

Presentation

Moderator: As it is now time, we will begin the earnings briefing for Focus Systems Corporation for FY2026. Thank you very much for taking the time out of your busy schedule to participate in our earnings briefing today. First, let me introduce the attendees. Representative Director and President Keiichi Mori, Representative Director and Vice President Hiroyuki Miura, and Executive Managing Director Makoto Goto. Before we begin, I would like to share some requests and notifications. This briefing session will include a Q&A period following the earnings report. If you have any questions, please submit them using the Q&A function on the control panel. We will accept questions until approximately 4:00 PM, when the Q&A session begins. Due to time constraints, we may not be able to answer all questions. Please understand this in advance. If you have any other questions or concerns, please let us know using the Q&A function. Now, President and CEO Keiichi Mori will present the report.

Mori: Hello, everyone. I am Keiichi Mori, President and Representative Director of Focus Systems Corporation. Thank you very much for joining us today despite your busy schedule. Today, we will report on the overview of our earnings results for FY2026, along with our financial situation and earnings forecast for this fiscal year. Here is the flow for today. We will start with the earnings summary, review the previous medium-term management plan, and explain the outline of the new medium-term management plan. Thank you. First, here is the earnings summary. As shown in these numbers, we reported net sales of JPY35,698 million, operating income of JPY3,036 million, ordinary income of JPY3,068 million, and net income of JPY2,333 million. Compared to the previous fiscal year, net sales increased 9.7%, operating income increased 39.8%, ordinary income increased 41.7%, and net income increased 48.9%. Additionally, compared to the plan for the fiscal year ending March 2026, which was also the final year of the medium-term management plan, net sales increased 7.4%, operating income increased 14.1%, ordinary income increased 15.3%, and net income increased 24.1%, as shown here. We were also able to successfully achieve the Operating profit margin of 8% or higher, which was stated in the medium-term management plan. Next, I will discuss the situation by segment, starting with Public-Related. First, our company was divided into four segments until last fiscal year, but starting this fiscal year, we have been reorganized into three segments. We will explain this again later, but first, we would like to discuss our performance based on last fiscal year's segment structure. First is the public sector-related business. As shown in this graph, sales increased by 9.0% YoY, and segment profit increased by 20.6% YoY. The average sales growth rate over the past four years was approximately 12%, and sales surpassed JPY10 billion for the first time in the previous fiscal year. The main reason for the increase was, first, the expansion of existing projects. One reason was that we had an abundant pipeline of projects, and we were able to complete them smoothly without any major issues. The second reason was that through thorough project management, we were able to complete them without any major failures. The third and final reason was that unit price negotiations went well, resulting in increases in both revenue and profit. The segment profit margin was also 17.68%, which is significantly higher than other segments, demonstrating the strong profitability of this public sector-related business. Next is the Enterprise segment. This segment is also growing very significantly. Revenue grew 21.6% versus the previous period, and segment profit grew 40% versus the previous period, demonstrating very strong performance in the previous fiscal year. One major reason is that we were able to successfully acquire new projects, and another is that we effectively expanded our organizational structure, which also led to strengthened proposal capabilities. In this sense, the Enterprise segment progressed very smoothly. As noted

here, there were large-scale projects related to intra-mart, and infrastructure-related projects also progressed very smoothly. Next is the Regional Solutions segment. This segment was eliminated starting this fiscal year. Rather than being eliminated, it was absorbed and redistributed into the Public-Related Business and Innovation Business starting this fiscal year to maximize business synergies and improve management efficiency. Here too, sales increased by 3.7% from the previous period, and segment profit also increased by 33.5% from the previous period. An unprofitable project occurred in this division in the first year of the medium-term plan, but it has now moved to the operational phase, and operations in that phase are progressing smoothly. Additionally, the shift to high-profitability projects has progressed, stable project management has been implemented, and price pass-through has also been successful in this division, resulting in increases in both sales and profit. Additionally, as we will discuss later, this division has also been able to work with various medical universities on AI-powered medical image analysis technology, and it has been achieving results early on in AI, which the company as a whole must tackle in earnest going forward. Finally, we have Innovation. Infrastructure projects performed very well, and prime contractor development projects also progressed smoothly. Sales increased 1.3% compared to the previous period, and Segment profit increased 14.7% compared to the previous period, with both sales and profit showing growth. In line with the medium-term management plan policy, this department focused on improving profitability and profit rather than increasing sales. While sales growth was modest, profit progressed smoothly. Additionally, as we will discuss later, projects related to geographic information system platforms and similar products have also been expanding. The average sales growth rate over the past four years for the three private-sector segments combined - Enterprise, Wide Area Solutions, and Innovation, excluding the Public sector - was approximately 10%. Next, regarding our financial position. Various figures are shown on the right side, but the main reasons are as follows. First, accounts receivable increased at the end of March in line with the increase in sales, and accordingly, accounts payable also increased due to higher outsourcing costs. Regarding the increase in investment securities, this happens every year, but the figure fluctuates based on the market value of FRONTEO, Inc. at the end of March, which had an impact of approximately JPY800 million. Additionally, regarding the previous fiscal year, we entered into a capital and business alliance with NTT DATA INTRAMART Corporation, which increased by approximately JPY460 million. The increase of JPY406 million in accounts payable is mostly due to settlement bonuses. This is in the form of unpaid settlement bonuses for employees. Other than that, there are no unusual movements at all, and the company's asset position continues without any particular issues. In addition, the company acquired Treasury stock. As a result, at the bottom, the main reason for the decrease is listed as an increase in Treasury stock of JPY886 million. Next is an analysis of the changes in net profit. Looking at the graph, profit increased by JPY767 million. Gross profit increased by JPY1.038 billion, while SG&A expenses increased slightly by JPY173 million. In addition, non-operating income, extraordinary income, and losses are as shown. As shown here, all segments achieved both revenue and profit growth, and as I mentioned at the beginning, the company's financial results are progressing very smoothly, with net income also trending very favorably. Similarly, cash flow has also increased steadily in line with this, and cash has been growing smoothly. First, operating cash flow is positive. Investment cash flow and financing cash flow are both negative, showing no unusual movements, and the company is earning profits through normal sales and regular operations, accompanied by investment securities investments. Regarding the large item last year, there was an acquisition of investment securities in the form of a business alliance with NTT DATA INTRAMART Corporation. In addition, in terms of finance, there was the acquisition of treasury stock. Also, with dividend payments, cash flows from financing activities were negative, but even taking that into account, the movement of cash remains sound. Now today, I would like to discuss our proprietary products a

bit.Regarding the expansion of our proprietary products, we released three products last fiscal year.Starting from the top, "WalkCare" is an AI-powered gait analysis tool.This is an app developed to prevent the decline in mobility associated with aging.It captures early signs of functional decline associated with aging in users and provides quantitative evaluation.The second one, "acuagraphy online," provides digital watermarking technology that can be utilized for content rights protection and countermeasures against unauthorized use.This had existed before, but we released it in a cloud-based version.It is a product that contributes to the protection of intellectual property across various industries and addresses the growing demand for digital rights management.The third one is "Netacoco."This is a proposal-based AI service for public relations departments, which discovers topics from internal networks to resolve issues such as content shortage and resource constraints faced by PR staff.Next, this can be viewed from the announcements on our official website, where we have listed our highly acclaimed activities.These are listed in the form of awards and partnerships, patent certifications, and case studies. "cotchi cotchi," shown under awards and partnerships, is a solution to prevent children from being left behind in daycare centers, and cases are emerging where not only individual daycare centers but also local governments are making bulk purchases.Additionally, as I explained earlier in the innovation section, this is "Esri Japan Corporation," the second from the bottom under awards and partnerships.This is one of the world's leading geographic information system software manufacturers.It already has several track records, and demand is expected to be very high going forward from the perspectives of national resilience and solving social issues. The company plans to develop this new area with local governments and private companies in mind.In addition, regarding patents, which we have discussed several times before, we have filed a joint application with the University of Tsukuba for "tertiary batteries."We obtained patent approval for it as an IoT device.There are many questions from investors about the tertiary battery, which is charged by temperature changes. Since its electromotive force is very small, they are asking whether it could be expected to be used for digital devices.There is no specific information we can share at this point, but if there is anything, we will promptly disclose it.Now, regarding the earnings and dividend forecast for FY51.We have projected sales of JPY39.0 billion, operating income of JPY3.5 billion, ordinary income of JPY3.5 billion, and current net income of JPY2.46 billion.The growth rates are up 9.2% for sales, up 15.3% for operating income, up 14.1% for ordinary income, and up 5.4% for current net income.We believe that if we achieve this, it will mark record-high revenue and profit growth for the second consecutive year, following the previous fiscal year.The reason why the percentage increase in current net income is relatively low is twofold. First, there is no partial corporate tax deduction from the wage increase tax credit, and second, while there were extraordinary gains in the previous fiscal year, we are not anticipating any extraordinary gains for this fiscal year. This is why the growth rate is lower.Additionally, we have set the annual dividend at JPY68 per share.This represents JPY16 per share for the interim dividend and JPY52 per share for the year-end dividend, resulting in a dividend payout ratio of 41.4% under the current situation.Regarding last fiscal year, we increased the dividend to JPY64, an increase of approximately 50% from JPY42 in the previous fiscal year, and we have further increased it by JPY4 from that level.As a result, including the dividend increase in our earnings forecast, we have achieved substantial progressive dividends for six consecutive years, and we intend to continue to properly return dividends to our investors in proportion to our ongoing profit growth.Now, we would like to review our previous medium-term management plan.The previous medium-term management plan, as shown here, had the theme of strengthening the development, profit, and return cycle, and we set forth three pillars: growth investment, profitability improvement, and returns to employees and shareholders.We believe that we have achieved all of these, as indicated by the circles here.Our actual ROE was also 15.9%, close to 16%, as shown here, compared to the plan.Operating profit margin also improved from over 8% to 8.5%, and we were able

to achieve all of the targets in our medium-term management plan. Looking at the past three years of this medium-term management plan, sales increased from JPY31.5 billion to JPY35.698 billion, and operating income grew from JPY1.974 billion to JPY3.036 billion, with operating income in particular increasing by 35% over the three years. Finally, we would like to discuss the new medium-term management plan. In formulating this new medium-term management plan, I believe there are two issues that the IT industry cannot avoid going forward, and the first one is the shortage of engineers. The first one is that as the working population is expected to decline, this labor-intensive business model may reach its limit. The other one is the rise of AI, which has been much talked about recently, and this rise of AI is approaching at a much faster pace than expected, with AI performance improving day by day, meaning the company must shift from a labor-intensive to a knowledge-intensive business model, which is the major theme of this medium-term management plan. This knowledge-intensive approach actively leverages AI and all other cutting-edge technologies. Without doing so, we would fall behind. Therefore, regarding discontinuous growth, while we have previously pursued stable growth, going forward, stable growth is naturally expected, but we must also consider growth that can achieve a dramatic leap at certain points. This means we are steering toward a stage of discontinuous growth, which is the content of this new three-year plan. Therefore, as shown here, we have set our vision as "A strategic partner supporting customer transformation through digital innovation." Regarding how we view this rise of AI, at this current stage, we believe it is very positive for the company. Rather than the notion that "people might become scarce in this IT industry, or might no longer be needed," in the short term, we believe this will not be the case. Conversely, we believe that the shortage of engineers will likely increase. However, when we think about the long term, we believe that companies will fall behind if they do not properly educate and develop employees who can effectively utilize AI within their organizations. Until now, as we mentioned earlier, we have been viewed as a company that steadily improves profitability based on a stable customer base. However, in this new mid-term management plan, we are shifting from this stage of improving profitability to a stage of discontinuous growth. We aim to transform ourselves from merely being a development partner to becoming a strategic partner that supports issue resolution from more upstream phases. For the mid-term, we aim to achieve an operating profit margin of 10%, which is even higher than the previous target of 8% or more. We are considering strengthening profitability through higher added value in our core business and raising productivity, as well as scalable expansion into digital transformation and consulting areas. In addition, although ROE was 15.9% in the previous fiscal year, we aim to become a company that can reliably achieve 16% or more. Regarding sales, we are targeting JPY45.0 billion, and regarding operating income, we are targeting JPY4.5 billion or more, which represents an operating profit margin of 10%. Also, regarding this investment, we have stated JPY8.5 billion for strategic investment and JPY3.5 billion for shareholder returns, but the JPY3.5 billion for shareholder returns currently only includes dividends for the three-year period. Therefore, we sometimes receive inquiries from investors, but if we were to conduct share buybacks in the future, we would like to implement them flexibly, separate from this JPY3.5 billion, based on the circumstances at that time. In any case, the company's current situation is very favorable. As we entered this new year, we are now in the latter half of April and May, and regarding the monthly results for April as well, there have been no particular major issues, and the company continues to progress smoothly. From here, in this new form as Focus Systems Corporation, we are determined to work on this as an entire company with a view to transitioning to a knowledge-intensive model going forward. While there is daily discussion in society about various issues concerning the rise of AI for IT companies in various forms, we will always keep a close eye on the current situation and ensure proper management of the company. We ask for your continued guidance

and support going forward. This concludes our financial results report and presentation for FY2026. Thank you for your attention. Thank you very much.

Question & Answer

Moderator: We will now move to the Q&A session.If you have any questions, please submit them using the Q&A function.In the meantime, we will answer the questions submitted in advance.There is a view that the advancement of generative AI will automate parts of system development and operations maintenance, potentially causing the system integrator business to shrink over the mid to long term.How does the company recognize the impact of the rise of AI on the business environment and performance, and what is its policy for responding to this?We will address this question.

Mori: As I mentioned a little earlier, the progress and rise of AI is advancing at a much faster pace than expected, and we fully anticipate that with the evolution of generative AI going forward, automation will advance in some operations from design to development, testing, and operation.However, on the other hand, the question is whether we can rely on AI for everything.That is a separate matter, and especially when you are in a public sector business like ours, most of our operations are such that we cannot rely 100% on AI.Therefore, we need to properly assess what is effective in the field and implement it in a form that can actually be used.In any case, we will leverage AI to enhance our own productivity.To achieve this, the company must also focus on developing AI talent and increase the number of personnel who can properly understand cutting-edge technologies and implement them in business transformation.The company believes this will lead to its future growth.That is all.

Moderator: That is all the questions submitted in advance.Are there any other questions?We have received a question.The operating profit margin is improving, but is it correct to understand that this is not due to temporary factors and can be sustained going forward?I will answer that question.

Mori: Okay.As we set a target operating profit margin of 10% in our medium-term business plan, this fiscal year's plan also projects a figure exceeding 8.5%.Therefore, regarding the improvement in profit margins going forward, this is not a temporary phenomenon, but rather the company will maintain proper management with a clear target of achieving 10%, initially as a three-year goal of 10%, and will conduct business operations to reach that 10% target. Please understand that this is not a temporary improvement.That is all.

Moderator: Are there any other questions?As there are no further questions, we will now conclude the Q&A session.This concludes the Focus Systems Corporation earnings briefing for FY2026.Also, the screen will switch after this.We ask for your cooperation in completing a survey that takes approximately three minutes.Thank you very much for participating today.[END]

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