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August 5, 2026

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2026 (Under Japanese GAAP)

Company name: INTELLIGENT WAVE INC.
Listing: Tokyo Stock Exchange, Prime Market
Securities code: 4847
URL: https://www.iwi.co.jp/en/
Representative: Koji Kawakami, Chief Executive Officer, Representative Director
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Scheduled date of annual general meeting of shareholders: September 25, 2026
Scheduled date to commence dividend payments: September 28, 2026
Scheduled date to file annual securities report: September 18, 2026
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, 2026 (July 1, 2025–June 30, 2026)

(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, 2026	17,247	10.6	2,076	12.3	2,129	12.6	1,487	10.2
June 30, 2025	15,596	7.4	1,848	(9.0)	1,890	(8.8)	1,349	(5.0)

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2026	56.79	–	15.2	11.8	12.0
June 30, 2025	51.55	–	14.4	10.6	11.9

*Return on assets is the ratio of ordinary profit to total assets.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2026	17,333	10,065	58.1	384,42
June 30, 2025	18,690	9,475	50.7	361,91

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)
As of June 30, 2026: ¥10,065 million
As of June 30, 2025: ¥9,475 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, 2026	313	(1,730)	(975)	4,034
June 30, 2025	4,263	(1,599)	(1,052)	6,422

2. Cash dividends

	Annual dividends per share					Total cash dividends	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended June 30, 2025	–	15.00	–	20.00	35.00	919	67.9	9.8
Fiscal year ended June 30, 2026	–	17.00	–	20.00	37.00	972	65.2	9.9
Fiscal year ending June 30, 2027 (Forecast)		17.00		20.00	37.00		63.6	

Note: Revisions to the dividend forecast most recently announced: None

3. Earnings Forecasts for the Fiscal Year Ending June 30, 2027 (July 1, 2026–June 30, 2027)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,800	5.4	1,000	14.2	1,020	13.1	700	15.4	26.64
Full year	17,700	2.6	2,200	6.0	2,240	5.2	1,530	2.9	58.22

* **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: None

(iii) Changes in accounting estimates: None

(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, 2026	26,340,000 shares
As of June 30, 2025	26,340,000 shares

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

As of June 30, 2026	155,943 shares
As of June 30, 2025	158,342 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended June 30, 2026	26,183,302 shares
Fiscal year ended June 30, 2025	26,181,663 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 (95,800 shares as of June 30, 2026, 98,200 shares as of June 30, 2025). Furthermore, the shares of the Company held by the trust are included in treasury shares deducted in the calculation of the average number of shares outstanding during the period (96,556 shares for the fiscal year ended June 30, 2026, 98,200 shares for the fiscal year ended June 30, 2025).

* 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

The forecast figures stated above are based on judgments made using information currently available and involve a number of uncertainties. Actual results and other outcomes may differ from these forecast figures due to changes in business conditions and other factors. Please refer to “1. Financial Results and Forecasts (4) Business and Other Forecast” on page 6 of the Attachment 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 analysts on August 7, 2026. The material for this presentation will be uploaded to the Company’s website soon after the event.

Contents of Attachment

1. Financial Results and Forecasts

(1) Operating Results

The Company has formulated a three-year medium-term management plan beginning in the fiscal year ended June 30, 2025. Under the plan's theme of "Transformation for the Future," the Company is working to diversify its businesses and build a foundation for sustainable growth, with a view to the 2030s. To achieve these goals, the Company is focusing over this three-year period on transformation in three key areas: business, technology, and human resources.

Under the medium-term management plan, the Company has reorganized its business domains into three function-based domains: payment, security, and data communication and analysis infrastructure (new domain). In each of these domains, the Company is promoting initiatives aimed at growth.

In the core payment domain, with the increasing adoption of cashless payments in Japan, the Company's major clients, which are payment service providers, are making progress in modernizing and opening up their mission-critical systems. In addition to the FEP* area, one of its strength, the Company is working to enhance the value of its payment solutions by expanding into the acquiring area. In the fraud detection area, amid the diversification of card fraud, the Company is working to enhance the value it provides in the payment domain through initiatives such as the launch of a card industry-wide fraud prevention solution.

In the security domain, the Company is developing its highly profitable proprietary products to further enhance their value, while also focusing on expanding into overseas markets, particularly in Southeast Asia. In the data communication and analysis infrastructure domain, the Company is exploring applications of its core technologies, namely high-speed, high-volume data communication and analysis/processing technologies, in other industries as it seeks to capture new markets.

For the fiscal year ended June 30, 2026, net sales were ¥17,247 million, up 10.6% year on year; operating profit was ¥2,076 million, up 12.3%; ordinary profit was ¥2,129 million, up 12.6%; and profit was ¥1,487 million, up 10.2%. Net sales and all profit measures reached record highs, driven by strong contributions from system upgrades and other projects for major clients in the payment domain.

Reference: Sales by business domain (millions of yen)

	Fiscal year ended June 30, 2025	Fiscal year ended June 30, 2026	YoY % change
Net Sales	15,596	17,247	10.6%
Payment	12,755	14,285	12.0%
Of which: Cloud services	3,479	4,293	23.4%
Security	2,022	2,067	2.2%
Data communication and analysis infrastructure	817	894	9.4%

Sales in the payment domain increased, particularly in the core FEP and fraud detection areas, as system upgrade and other projects for major clients progressed. In addition to higher hardware sales, system development revenue increased in the second half. IT investments by credit card companies remained firm, particularly in core system modernization and measures to combat card fraud. In the data communications and analytics infrastructure domain, revenue from system development projects for securities companies increased.

Operating profit increased year on year despite a decline in the gross margin caused by work undertaken to address quality issues on a cloud services project for a specific customer and an unfavorable product mix in the security domain. The work to address quality issues was completed during the fiscal year. The increase in operating profit was supported by solid profitability on system development projects, particularly major projects, as well as higher hardware sales.

Orders received were ¥15,365 million, down 20.5% year on year, and order backlog was ¥18,429 million, down 9.3%. Both orders received and the order backlog declined against a high comparison base created by several large, multi-year contracts secured in cloud services and the security domain in the previous fiscal year. Meanwhile, orders for system development projects increased, driven by system upgrade and other projects from major clients.

* Front-end processing (FEP) system: Hardware and software that provide network connectivity, card usage

authentication, and other functions required for credit card payment processing

(2) Financial Position

Assets

As of June 30, 2026, total assets were ¥17,333 million, down ¥1,357 million from the end of the previous fiscal year. Current assets were ¥9,880 million, down ¥579 million from the end of the previous fiscal year. This was mainly due to decreases of ¥1,788 million in cash and deposits, and ¥386 million in advance payments to suppliers, despite increases of ¥1,168 million in notes and accounts receivable – trade, and contract assets, ¥147 million in accounts receivable – other, and ¥135 million in prepaid expenses.

Non-current assets were ¥7,452 million, down ¥777 million from the end of the previous fiscal year. This was mainly due to decreases of ¥700 million in intangible assets, and ¥264 million of deferred tax assets, despite an increase of ¥102 million in investment securities.

Liabilities

As of June 30, 2026, total liabilities were ¥7,267 million, down ¥1,947 million from the end of the previous fiscal year. This was mainly due to decreases of ¥863 million in advances received, ¥759 million in income taxes payable, and ¥395 million in accrued consumption taxes.

Net Assets

As of June 30, 2026, net assets were ¥10,065 million, up ¥590 million from the end of the previous fiscal year. This was mainly due to an increase of ¥514 million in retained earnings brought forward, and ¥73 million in valuation difference on available-for-sale securities.

(3) Cash Flows

As of June 30, 2026, cash and cash equivalents stood at ¥4,034 million, a decrease of ¥2,388 million from the end of the previous fiscal year. Cash flows by activity and the principal factors affecting them are described below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥313 million, down 92.6% year on year. This was mainly due to profit before income taxes of ¥2,106 million, depreciation of ¥1,711 million, and a ¥554 million increase in trade payables, partially offset by a ¥2,031 million increase in trade receivables, a ¥404 million decrease in accrued consumption taxes, and income taxes paid of ¥1,255 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥1,730 million, compared with ¥1,599 million used in the previous fiscal year. This was mainly due to purchase of intangible assets of ¥607 million, primarily for the development of software for sale and internal use, and payments into time deposits of ¥600 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥975 million, compared with ¥1,052 million used in the previous fiscal year. This was mainly due to dividends paid of ¥972 million.

Cash flow indicators are as follows.

	FY06/2025	FY06/2026
Equity ratio (%)	50.7	58.1
Equity ratio based on market value (%)	156.0	140.9
Debt repayment period (years)	0.0	0.0
Interest coverage ratio (times)	–	–

Notes:
1. Equity ratio: Equity / Total assets
2. Equity ratio based on market value: Market capitalization / Total assets
   Market capitalization is calculated using the number of shares outstanding excluding treasury shares.
3. Debt repayment period: Interest-bearing debt / Operating cash flow
   Interest-bearing debt refers to all liabilities reported on the balance sheet that bear interest.
4. Interest coverage ratio: Operating cash flow / Interest paid

(4) Forward-Looking Information, Including Earnings Forecasts

For the next fiscal year, we forecast net sales of ¥17.7 billion, up 2.6% year on year, and operating profit of ¥2.2 billion, up 6.0% year on year. In the external environment, IT investment demand from credit card companies and payment service providers is expected to remain firm. We also expect system development work to remain solid, led by system upgrade projects for major customers.

On the other hand, hardware sales, which grew significantly in the fiscal year under review, are expected to remain broadly unchanged year on year. Cloud services are expected to deliver stable growth as the customer base continues to expand. As a result, net sales growth is expected to slow from the pace recorded in the fiscal year under review.

On the profit front, the impact of the work undertaken in the fiscal year under review to address quality issue has subsided. We will seek to improve profitability by strengthening quality management and pursuing productivity improvements.

The next fiscal year will be the final year of the current Medium-Term Management Plan. In addition to strengthening its earnings capacity through enhanced quality management and higher productivity, we will build the business foundation for future growth and develop a more advanced operating model with AI embedded throughout. With an eye to the next Medium-Term Management Plan, which will commence in the fiscal year ending June 30, 2028, we will strengthen the corporate foundations needed to support sustainable growth.

2. Basic Policy on Selecting Accounting Standards

The Company prepares its financial statements in accordance with Japanese GAAP.
The Company will consider adopting International Financial Reporting Standards (IFRS) as appropriate, taking into account developments in Japan and overseas.

3. Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of June 30, 2025	As of June 30, 2026
Assets		
Current assets		
Cash and deposits	6,431,303	4,643,241
Notes and accounts receivable – trade, and contract assets	1,685,113	2,853,621
Merchandise and finished goods	-	78,813
Work in process	128,248	198,049
Raw materials and supplies	15,073	9,368
Advance payments to suppliers	1,774,228	1,387,910
Prepaid expenses	416,423	551,644
Other	10,551	158,334
Total current assets	10,460,943	9,880,984
Non-current assets		
Property, plant and equipment		
Buildings	551,547	534,160
Accumulated depreciation	(280,292)	(296,170)
Buildings, net	271,255	237,990
Structures	16,479	16,479
Accumulated depreciation	(16,012)	(16,130)
Structures, net	466	348
Tools, furniture and fixtures	2,121,608	2,468,795
Accumulated depreciation	(1,299,350)	(1,558,092)
Tools, furniture and fixtures, net	822,258	910,703
Leased assets	90,793	90,793
Accumulated depreciation	(82,765)	(85,126)
Leased assets, net	8,027	5,666
Land	84,394	84,394
Construction in progress	149,842	208,153
Total property, plant and equipment	1,336,246	1,447,256
Intangible assets		
Software	3,843,663	3,038,269
Software in progress	306,722	411,276
Telephone subscription right	3,806	3,806
Total intangible assets	4,154,192	3,453,352
Investments and other assets		
Investment securities	1,260,056	1,362,192
Shares of subsidiaries and associates	24,680	24,680
Long-term prepaid expenses	131,772	106,960
Deferred tax assets	1,044,581	780,357
Other	278,132	277,700
Total investments and other assets	2,739,223	2,551,890
Total non-current assets	8,229,661	7,452,499
Total assets	18,690,605	17,333,483

(Thousands of yen)

	As of June 30, 2025	As of June 30, 2026
Liabilities		
Current liabilities		
Accounts payable – trade	417,402	636,438
Lease liabilities	2,597	1,591
Accounts payable – other	416,609	213,697
Accrued expenses	189,613	211,629
Income taxes payable	759,366	-
Advances received	5,734,274	4,870,982
Deposits received	157,615	160,094
Provision for bonuses	305,586	309,000
Provision for bonuses for directors	34,470	24,574
Other	400,040	8,587
Total current liabilities	8,417,575	6,436,594
Non-current liabilities		
Lease liabilities	6,232	4,641
Provision for retirement benefits	614,155	636,475
Provision for share awards	10,165	12,706
Provision for share awards for directors	24,473	37,587
Asset retirement obligations	128,749	129,212
Other	13,870	10,597
Total non-current liabilities	797,647	831,220
Total liabilities	9,215,222	7,267,815
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	5,099,853	5,614,510
Total retained earnings	7,717,853	8,232,510
Treasury shares	(126,634)	(124,195)
Total shareholders' equity	9,008,068	9,525,163
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	467,314	540,503
Total valuation and translation adjustments	467,314	540,503
Total net assets	9,475,383	10,065,667
Total liabilities and net assets	18,690,605	17,333,483

(2) Statements of Income

(Thousands of yen)

	Fiscal year ended June 30, 2025	Fiscal year ended June 30, 2026
Net sales		
Net sales of finished goods	12,833,324	13,241,558
Net sales of goods	2,762,807	4,005,450
Total net sales	15,596,131	17,247,009
Cost of sales		
Cost of products manufactured	9,064,897	9,656,945
Cost of finished goods sold	9,064,897	9,656,945
Beginning merchandise inventory	138,811	-
Cost of purchased goods	1,725,970	2,720,727
Total	1,864,782	2,720,727
Ending merchandise inventory	-	78,813
Cost of goods sold	1,864,782	2,641,913
Total cost of sales	10,929,679	12,298,858
Gross profit	4,666,452	4,948,150
Selling, general and administrative expenses	2,818,084	2,872,041
Operating profit	1,848,368	2,076,108
Non-operating income		
Interest income	1,611	10,433
Interest on securities	3,612	3,612
Dividend income	47,192	50,211
Other	16,079	9,411
Total non-operating income	68,495	73,668
Non-operating expenses		
Commitment fees	5,236	5,249
Foreign exchange losses	3,364	1,117
Compensation expenses	11,735	13,698
Other	6,028	554
Total non-operating expenses	26,365	20,620
Ordinary profit	1,890,498	2,129,157
Extraordinary income		
Gain on sale of investment securities	-	2,588
Total extraordinary income	-	2,588
Extraordinary losses		
Loss on retirement of non-current assets	-	16,963
Loss on valuation of investment securities	-	8,541
Total extraordinary losses	-	25,505
Profit before income taxes	1,890,498	2,106,239
Income taxes - current	1,088,401	388,691
Income taxes - deferred	(547,689)	230,536
Total income taxes	540,712	619,228
Profit	1,349,786	1,487,011

(3) Statements of Changes in Net Assets

Fiscal year ended June 30, 2025

(Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares
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)
Disposal of treasury shares									
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 shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
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)
Disposal of treasury shares				-
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

Fiscal year ended June 30, 2026

(Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares
Balance at beginning of period	843,750	559,622	13,477	573,099	18,000	2,600,000	5,099,853	7,717,853	(126,634)
Changes during period									
Dividends of surplus							(972,354)	(972,354)	
Profit							1,487,011	1,487,011	
Purchase of treasury shares									(0)
Disposal of treasury shares									2,439
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	-	514,656	514,656	2,438
Balance at end of period	843,750	559,622	13,477	573,099	18,000	2,600,000	5,614,510	8,232,510	(124,195)

	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	9,008,068	467,314	467,314	9,475,383
Changes during period				
Dividends of surplus	(972,354)			(972,354)
Profit	1,487,011			1,487,011
Purchase of treasury shares	(0)			(0)
Disposal of treasury shares	2,439			2,439
Net changes in items other than shareholders' equity		73,188	73,188	73,188
Total changes during period	517,095	73,188	73,188	590,284
Balance at end of period	9,525,163	540,503	540,503	10,065,667

(4) Statements of Cash Flows

	Fiscal year ended June 30, 2025	Fiscal year ended June 30, 2026
Cash flows from operating activities		
Profit before income taxes	1,890,498	2,106,239
Depreciation	1,444,236	1,711,632
Increase (decrease) in provision for bonuses	(2,117)	3,414
Increase (decrease) in provision for bonuses for directors	5,599	(9,896)
Increase (decrease) in provision for retirement benefits	(12,695)	22,319
Increase (decrease) in provision for share awards	5,972	6,099
Increase (decrease) in provision for share awards for directors	15,553	13,113
Interest and dividend income	(52,416)	(64,257)
Commitment fee	5,236	5,249
Compensation expenses	11,735	13,698
Loss on retirement of non-current assets	-	16,963
Loss (gain) on sale and valuation of investment securities	-	5,953
Decrease (increase) in trade receivables	1,985,141	(2,031,799)
Decrease (increase) in inventories	222,831	(142,909)
Increase (decrease) in trade payables	(760,649)	554,588
Increase (decrease) in accrued consumption taxes	332,967	(404,303)
Other, net	10,229	(280,777)
Subtotal	5,102,123	1,525,328
Interest and dividends received	52,146	63,912
Commitment fee paid	(5,008)	(5,236)
Compensation paid	(7,541)	(14,899)
Income taxes paid	(878,115)	(1,255,662)
Net cash provided by (used in) operating activities	4,263,605	313,442
Cash flows from investing activities		
Payments into time deposits	-	(600,000)
Purchase of property, plant and equipment	(319,919)	(522,423)
Purchase of intangible assets	(1,351,727)	(607,000)
Purchase of investment securities	(3,081)	(4,077)
Proceeds from sale and redemption of investment securities	-	2,864
Proceeds from cancellation of insurance funds	75,551	-
Other, net	149	432
Net cash provided by (used in) investing activities	(1,599,028)	(1,730,205)
Cash flows from financing activities		
Dividends paid	(1,050,764)	(972,407)
Repayments of lease liabilities	(1,340)	(2,597)
Purchase of treasury shares	(64)	(0)
Net cash provided by (used in) financing activities	(1,052,168)	(975,006)
Effect of exchange rate change on cash and cash equivalents	(3,327)	3,598
Net increase (decrease) in cash and cash equivalents	1,609,081	(2,388,170)
Cash and cash equivalents at beginning of period	4,813,894	6,422,975
Cash and cash equivalents at end of period	6,422,975	4,034,804

(5) Notes on the Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policy

1. Basis and methods of asset valuation

(1) Basis and methods of securities valuation

Shares of subsidiaries and associates:	Stated at cost determined using the moving-average method
Held-to-maturity debt securities:	Stated at amortized cost using the straight-line method
Available-for-sale securities:	
Securities other than shares, etc. without market prices:	Stated at fair value, with all valuation differences recognized directly in net assets and the cost of securities sold determined using the moving-average method.)
Shares, etc. without market prices:	Stated at cost determined using the moving-average method

(2) Basis and methods of inventory valuation

Merchandise, work in process and supplies	Stated at cost determined using the specific identification method, with carrying amounts written down to reflect any decline in profitability.

2. Depreciation and amortization methods for non-current assets

(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 of five years. For software for sale, amortization is recognized at the greater of (i) the amount calculated based on estimated sales revenue and (ii) the amount calculated using the straight-line method over the software's remaining useful life of three years.

(3) Leased assets

Leased assets are depreciated using the straight-line method over the lease term, with a residual value of zero.

3. Accounting for allowances and provisions

(1) Allowance for doubtful accounts

To provide for losses on uncollectible receivables, an allowance for doubtful accounts is recognized. For general receivables, the allowance is calculated based on the historical credit loss rate. For doubtful receivables and other specific receivables, it is based on the estimated uncollectible amounts determined through an individual assessment of collectibility.

(2) Provision for bonuses

To provide for the payment of employee bonuses, a provision is recognized based on the amount expected to be paid for services rendered during the current fiscal year.

(3) Provision for bonuses for directors

To provide for the payment of bonuses to directors, a provision is recognized based on the amount expected to be paid for the current fiscal year.

(4) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, a provision is recognized based on the retirement benefit obligation as of the end of the current fiscal year.

(i) Method of attributing expected retirement benefits to periods of service

In calculating the retirement benefit obligation, the Company uses the benefit formula basis to attribute expected retirement benefits to periods of service through the end of the current fiscal year.

(ii) Method of amortizing actuarial gains and losses and past service costs

Past service costs are recognized as expense in amounts using the straight-line method over a fixed period of 10 years, which is within the average remaining service period of employees at the time they arise.

Actuarial gains and losses are recognized as expense, beginning in the fiscal year following the year in which they arise, in amounts allocated using the straight-line method over a fixed period of 10 years, which is within the average remaining service period of employees at the time they arise in each fiscal year.

(5) Provision for share awards

To provide for awards of the Company's shares to executive officers, a provision is recognized based on the estimated share award obligation as of the end of the current fiscal year under the rules governing share awards to officers.

(6) Provision for share awards for directors

To provide for awards of the Company's shares to directors, a provision is recognized based on the estimated share award obligation as of the end of the current fiscal year under the rules governing share awards to officers.

4. Basis for recognition of revenue and expenses

Revenues from contracts with customers

The Company recognizes revenue by applying the following five-step model:

Step 1: Identify the contracts with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the distinct performance obligations in the contract.
Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

The Company generates revenue from software development, the sale of products and merchandise, and the provision of maintenance and other services. Revenue from each of these activities is recognized as described below.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties. The Company recognizes revenue when control of goods or services is transferred to the customer.

Consideration for performance obligations is generally received within one year after those performance obligations are satisfied and does not include a significant financing component.

i. Software development

Transactions generating revenue from the provision of software development services include system development under contracts for work or quasi-mandate contracts. For certain transactions under contract for work, the Company determines that the relevant performance obligations are satisfied over time and recognizes revenue using the cost-to-cost method (based on the ratio of cumulative actual costs incurred to estimated total costs as of the reporting date). Revenue recognized before the customer is billed is recognized as a contract asset.

For transactions under quasi-mandate contracts, the Company provides services at a generally consistent level throughout the contract term and therefore determines that the relevant performance obligations are satisfied over time. Revenue is recognized by allocating the amount promised in the contract with the customer over the service period.

ii. Sale of products and merchandise

Transactions generating revenue from the sale of products and merchandise include sales of hardware and software.

The Company determines that the relevant performance obligations are satisfied when the contractual delivery terms are met, such as delivery of products and merchandise, including hardware and software, to the customer and receipt of customer acceptance. Revenue is recognized at that point in the amount of consideration promised in the contract with the customer.

With respect to software sales, security products developed by the Company are shipped and delivered to customers at substantially the same time. Because the customer obtains control of the products upon shipment, the Company determines that the relevant performance obligation is satisfied at that point and recognizes revenue upon shipment.

For merchandise sales for which the Company determines that it acts as an agent, revenue is recognized at the net amount calculated by deducting the amount paid to another party from the amount received in exchange for merchandise provided by that party.

iii. Provision of services
Transactions generating revenue from the provision of services include maintenance, subscription, and cloud services.

These transactions involve routine or recurring services, and the Company therefore determines that the relevant performance obligations are satisfied over time as the services are provided to the customer in accordance with the contract. Revenue is recognized by allocating the amount promised in the contract with the customer over the period in which the services are provided. However, if the amount is immaterial, revenue is recognized in full in the month in which the maintenance or other service commences.

5. Scope of cash and cash equivalents in the statement of cash flows
Cash and cash equivalents in the statements of cash flows include cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments in Associates and Equity-Method Information

1. Matters relating to associates

(Thousands of yen)

	As of June 30, 2025	As of June 30, 2026
Carrying amount of investments in associates	24,680	24,680
Carrying amount of investments in associates if the equity method were applied	180,525	189,151

	Fiscal year ended June 30, 2025	Fiscal year ended June 30, 2026
Equity in earnings of associates if the equity method were applied	14,562	5,640

2. Matters relating to special purpose companies subject to disclosure
   The Company has no special purpose companies subject to disclosure.

Segment Information

Segment information is omitted because the Company has a single reportable segment.

Per Share Information

	Fiscal year ended June 30, 2025	Fiscal year ended June 30, 2026
Net assets per share	361.91	384.42
Basic earnings per share	51.55	56.79

*1. Diluted earnings per share is not presented because the Company has no potential shares.
*2. The basis for the calculation of basic earnings per share is as follows:

(Thousands of yen, unless otherwise noted)

	Fiscal year ended June 30, 2025	Fiscal year ended June 30, 2026
Profit	1,349,786	1,487,011
Amount not attributable to common shareholders	–	–
Profit attributable to common shares	1,349,786	1,487,011
Average number of common shares outstanding during the period (Shares)	26,181,663	26,183,302

Note: For the purpose of determining net assets per share and basic earnings per share, the Company's shares held by the Board Benefit Trust (BBT) are included in the treasury shares to be deducted in calculating the total number of issued shares at the end of the period and the average number of shares outstanding during the period.

The total number of such treasury shares deducted at the end of the period was 98,200 shares as of June 30, 2025 and 95,800 shares as of June 30, 2026, while the average number of shares outstanding during the period was 98,200 shares for the fiscal year ended June 30, 2025 and 96,556 shares for the fiscal year ended June 30, 2026.

Significant Subsequent Events

Not applicable