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May 7, 2025

Non-consolidated Financial Results for the Nine Months Ended March 31, 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/
Representative: Koji Kawakami, Chief Executive Officer, Representative Director
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Scheduled date to commence dividend payments: —
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 nine months ended March 31, 2025 (from July 1, 2024 to March 31, 2025)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	11,530	7.2	1,445	(3.4)	1,460	(2.9)	1,024	(0.3)
March 31, 2024	10,751	8.6	1,496	31.7	1,503	29.9	1,027	31.6

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2025	39.13	—
March 31, 2024	39.16	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	18,033	9,134	50.7
June 30, 2024	16,847	9,222	54.7

Reference: Equity
As of March 31, 2025: ¥9,134 million
As of June 30, 2024: ¥9,222 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2024	—	15.00	—	25.00	40.00
Fiscal year ending June 30, 2025	—	15.00	—		
Fiscal year ending June 30, 2025 (Forecast)				20.00	35.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

Ordinary dividend: 15.00 yen

Commemorative dividend: 10.00 yen

3. Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 to June 30, 2025)

	Net sales		Operating profit		Ordinary profit		Profit		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	16,000	10.2	2,250	10.8	2,290	10.5	1,590	11.9	60.50

Note: Revisions to the most recently announced forecast: None

*** Notes**

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

(2) 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: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 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 March 31, 2025	158,342 shares
As of June 30, 2024	158,286 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended March 31, 2025	26,181,665 shares
Nine months ended March 31, 2024	26,231,936 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 March 31, 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 March 31, 2025, 47,984 shares as of March 31, 2024).

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit firm: None

* 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 (3) Statement for the Future Forecast such as Business Forecast" on page 6 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 May 9, 2025. The materials for this presentation will be uploaded to the company’s website soon after the event.

Contents

1. Overview of Operating Results

(1) Report of Operating Results

In the first nine months of FY06/2025, the domestic economy recovered moderately, although some sluggishness remained. Consumer spending rebounded, and capital investment, particularly in software, grew, with overall business performance improving moderately. In the credit card industry, our main area of business, the transaction volume of credit card companies continued to exceed the previous year's results. The cashless payment ratio reached 42.8% in 2024, reaching the government's target of around 40% by 2025. In the future, the government aims to achieve a cashless payment ratio of 80% through necessary environmental improvements.

In the credit card industry, financial institutions, including credit card companies, have been considering system modernization, open systems initiatives, and migration to cloud services in recent years, in line with the increasing use of cashless payments. In addition, demand for fraud detection has surged due to increasing losses caused by fraudulent card use. There is also a growing appetite for IT investment in security across all industries.

In this business environment, we have formulated a new 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.

In formulating the medium-term management plan, we have reorganized our business domains into three by the functions we provide, based on our business diversification policy. In the core payment domain, we will expand our business scope by leveraging our advantageous position in the payment industry, unique products, and technological strengths. We will contribute to the industry's digital transformation and lead the development of a cross-industry fraudulent use countermeasure scheme. In the security domain, we will strengthen sales, focusing on our highly profitable proprietary products, and collaborate with other companies to provide end-to-end security solutions, from development to operation. In this way, we will grow this domain into a second business pillar following the payment domain. In the data communication and analytical infrastructure domain, we will pursue new business opportunities by expanding into growth markets using our core "high-speed, large-capacity, and analysis" technologies.

To achieve these goals, we will focus on three key areas of transformation: "business," "technology," and "human resources." Additionally, we will strengthen our competitiveness by further enhancing cooperation with the DNP Group, leveraging our respective customer bases. We have positioned this three-year period as a time to fortify our earnings base to support business diversification, and we will implement various initiatives to achieve stable growth over the medium to long term.

In the first nine months of the fiscal year under review, the mainstay areas of FEP* and fraud detection in the payment domain performed well, and in the security domain, products were introduced to major customers. As a result, net sales were ¥11,530 million (up 7.2% year on year), operating profit was ¥1,445 million (down 3.4% year on year), ordinary profit was ¥1,460 million (down 2.9% year on year), and profit was ¥1,024 million (down 0.3% year on year).

As for the breakdown of net sales, in the payment domain, sales in the FEP and fraud detection areas increased. This was due to system upgrades by existing customers, and an increase in the number of companies using cloud services. In addition to the release of a major FEP cloud service project in January, in the fraud detection area, demand from card companies for both on-premise development and cloud services remained strong due to the recent increase in fraudulent card use. In the acquiring area, sales declined due to a decrease in system development projects for a major credit card company, following a transition to the development phase.

In the security domain, sales increased due mainly to the introduction of products at a major customer. In the data communication and analysis infrastructure domain, sales increased due to system development for securities companies.

As for gross profit, margins for system development and maintenance in the payment domain remained strong, but overall profitability declined due to higher infrastructure costs for cloud services and the impact of the product mix in the security domain. We will continue to improve gross margins by reducing infrastructure and operating costs for cloud services, enhancing productivity in system development and maintenance, and adjusting prices to better reflect the value provided. 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 ¥16,133 million yen (up 17.1% year-on-year), and the order backlog was ¥21,187 million yen (up 51.4% year-on-year). The order backlog increased significantly due to recurring revenue* projects for infrastructure operation services for financial institutions, cloud services in the payment domain, and security products. To achieve the goals of the medium-term management plan, we are currently working to expand the payment domain, particularly in the acquiring area, and to create new card fraud countermeasures. In the security domain, we are working to expand our customer base and business area by participating in the all-in-one security BPO service provided by the DNP Group.

For cloud services in the payment domain, net sales were ¥2,508 million (up 39.5% year on year) and gross profit was ¥286 million (up 4.3% year on year). As for orders, cloud services primarily consist of multi-year contract orders, with an order backlog of ¥10,935 million as of March 31, 2025.

(Reference) Sales by business domain (millions of yen)

	Previous term (from July 1, 2023 to March 31, 2024)	Current term (from July 1, 2024 to March 31, 2025)	Year on year
Payment	8,960	9,452	105.5%
Cloud services	1,799	2,508	139.5%
Security	1,207	1,481	122.7%
Data communication and analysis infrastructure	583	597	102.3%
Total	10,751	11,530	107.2%

In the payment business domain, we primarily develop front-end processing (FEP) systems* and fraud detection systems for credit card companies. The core systems consist of in-house products, such as "NET+1" and "'ACEPlus." In the development of FEP systems, sales are recorded separately for in-house products, customized system development to meet customers' functional requirements, and hardware equipped with the developed software.

In the security business domain, we are developing and selling "CWAT," an in-house product designed to prevent internal information leaks for corporate organizations, as well as third-party products for cybersecurity protection.

*1Front-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 March 31, 2025, total assets were ¥18,033 million, up ¥1,185 million from the end of the previous fiscal year. Current assets amounted to ¥9,736 million, up ¥456 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 ¥342 million, while there was an increase of ¥796 million in advance payments to suppliers.

Non-current assets totaled ¥8,296 million, up ¥728 million from the end of the previous fiscal year. This was mainly due to an increase of ¥251 million in intangible assets and ¥609 million in deferred tax assets.

(Liabilities)

As of March 31, 2025, total liabilities amounted to ¥8,898 million, up ¥1,273 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥201 million in notes and accounts payable–trade, while there were increases of ¥1,007 million in advances received and ¥277 million in consumption taxes payable.

(Net Assets)

Net assets amounted to ¥9,134 million as of March 31, 2025, down ¥88 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 ¥61 million and a decrease of retained earnings of ¥26 million.

(3) Statement for the Future Forecast such as Business Forecast

There is no revision to the business forecast announced on August 7, 2024, "Summary of Non-consolidated Financial Results for the Fiscal Year Ended June 2024."

2. Quarterly Financial Statements

(1) Quarterly Balance Sheet

Thousands of yen

	Previous term end (as of June 30,2024)	Current term end (as of March 31,2025)
Assets		
Current assets		
Cash and deposits	4,820,601	4,884,411
Notes and accounts receivable - trade, and contract assets	2,453,677	2,110,977
Inventories	366,153	293,793
Other	1,639,328	2,447,471
Total current assets	9,279,761	9,736,654
Non-current assets		
Property, plant and equipment	1,297,691	1,269,803
Intangible assets		
Software	3,119,998	3,776,711
Other	876,099	470,977
Total intangible assets	3,996,098	4,247,689
Investments and other assets		
Investment securities	1,314,398	1,237,120
Other	959,554	1,541,821
Total investments and other assets	2,273,952	2,778,942
Total non-current assets	7,567,742	8,296,435
Total assets	16,847,503	18,033,089
Liabilities		
Current liabilities		
Notes and accounts payable - trade	632,961	431,721
Income taxes payable	539,228	685,043
Advances received	4,517,696	5,524,824
Provision for bonuses	307,703	567,379
Provision for bonuses for directors	28,870	33,109
Other	780,087	841,355
Total current liabilities	6,806,548	8,083,432
Non-current liabilities		
Provision for retirement benefits	626,850	611,380
Provision for share awards	4,193	8,640
Provision for share awards for directors	8,920	20,280
Asset retirement obligations	97,192	97,298
Other	80,960	77,512
Total non-current liabilities	818,116	815,112
Total liabilities	7,624,665	8,898,545
Net assets		
Shareholders' equity		
Share capital	843,750	843,750
Capital surplus	573,099	573,099
Retained earnings	7,419,262	7,392,495
Treasury shares	(126,570)	(126,634)
Total shareholders' equity	8,709,542	8,682,710
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	513,296	451,833
Total valuation and translation adjustments	513,296	451,833
Total net assets	9,222,838	9,134,544
Total liabilities and net assets	16,847,503	18,033,089

(2) Quarterly Income Statement

Thousands of yen

	Previous term (from July 1,2023 to March 31,2024)	Current term (from July 1,2024 to March 31,2025)
Net sales	10,751,997	11,530,985
Cost of sales	7,273,082	7,997,421
Gross profit	3,478,915	3,533,563
Selling, general and administrative expenses	1,982,369	2,088,005
Operating profit	1,496,546	1,445,557
Non-operating income		
Interest income	2,478	3,977
Dividend income	24,713	24,578
Insurance claim income	13,000	—
Other	5,921	11,277
Total non-operating income	46,114	39,834
Non-operating expenses		
Interest expenses	—	17
Commitment fees	4,325	3,941
Foreign exchange losses	2,569	3,561
Compensation expenses	27,532	14,190
Other	4,620	3,332
Total non-operating expenses	39,047	25,043
Ordinary profit	1,503,612	1,460,348
Profit before income taxes	1,503,612	1,460,348
Income taxes - current	585,568	1,027,178
Income taxes - deferred	(109,183)	(591,258)
Total income taxes	476,385	435,919
Profit	1,027,226	1,024,428

(3) Notes on the Quarterly Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

For the nine months of the current fiscal year (from July 1, 2024 to March 31, 2025),

Not applicable.

(Adaption of unique accounting method for quarterly financial statements)

For the nine months of the current fiscal year (from July 1, 2024 to March 31, 2025),

Not applicable.

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

Effective from the first quarter of the 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 ¥59,382 thousand compared with the previous method for the nine months ended March 31, 2025.

(Business Segment)

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

(Cash Flow Statement)

We do not prepare quarterly cash flow statements for the cumulative nine-month period of the fiscal year.
Depreciation and amortization expenses for the cumulative nine-month period were as follows.

Thousands of yen

	Previous term (from July 1,2023 to March 31,2024	Current term (from July 1,2024 to March 31,2025
Depreciation	790,835	978,157