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September 13, 2023
INTELLIGENT WAVE INC.
(Code: 4847 TSE Prime market)

Notice of Progress and Changes in the Plan for Compliance with the Criteria for Remaining Listed

On December 8, 2021, our company submitted a plan to comply with the criteria for remaining listed on the Prime Market of the Tokyo Stock Exchange (TSE) and disclosed the details thereof. The progress of the plan as of June 2023 is as follows.

1. Listing maintenance criteria and planning period

The status of our company's compliance with the criteria for remaining listed on the Prime Market as of June 2023 and changes to that status are as follows. We are not in compliance with the standard for the market capitalization of tradable shares.

We had initially planned to meet that standard at the end of June 2024. We have now extended our expected compliance date to the end of June 2025. By that time, we will undertake various measures to comply with the standard for the market capitalization of tradable shares.

		No. of shareholders	No. of tradable shares	Market cap of tradable shares	Ratio of tradable shares	Average daily trading value
Change in compliance status	As of the end of Jun. 2022	7,643	124,502 lots	¥8.1 billion	47.2%	¥25 million
	As of the end of Jun. 2023	8,292	125,014 lots	¥9.3 billion	47.4%	¥87 million
Criteria for remaining listed		800	20,000 lots	¥10 billion	35.0%	¥20 million
Conformance status		Compliant	Compliant	Noncompliant	Compliant	Compliant
Planned period				End of June 2025		

Notes: Our compliance status is based on calculations referencing the TSE's understanding of the distribution of our share certificates as of the record date.

We have calculated the average daily trading value as of the end of June 2022 as the average from January 2021 to December 2021.

The TSE has calculated the average daily trading value as of the end of June 2023 as the average from January 2022 to December 2022.

2. Implementation and evaluation of initiatives to comply with the listing maintenance criteria

(July 2021 to June 2023)

The Company's basic policy is to increase its corporate value and comply with the standards for remaining listed by achieving the goals of its three-year medium-term business plan (July 2022 to June 2024) and continuing efforts to strengthen shareholder returns, enhance corporate governance, and address ESG issues.

In the fiscal year ended June 2023, the second year of our three-year medium-term business plan, net sales and gross profit were essentially in line with the plan. Operating profit was lower than our initial forecast due to an increase in SG&A expenses stemming from investments in human capital, including wage increases, improvements to the office environment, and IT investment.

In the fiscal year ending June 2024, the final year of our three-year medium-term business plan, we expect to reach our numerical targets as originally planned.

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(Reference)	Million yen		
	FY06/23 Actual	FY06/23 Initial forecast	FY06/24 Forecast
Net sales	13,374	13,500	15,000
Gross profit	4,269	4,310	5,000
SG&A expenses	2,713	2,510	2,750
Operating income	1,556	1,800	2,250

In terms of shareholder returns, we began paying an interim dividend, and increased our dividend payout ratio from around 40% to around 50%. We plan to pay a commemorative dividend for the 40th anniversary of our founding in the fiscal year ending June 30, 2024. In these ways, we are working to enhance shareholder returns. These moves reflect the fact that we have succeeded in generating stable profits and made progress in laying the foundations for sustainable growth.

We are also pursuing initiatives to address corporate governance and environmental, social, and governance (ESG) issues to meet the standards required of the Prime Market. Regarding ESG issues, we identified material issues and responded to disclosure based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and we are disclosing this information successively in our annual securities report and on our corporate website.

3. Future issues and initiatives to comply with the listing maintenance criteria

Under the criteria of market capitalization of tradable shares, as of June 2023 we were not compliant with the standard for remaining listed. Our market capitalization increased after our earnings announcement for the fiscal year ended June 2023. Our average stock price for the one-month period after the announcement was ¥897 (August 3 to September 2, 2023), and the market capitalization of tradable shares calculated by this stock price was ¥11.2 billion. As of September 12, we remain above the criteria for remaining listed on the Prime Market.

We believe that business scale and profit growth are important to maintaining and increasing our market capitalization. Under our three-year medium-term business plan (July 2022 to June 2024), we aim to achieve net sales of ¥15 billion, operating income of ¥2.25 billion, and an operating income margin of 15%. We believe that these achievements will further increase our market capitalization.

Regarding the current state of our business, in the payment and finance businesses, including the credit card industry, which is our mainstay field, there is an accelerating trend toward modernization of system infrastructure and the move to cloud services, and demand for system investment remains high. To take advantage of this opportunity, we are further expanding our business domains from the FEP and fraud detection domain, where we hold a top share of the market. In cloud services, launched in 2016, we have greatly expanded the number of users over the past two years, and we plan to increase net sales in this area by 30% in the fiscal year ending June 2024.

At the same time, we are working to improve profitability. The gross margin for system development and maintenance continues to improve because of efforts to enhance the productivity and quality of system development. Going forward, we will aim to further increase our profit margins by stepping up system development that utilizes packaged products, which are our strengths.

In addition, in accordance with our three-year medium-term business plan, we are working to establish a foundation for human resources and co-creation for sustainable future growth. In April 2023, we established the Human Capital Management Promotion Office to strengthen the links between our business strategy and our human resource strategy and began developing human resources for the next generation of growth. In

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In addition, we are working to create a “co-creation-type office” environment that aims to promote real communication and foster innovation, and to expand various systems that support employee comfortable working environments and autonomous career development. Through these initiatives, we will continue to aim for sustainable growth and increased corporate value.

We believe our market capitalization of tradable shares will exceed the criteria for remaining listed when we reach the targets of our three-year medium-term business plan (July 2021 to June 2023). However, as the share price includes elements that we cannot address solely through our efforts alone, we have decided to extend the planning period by one year. By that date, we are confident that we will satisfy the criteria for remaining listed.

In August 2024, we plan to announce a new three-year medium-term business plan starting in the fiscal year ending June 2025.

Inquiries:

Investor Relations,

INTELLIGENT WAVE INC.

E-mail : ir_info@iwi.co.jp