

**Speaker: Focus Systems Corporation (MC)**

It is now time to begin the financial results briefing for Focus Systems Corporation for the interim period ending March 2026. Thank you very much for taking the time out of your busy schedules to attend this briefing. First, I would like to introduce the attendees: Representative Director and President Mori Keiichi, Representative Director and Vice President Miura Hiroyuki, and Managing Director and Executive Officer Goto Makoto. Before we start, I would like to mention some requests and important information.

This briefing will include a Q&A session after the financial results report. If you have any questions, please enter them using the Q&A function on the control panel. We will accept questions until around 4 PM when the Q&A begins. Due to time constraints, we may not be able to answer all questions, so we appreciate your understanding in advance. If you have any other concerns, please let us know through the Q&A function. Now, I would like to hand over to our representative director and president, Mori Keiichi, for the report.

**Speaker: Focus Systems Corporation (Mori Keiichi)**

Hello everyone. I am Mori, the representative director and president of Focus Systems Corporation. Thank you very much for joining us today despite your busy schedules. I will be reporting on the business overview of the interim financial results for the fiscal year ending March 2026, the current financial situation, and the earnings forecast for the current term. I will explain this in the following order.

First, let's look at the status of the interim financial results.

This is the performance for the second quarter of the fiscal year ending March 2026. Sales amounted to 17 billion 299 million yen, operating profit was 1 billion 721 million yen, operating income reached 1 billion 735 million yen, and net profit stood at 1 billion 243 million yen.

Compared to the previous term's interim accounting period, sales revenue increased by 1 billion 336 million yen, operating profit rose by 903 million yen, operating income grew by 900 million yen, and net profit increased by 673 million yen. Looking at the growth rates, sales revenue saw an increase of 8.4%, operating profit surged by 110.4%, operating income climbed by 107.9%, and net profit also rose by 118.4%. I believe we have had a very good interim period.

Currently, with the international situation and various risks, including the impact of the Covid-19 pandemic, our company has been focusing on our business portfolio. The portfolio strategy always considers a certain level of risk when planning, and I believe this is why we have secured a certain percentage in areas that are not influenced by management crises or social conditions, resulting in such outcomes.

I would like to discuss specifically which areas have seen an increase later on, but overall, we have achieved very good results, including profits. Moving forward, I would like to talk about what to expect in the third quarter, the financial results, and the outcomes of the mid-term management plan.

First, regarding the comparison to our plans, as you can see, both sales and profits are progressing according to our expectations. I believe the current business environment is extremely favorable, and I think sales revenue and profits will continue to follow this trend.

One aspect to consider is the review of contracts with our business partners.

Due to the recent rise in prices, there have been some revisions and adjustments. Additionally, we have been implementing base salary increases almost every year, and we are also properly addressing price transfers to absorb these increases in unit prices. As a result, I believe we have seen smooth progress in that area.

This year marks the third year of our mid-term management plan, and we are considering what initiatives to undertake in the next three years, as well as how to achieve the initially set operating profit margin of 8%. This is the outcome of company-wide discussions. We have seen an increase in high-revenue projects, and we are generating profits through price negotiations. Furthermore, by thoroughly managing project management and risk, we believe these efforts have contributed to the results we are seeing now.

Next, I will explain the overview of each segment.

First, let's talk about the public sector. We have secured a profit of 900 million yen against sales of over 5 billion 200 million yen, resulting in a profit margin of approximately 17%. The public sector is a

segment with high social significance and great responsibility, characterized by a lifecycle that operates over the medium to long term and is not influenced by economic fluctuations. Regarding total sales, out of the overall sales of approximately 17 billion yen for the interim period. About 30 percent is accounted for by this segment.

Additionally, this fiscal year, we have become a core partner of the NTT Data Group, which I believe will lead to even stronger collaboration in the future. I think we have established a foundation that will allow for further growth.

In terms of sales revenue, there was an increase of 5.7% compared to the same period last year, and profits increased by 19.4%.

Next is the enterprise segment. The enterprise generated sales of just under 5 billion 300 million yen, with profits of about 900 million yen, resulting in a profit margin of just over 16%. Similarly, about 30% of the 17 billion yen total comes from this segment. The increase in sales revenue is comparable in scale to public works, which is a characteristic of this department.

This is a department that is currently engaged in the development of core business systems for corporate enterprises, web system development, design and construction of network infrastructure, operational maintenance related to RPA solutions, and consulting regarding ICT, as mentioned here.

Here, there is a mention of an increase in low-profit projects, which refers to the various low-profit projects that existed up until last fiscal year. The current situation is that, although there were some issues regarding the approach to work, we are now covering those areas. As indicated here, through cross-selling and upselling effects, we can expect significant revenue and profit growth this fiscal year, and things are going well.

Next is the wide-area solutions segment. This department has generated nearly 2 billion 900 million yen in sales, with profits exceeding 400 million yen, resulting in a profit margin of just under 15%.

This department covers areas outside of Tokyo, including Nagoya and Osaka, and is engaged in both public and private sectors. Additionally, it is a department that manages several long-standing businesses that have been continued since our founding.

The department has gained a great deal of trust from our customers. Last year and the year before, we faced unprofitable projects and went through a very tough situation. However, we managed to properly rebuild from that, and I believe that this year, which is the final year of our mid-term management plan, we have established a solid foundation.

Additionally, we are also working on new projects. We are a department that is also working on new business initiatives in the medical field, and we are showing concrete progress in our efforts related to AI in medical imaging. For example, we are involved in the development of AI-equipped gait analysis tools and collaborative development of cognitive function screening applications, working together with various medical universities, schools, and medical institutions.

The fourth aspect is innovation. This area has generated sales of nearly 3.9 billion yen, with a profit of about 550 million yen, resulting in a profit margin of just over 14%.

Our department has been conducting transactions with our largest clients, Kyndryl Japan and IBM Japan, and we also handle our own products here. Currently, our efforts in the financial sector are progressing very smoothly, with profits showing a steady increase of about 27.9% compared to the previous year. Initially, there were some concerns regarding future transactions when Kyndryl Japan was spun off from IBM Japan, but on the contrary, we are now primarily developing around the infrastructure that Kyndryl has taken on after the spin-off. Similarly, IBM Japan is also...

In the development area as well, we believe that we are able to demonstrate our presence more than ever before.

This summarizes the situation in each segment. All four segments are progressing very smoothly as a whole company, and I think we will continue to do well as we move into the second half.

I am thinking in that way. Next, regarding the finance situation, the balance sheet is not particularly unusual. If I were to mention one thing, it would be that the investment securities have increased. As the company has mentioned before, this refers to the shares of FRONTEO.

The stock price is rising, which means that the amount of investment securities is also increasing. Additionally, the increase in cash deposits due to rising sales is the main situation, and it seems that this accounts for almost everything. The financial situation is also progressing very smoothly.

This is often mentioned by investors, but when asked how the company views the high market capitalization of FRONTEO's stock, I have ongoing discussions with the president of FRONTEO about how the company plans to achieve further growth in the future.

Regarding investments and such, I am considering that we may need to engage in those efforts while utilizing such funds at times like this. However, as for what to do with this stock at the moment, there are no specific discussions on that yet. Moving on to the next point.

This is an analysis of the changes in net profit. I think it would be good for you to take a look at this as well. The main increase is due to the rise in gross profit, which directly reflects the increase in sales and profits. Additionally, there is a special profit from the sale of investment securities, which comes from the sale of shares in NTT Data that our company held, as part of a merger with NTT. A profit of nearly 100 million yen has been generated from the sale.

Next, let's look at the financial situation and cash flow. There are no particular issues here either, and the operating cash flow has been steadily increasing, which has contributed to the rise in current deposits.

Additionally, there has been a slight increase in the number of employees, but some of the funds are being allocated to investments. However, this is not a problem at all in terms of the balance of how the company's cash flow is being utilized. I believe this indicates a stable situation.

Next, let's discuss the forecasts for performance and dividends. We are pleased to report that due to strong performance, we realized gains from the sale of NTT Data shares, which I mentioned earlier, in Q1. At the time of the Q1 announcement, we also declared an increase in dividends.

The amount of dividends has been increased continuously for the past five years, and if we include maintenance and increases, it has been 12 consecutive years.

Moving forward, we aim to continuously increase sales revenue and profits, and also to raise dividends.

This is part of the development and profit return cycle outlined in our medium-term management plan, which we intend to maintain moving forward.

This is what I have so far, but I would like to talk a bit about what the company is currently focusing on and working on. This pertains to our efforts towards realizing management that takes into account the cost of capital and stock price. I have extracted part of the document that was disclosed on October 27.

As key items, we aim for continuous improvement of ROE, correction of information asymmetry through strategic IR activities, and enhancement of brand recognition. We are pursuing an optimal capital structure that considers the growth stage of our business and risk tolerance, while balancing growth investments, financial soundness, and shareholder returns.

Next, I will discuss specific initiatives, and there is a table here that outlines how we will specifically tackle ROE and PER.

Each of these points is included in this document, but I believe that by properly addressing these issues as a company, we can further enhance the expectations from the market.

Now, regarding this medium-term management plan, this fiscal year marks the final year of the three-year period, specifically from April 2024 to March 2026. We have been working on strengthening the cycle of development and profit distribution, with an operating profit margin of 8% as our primary goal.

Initially, we considered this 8% to be a figure that the company must surpass, with sales revenue

projected at 33 billion 250 million yen and operating profit at approximately 2 billion 660 million yen. However, looking at the current figures, I believe we can achieve these numbers.

However, we are not simply looking at doubling the figures from the first half to project the end-of-term numbers.

Instead, we believe that the second half will focus on investments for the next fiscal year, enhancing our internal organization, increasing employee salaries, and various initiatives to secure more talented employees. We plan to actively challenge ourselves with investments in the second half. That concludes the company's mid-term figures.

If there are any questions, I would be happy to take them now. Thank you.

**Speaker: Focus Systems Corporation (MC)**

Now, we will move on to the Q&A session. If you have any questions, please submit them using the Q&A feature. In the meantime, I will answer the questions we received in advance. First, here is the first question.

**Speaker: Questioner**

Given that the population is decreasing, it is hard to believe that a business model that competes based on numbers can last long. What are your thoughts on this?

I will answer your question.

**Speaker: Focus Systems Corporation (Mori Keiichi)**

We have received your question regarding this business model. This is the business model that our company has been following for a long time, and I believe that transformation is necessary.

Although we are facing a declining population, fortunately, our number of employees is currently increasing. As many systems are still being created by hand, as long as we have people, both sales and profits are steadily growing in our current environment.

However, moving forward, I do not think that simply relying on the hourly wage or monthly rate of our employees is the correct approach.

We need to focus on developing our own products and consider specific expansions into new business areas in our upcoming mid-term and long-term management plans. This includes potential M&A opportunities that can create synergy.

In any case, we must build a business foundation and customer base that meets the expectations of our investors while expanding it. This remains unchanged as the foundation of our company. I would like to carefully consider the next new world while maintaining a solid grip on these aspects.

That is all.

**Speaker: Focus Systems Corporation (MC)**

Are there any other questions? We have received some inquiries.

**Speaker: Questioner**

While there are many small to mid-sized stocks with low liquidity, I believe that liquidity should be a consideration since they are prime stocks. I will respond to the question regarding whether you have any measures in mind.

**Speaker: Focus Systems Corporation (Mori Keiichi)**

This is a discussion about liquidity. I also recognize that liquidity is important. We have received various opinions from investors. For example, the strong performance of stock prices and trading volume after this earnings announcement is only possible because there are many participants who understand the stock. So, as I mentioned earlier, it refers to the information we announced on October 27, 2025.

We would like to work on liquidity in a way that definitely earns the trust of our investors, focusing on growth investment, financial soundness, shareholder returns, business revitalization, generation of cash, and enhancing dialogue. Moving forward, we aim to increase trading volume and advance the formation

of stock price through proactive information disclosure and corporate actions. That is all.

**Speaker: Focus Systems Corporation (MC)**

Next, we have received a question.

**Speaker: Questioner**

The question is whether there are plans to further increase the profit margin in the future. I will respond to this inquiry.

**Speaker: Focus Systems Corporation (Mori Keiichi)**

Yes, it's about the profit margin. Until now, the company has maintained a profit margin in the 6% range. When we presented the mid-term management plan with a target of 8%, I personally had some slight concerns about whether we could achieve that 8%. However, from the perspective of market investors, they mentioned that 8% is still not high at all. In fact, compared to other IT companies, I believe that 8% is not a high figure at all.

First, we need to ensure that we clear this 8% target, and then, in the next mid-term, we will naturally aim for even higher goals. While I cannot specify an exact percentage for the company at this moment, we are considering steadily building on this 8% as a foundation to increase our profit margin.

This year, I feel that I have been able to steadily build a foundation for earning. From here, I would like to continue the challenge of further increasing profit margins. That is all.

**Speaker: Focus Systems Corporation (MC)**

Are there any other questions? Since there are no questions, we will conclude the Q&A session. With that, we will end the financial results briefing for Focus Systems Corporation for the interim period ending March 2026. After this, the screen will change. We kindly ask for your cooperation in a survey that will take about three minutes.

Thank you very much for participating today.