Significant Subsequent Events)

Not applicable