ISB GROUP

ISB Group Financial Results

First Half of the Fiscal Year Ending December 31, 2026

ISB Corporation | **Securities code: 9702**

August 7, 2026

Company Overview

Kazufumi Wakao, Representative Director and President

Appointed January 2021

Company Name	**ISB Corporation**
Founded	**June 1970**
Representative	**Kazufumi Wakao** **Representative Director and President**
Share Capital	**¥2,426.03 million (as of April 27, 2026)**
Stock Exchange Listing	**Prime Market, Tokyo Stock Exchange** **(Securities code: 9702)**
Business Description	**Information Services Business (software development)** **Security Systems Business (access control systems)**
Number of Employees (Consolidated)	**2,752 (as of December 31, 2025)** ***Includes part-time and fixed-term contract employees.***
Consolidated Subsidiaries	**8** ***Japan: 7 / Overseas: 1***

ISB Group's Milestones

1970 ISB was founded

1985 SMC founded

1990 ISB traded on the OTC market

1999 Net sales exceeded ¥10 billion

2003 IVC founded

2008 ISB listed on the Tokyo Stock Exchange (TSE) 2nd Section

2012 ISB acquired KNOX

2014 ISB acquired HISB

2015 ISB listed on the TSE 1st Section

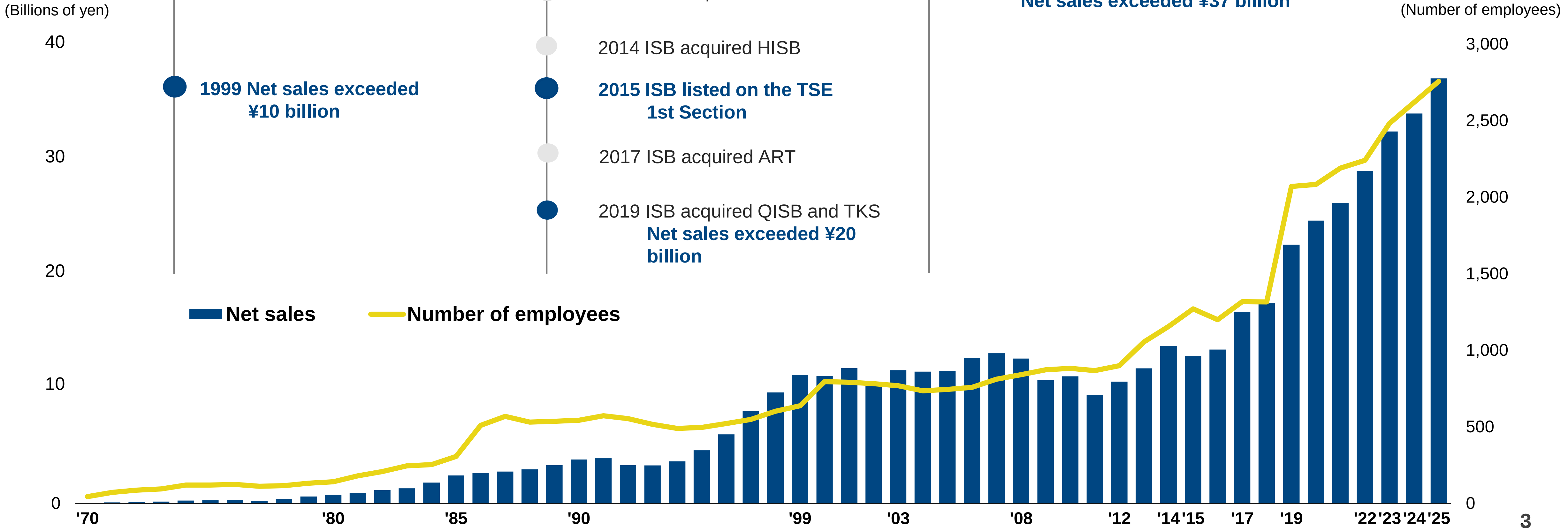
2017 ISB acquired ART

2019 ISB acquired QISB and TKS
Net sales exceeded ¥20 billion

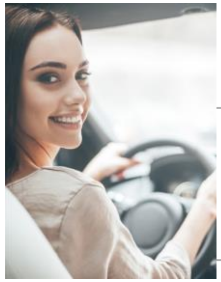
2022 ISB transferred to the TSE Prime Market

2024 ISB acquired AMBC

2025 ISB relocated its corporate headquarters
Net sales exceeded ¥37 billion



Business Areas of the ISB Group



■**Mobile Devices** / Smartphones

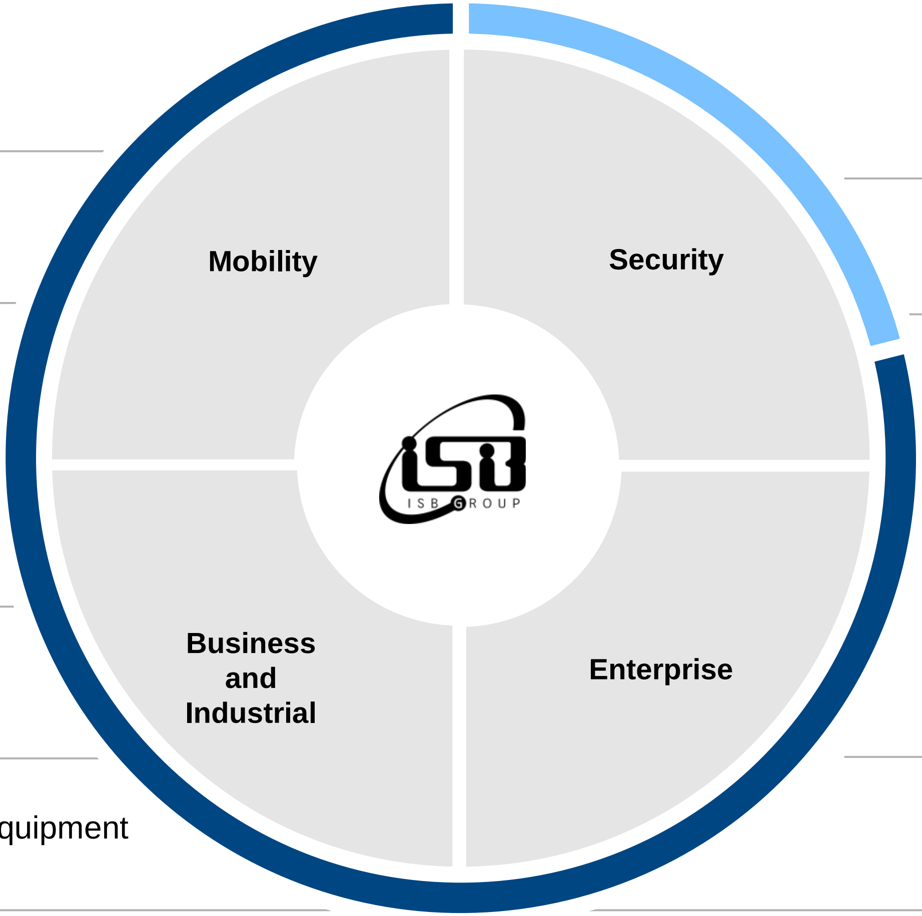
■**Telecommunications** / Wireless Base Stations

■**Automotive** / Automotive Systems

■**Business Systems** / Digital Transformation & AI Integration

■**Embedded Devices** / POS & Communication Modules

■**Medical Systems** / Diagnostic Equipment Systems & Cloud Infrastructure



■**Access Control Systems** / ALLIGATE

■**Mobile Device Management (MDM)**

■ **IoT** / Wi-SUN

■**Public Services** / Resident Services Systems

■**Banking and Securities** / Financial Systems

■**IT Infrastructure** / Mission-Critical Systems

*Reporting Segments:
- Information Services Business
- Security Systems Business

ISB GROUP

Agenda

01 First Half FY2026 Financial Results Overview

02 Initiatives Under the Medium- to Long-Term Business Plan 2030

Agenda

01 First Half FY2026 Financial Results Overview

02 Initiatives Under the Medium- to Long-Term Business Plan 2030

First Half FY2026 Financial Results Highlights

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Summary	• Progress is largely on track against the full-year forecast. • Strengthening order acquisition efforts to secure projects from the second half onward, while monitoring the impact of changes in the global environment and market conditions.		
Net Sales	**¥19,171** million	YoY: 104.0% Progress: 49.8%	Orders remained broadly solid, driving first-half net sales to a record high, led by the Security Systems Business.
Operating Profit	**¥1,582** million	YoY: 112.3% Progress: 52.7%	Operating profit remained on track, supported by higher net sales in the Security Systems Business, while growth investments continued.

First Half FY2026 Overview of Consolidated Financial Results

ISB GROUP

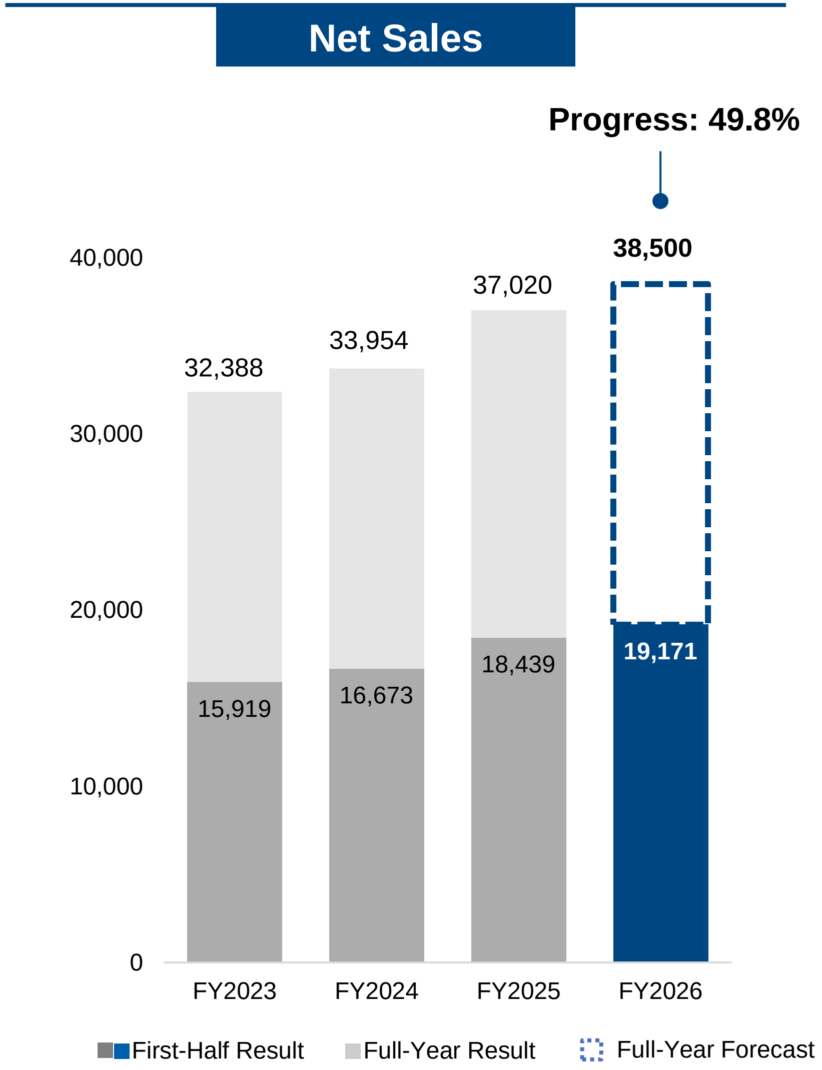
(Millions of yen)

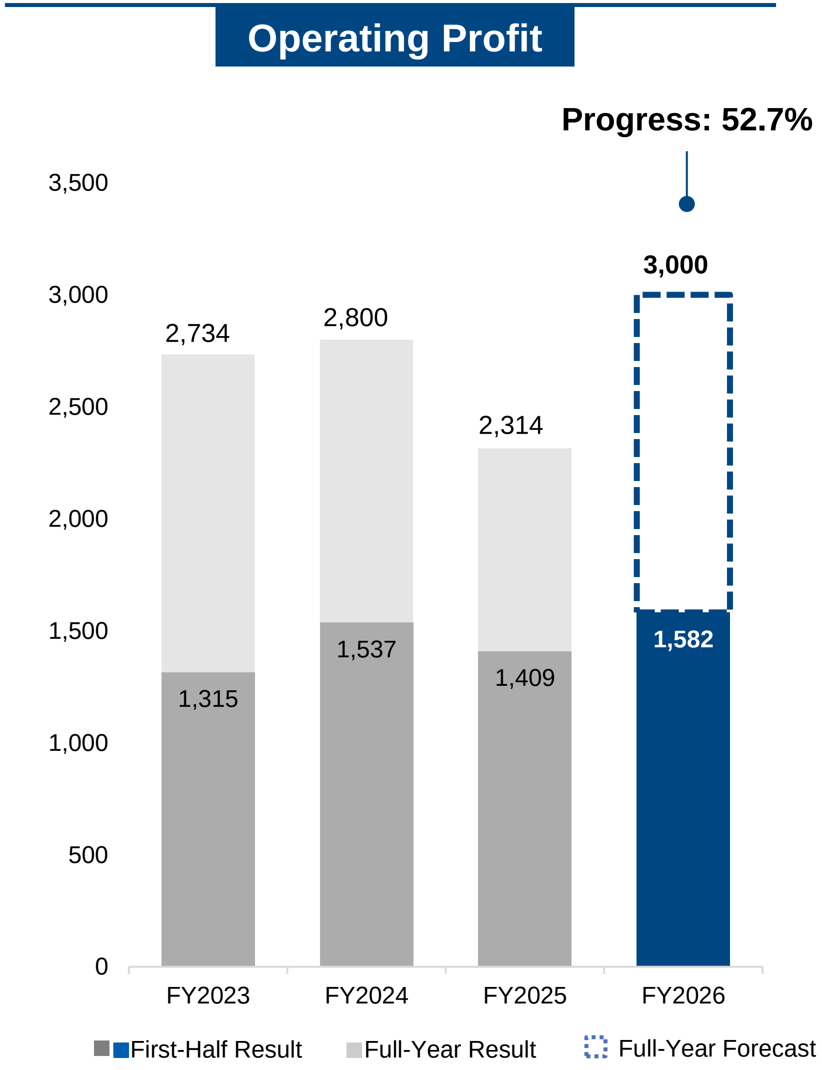
	FY2025 First Half	FY2026 First Half	YoY Change	YoY (%)	FY2026 First-Half Forecast	% of Forecast	FY2026 Full-Year Forecast
Net sales	18,439	**19,171**	732	104.0%	**18,700**	102.5%	**38,500**
Operating Profit	1,409	**1,582**	173	112.3%	**1,410**	112.2%	**3,000**
Operating Profit Margin	7.6%	**8.3%**	+70 bps	-	**7.5%**	+80 bps	**7.8%**
Ordinary Profit	1,426	**1,618**	192	113.4%	**1,430**	113.1%	**3,050**
Profit Attributable to Owners of Parent	795	**1,018**	223	128.1%	**860**	118.4%	**1,850**

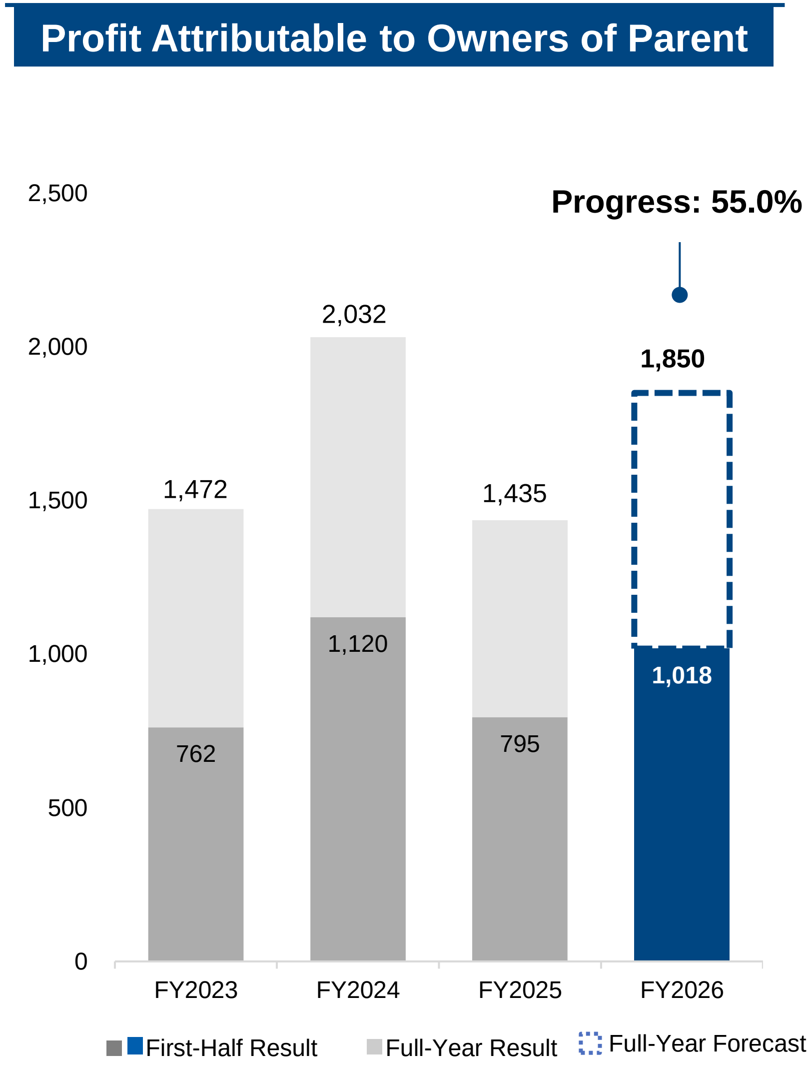
*Fiscal years are from January 1 to December 31.
*The first half represents cumulative figures for January through June.

Consolidated Financial Performance Trends

(Millions of yen)

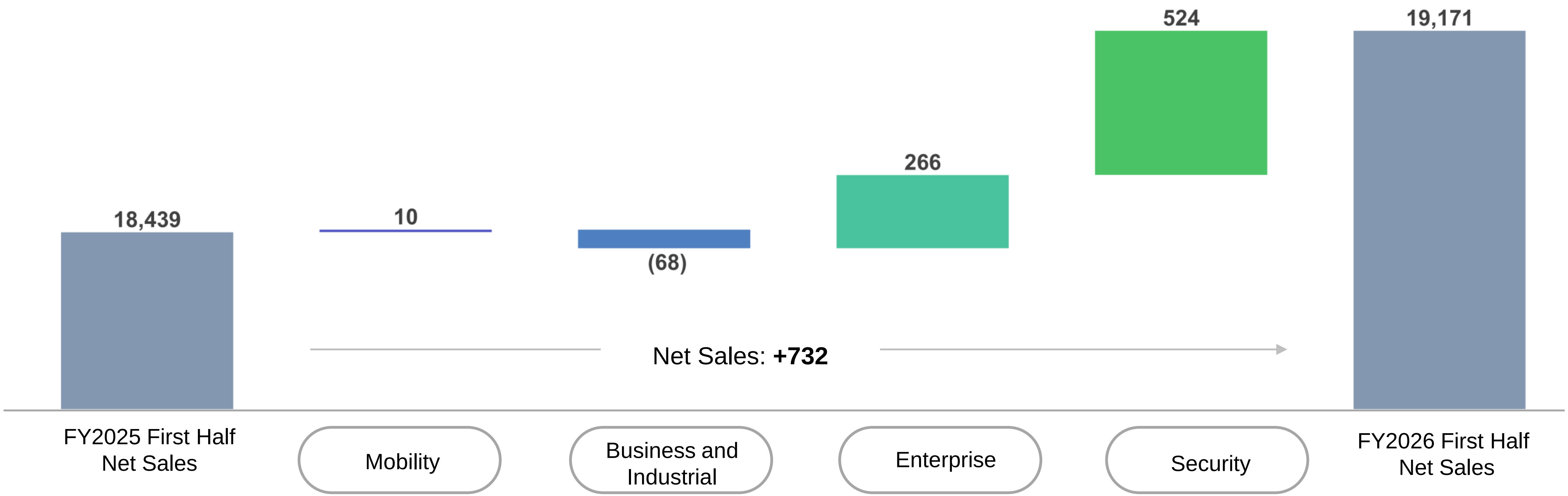






Breakdown of First-Half Consolidated Net Sales Growth

(Millions of yen)



Mobility
- Wi-SUN-related projects: Solid
- Automotive: Slower growth

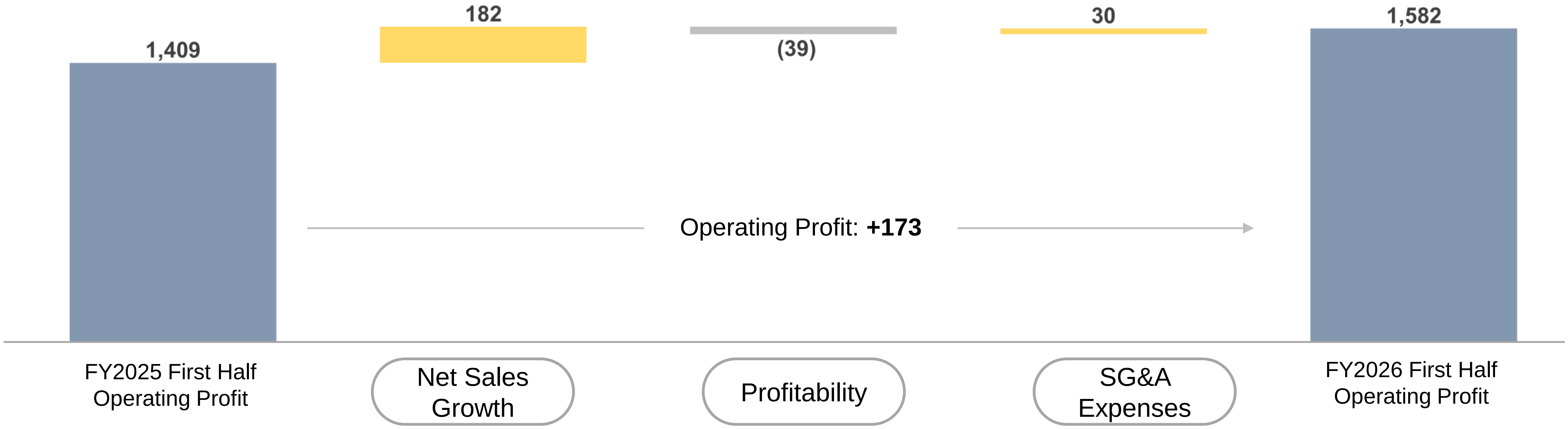
Business and Industrial
- Increase in new AI-related projects
- Adjustments to development staffing during project transitions

Enterprise
- Finance / Securities and Public Sector / Standardization: Solid

Security
- Security Systems Business: Strong

Breakdown of Consolidated Operating Profit Growth

(Millions of yen)



Net Sales Growth

(+) Finance / Securities
(+) Public Sector / Standardization
(+) Security Systems

Profitability

(+) Expansion of the recurring revenue business
(–) Adjustments to development staffing during project transitions
(–) Cost increases, including those from employee pay raises

SG&A Expenses

(+) Lower office relocation expenses
(–) Continued growth investments (compensation enhancement / recruitment & training)
(–) Advertising expenses

Net Sales by Business Category: Mobility / Business and Industrial

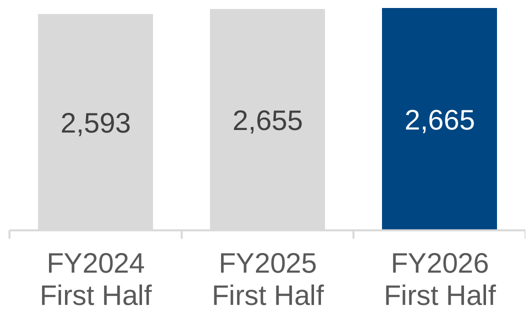
(Millions of yen)

Mobility

Includes:
- Automotive
- Mobile Devices
- Wireless Infrastructure

- Wi-SUN-related projects remained solid.
- Automotive remained broadly flat year on year, reflecting market conditions.
- With the decline in automotive expected to continue in the second half, focus on securing more projects in other embedded systems fields to achieve steady growth.

YoY **100.4%**

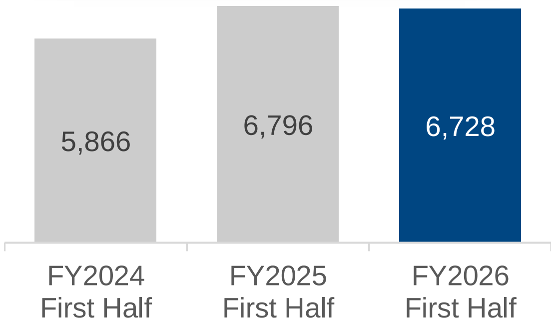


Business and Industrial

Includes:
- Business Systems
- Embedded Devices

- AI-related projects, such as image and video analysis, expanded steadily.
- Overall net sales edged down YoY due to adjustments to development staffing during project transitions.
- From the second half onward, focus on securing projects in the medical, DX, and IoT fields by leveraging strengths in cloud and embedded technologies, while continuing to build AI expertise and upskill engineers.

YoY **99.0%**



Net Sales by Business Category: Enterprise / Security

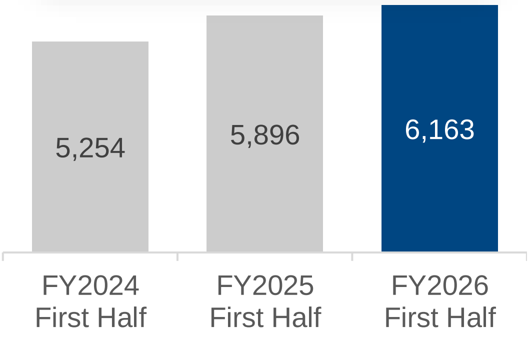
(Millions of yen)

Enterprise

Includes:
- Finance
- Public Sector
- IT Infrastructure

- Finance remained solid, supported by major clients. Continued strategic upskilling to develop engineers capable of handling upstream processes.
- Public sector drove overall growth, supported by growth in local government system standardization projects and steady regional expansion. Solid performance is expected to continue in the second half and beyond.
- Focus on securing projects while monitoring the potential second-half impact of component shortages.

YoY **104.5%**



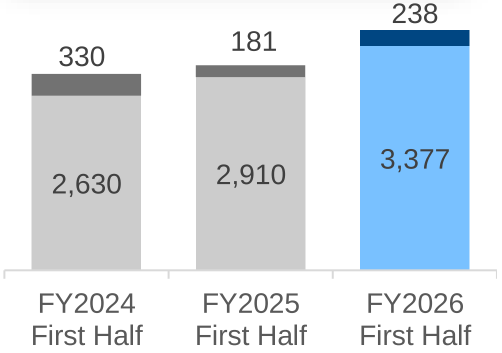
Security

Includes:
- Information Services Business (MDM/IoT)
- Security Systems Business

Information Services Business (including MDM)
- MDM remained solid, with its end-to-end service framework, including device kitting, continuing to generate inquiries from current clients.
- Continue expanding services tailored to client needs.

Security Systems Business (including access control systems)
- One-time business sales increased, supported by continued efforts to secure renovation projects.
- The recurring revenue business grew steadily by meeting diverse needs for authentication devices.

YoY **117.0%**



*One-time business: Development, sale, and installation of access control systems under a one-time product sales model.

FY2026 Topics: Growth of Recurring Revenue Products

Steady revenue growth driven by three products: ALLIGATE, the construction site card reader, and FiT SDM.

PICKUP TOPIC

Cloud-Based Access Control System “ALLIGATE”

● Expanded product lineup

Expanded the product lineup to ensure stable operation and further improve customer satisfaction.

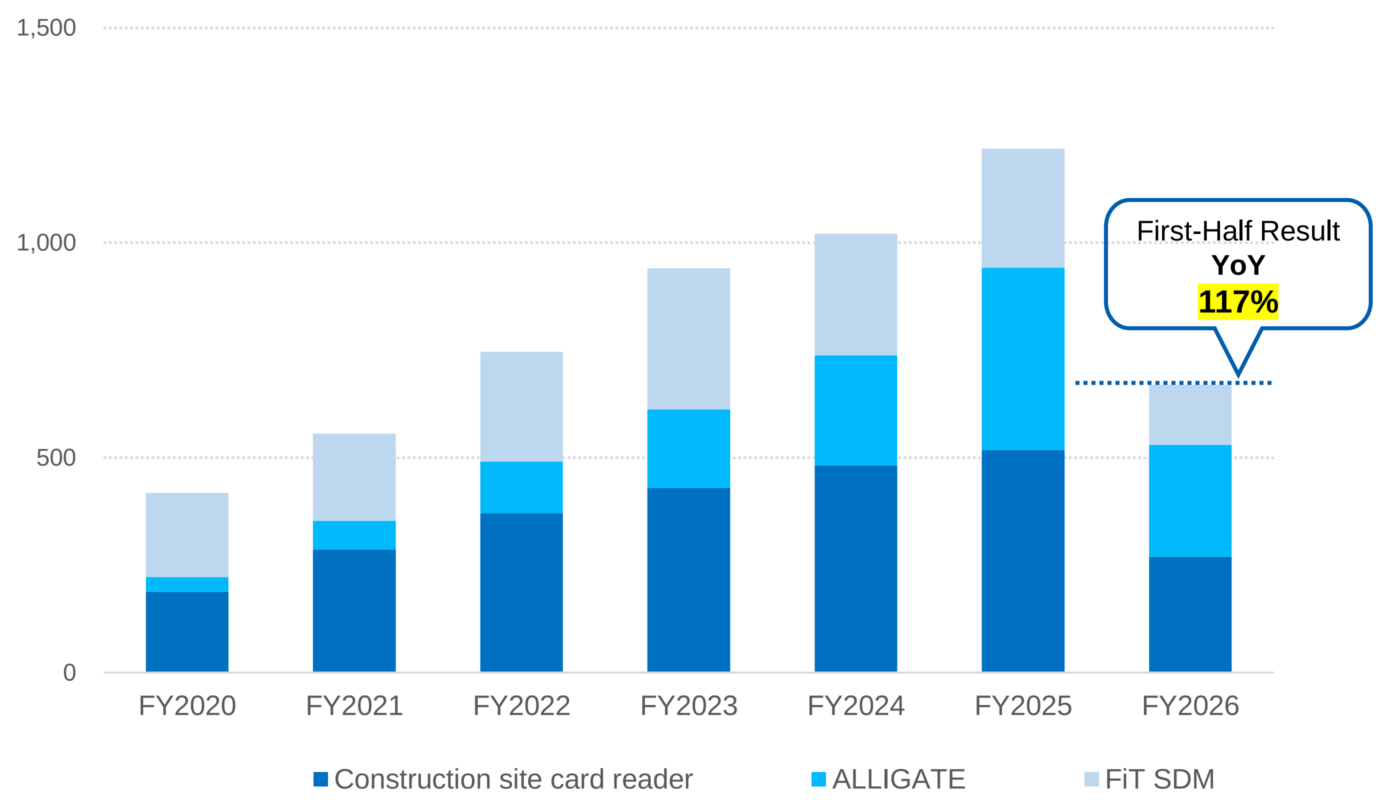
● Three models for diverse authentication needs

Offers three models—Lock Pro, Face, and QR—with authentication options suited to different use cases and operating environments.

● Product Lineup

(Millions of yen)

Recurring Revenue Products: Net Sales Trend



Consolidated Balance Sheets

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Total liabilities declining due to lower current liabilities and net assets increasing through profit accumulation.

(Millions of yen)

Assets	As of December 31, 2025	As of June 30, 2026
Current assets	16,947	**16,236**
Non-current assets	4,663	**4,569**
Property, plant and equipment	1,923	**1,889**
Intangible assets	769	**753**
Investments and other assets	1,969	**1,927**
Total assets	21,610	**20,806**

Liabilities and Net Assets	As of December 31, 2025	As of June 30, 2026
Current liabilities	6,109	**4,911**
Non-current liabilities	978	**990**
Total liabilities	7,087	**5,902**
Shareholders' equity	14,030	**14,450**
Accumulated other comprehensive income	492	**454**
Total net assets	14,522	**14,904**
Total liabilities and net assets	21,610	**20,806**

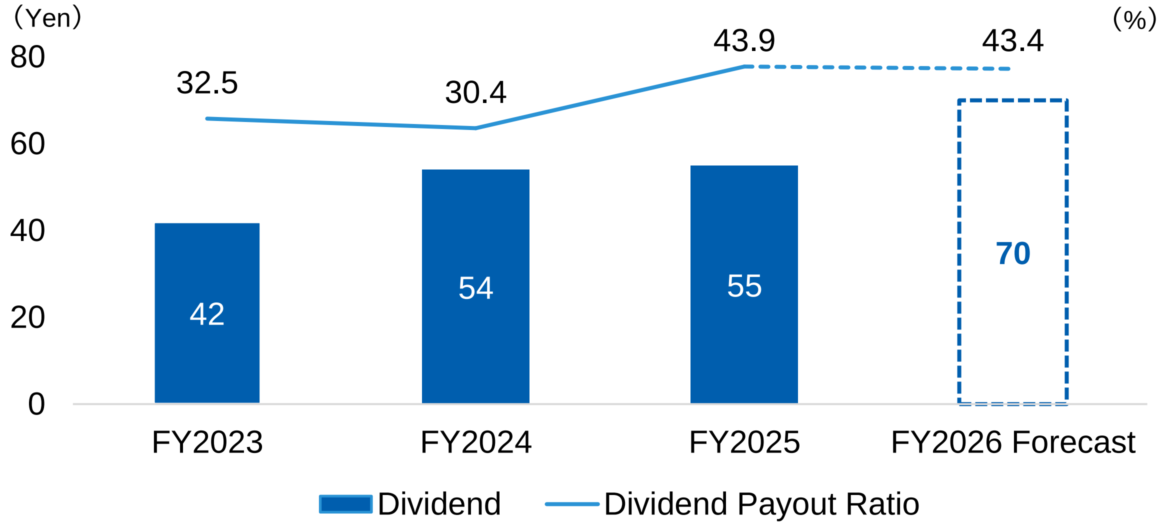
FY2026: Forecasts of Consolidated Financial Results and Dividends

LSB GROUP

Financial Forecasts (Change from 2025 Results)

Net Sales	**¥38.5B** (+¥1.5B)
Operating Profit	**¥3.0B** (+¥0.7B)
Ordinary Profit	**¥3.0B** (+¥0.7B)
Profit Attributable to Owners of Parent	**¥1.8B** (+¥0.4B)

Dividend and Dividend Payout Ratio Trend



	FY2024	FY2025	FY2026 Forecast
Dividend	¥54	¥55	**¥70**
Dividend Payout Ratio	30.4%	43.9%	**43.4%**

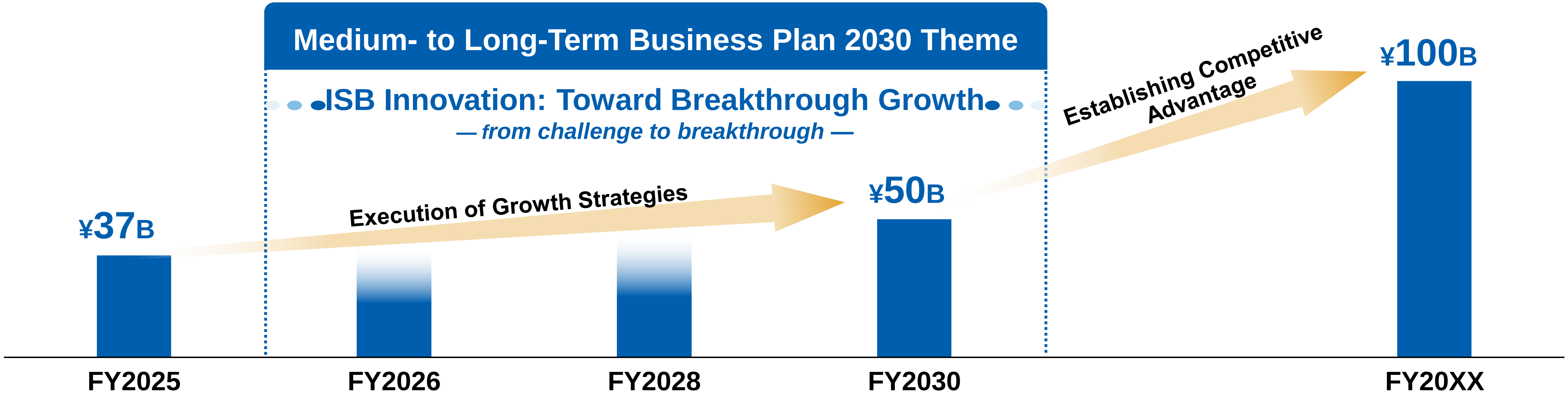
*Figures as of the announcement on February 13, 2026

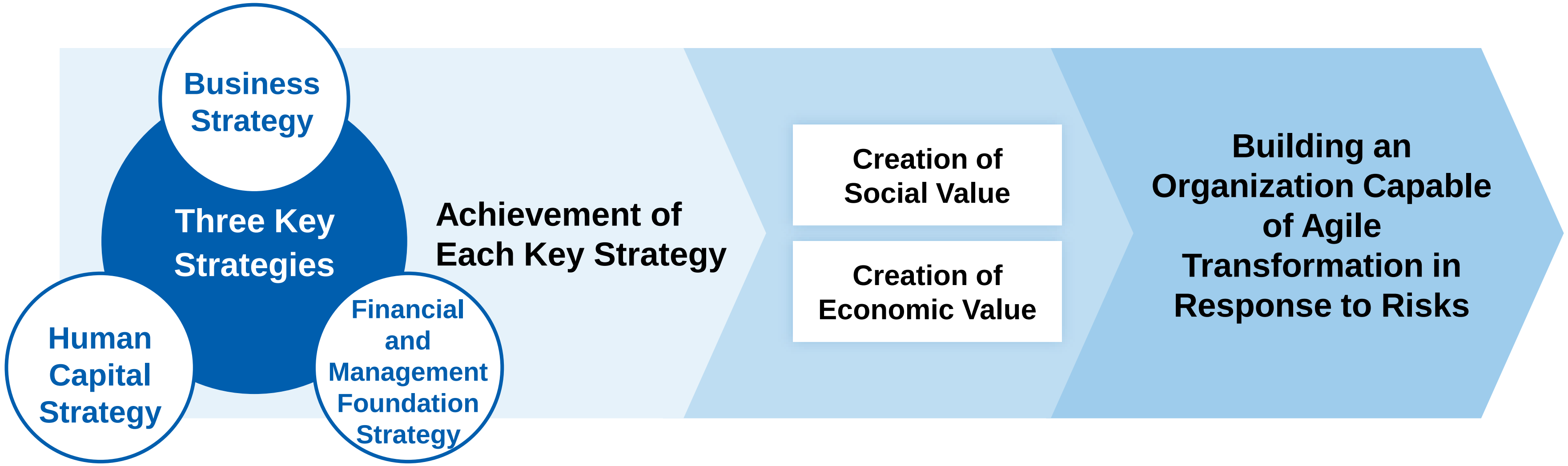
Agenda

01	First Half FY2026 Financial Results Overview
02	Initiatives Under the Medium- to Long-Term Business Plan 2030

Medium- to Long-Term Business Plan 2030

Executing Three Key Strategies to Build a Resilient Organization Capable of Adapting to Future Risks





Overview of the Medium- to Long-Term Business Plan 2030

ISB GROUP

ISB Innovation: Toward Breakthrough Growth

— from challenge to breakthrough —

Drive Change to Thrive, with ¥50.0 Billion in Net Sales as a Milestone

Executing Three Key Strategies to Build a Resilient Organization Capable of Adapting to Future Risks

Key Strategies

1. Business Strategy

- **Information Services**
  Strengthening the competitiveness of core businesses toward higher profitability

Core Businesses (Organic Growth) × Consulting & Direct Client Contracts / Product Maintenance; AI and Cybersecurity; Enhancement of One-Stop Services

- **Security Systems**
  Drive growth through organic growth, group synergies, and investment in new business creation

Core Businesses (Organic Growth) × Strengthening Group Synergies; Initiatives for New Businesses

- **Regionally Rooted Growth Strategy**

2. Human Capital Strategy

- Fostering a Rewarding and Fulfilling Corporate Culture
- Strengthening Recruitment
- Training and Development

3. Financial and Management Foundation Strategy

- Improving Capital Efficiency and Market Valuation
- Highly Transparent Governance
- Addressing Environmental Challenges

Initiatives for Key Strategy 1: Business Strategy

Under the Medium- to Long-Term Business Plan 2030, we will accelerate the shift to high-value domains and strengthen the competitiveness of our core businesses, thereby enhancing profitability.

Topics	
Expanding Consulting Projects	● Expand participation in consulting projects, primarily SAP implementation projects, through collaboration with AMBC - ISB Certified as SAP PartnerEdge Service Partner ● Drive group-wide talent development and reskilling through training sessions to build capabilities needed for high-value projects ● Strengthen group-wide proposal and development capabilities to drive growth in high-value projects
Cybersecurity	● Strengthen the organizational framework and capabilities for cybersecurity ● Enhance and optimize cybersecurity policies in line with current requirements ● Provide ongoing education, training, and awareness programs ● Integrate cybersecurity into selected businesses and projects

Initiatives for Key Strategy 1: Business Strategy — AI

ISB GROUP

Changes in the System Integration Market

Moving Beyond the Time-and-Materials Model

- Partial AI automation reduces billable hours, lowering project revenue
- Compensating with a higher volume of short-cycle projects risks engineer burnout

↓

Shift from a time-and-materials model to a value-based business model by integrating AI across the development process.

ISB's Approach: Advancing Technology and Talent in Tandem

Enhancing Development Productivity

Achieve higher productivity and quality by:

- Transitioning to Specification-Driven Development (SDD), which integrates AI from requirements definition through testing
- Redefining human roles in areas such as function definition and quality assurance

Building an Organization Resilient to Change

- Develop upstream-capable talent by fusing senior business expertise with young engineers' AI skills
- Build an autonomous, AI-driven organization that rapidly adapts to technological shifts
- Shift to high-value creation, avoiding the pitfall of labor-hour reductions that ultimately lead to burnout

Milestones Toward Realization

2026	2027–2028	2029–2030
AI Implementation & Standardization	**Expansion and Acceleration**	**Evolution into an AI-Driven Organization**
Implement Specification-Driven Development (SDD) internally	Expand and standardize AI use and accelerate efficiency gains through company-wide rollout	Create value, strengthen competitiveness, and complete the transformation into an AI-driven organization

System Development
Technology and Processes

- Use AI in development processes
- Conduct validation and PoCs for AI use cases
- Research and develop AI technologies

Talent Development
People and Organization

- Conduct AI utilization seminars tailored to different proficiency levels
- Establish AI usage guidelines
- Support AI adoption in administrative functions
- Roll out initiatives across the Group

Becoming a Trusted Partner that Strengthens Clients' Competitiveness and Supports Value Creation

Initiatives for Key Strategy 2: Human Capital Strategy

ISB GROUP

Key Strategy

1	2	3

Develop highly skilled talent through engineer recruitment and strategic upskilling in specialized fields, while enhancing engagement through talent development system reforms and workplace improvements.

Topics	
Talent Acquisition and Retention	● Invest approximately ¥270 million in employee pay raise - base salary increases and enhanced benefits ● Advance engagement and retention initiatives based on the 2025 employee engagement survey results ● Continue improving workplace environments at the corporate headquarters and other office locations ● Recruit and develop engineers capable of handling upstream processes ● Share recruitment expertise across the Group
Talent Development	● Drive strategic upskilling of specialized talent in priority fields (AI, cybersecurity, SAP, cloud, etc.) ● Rebuild the company-wide education and training framework to support upskilling in specialized fields and foster continuous learning ● Use the i Competency Dictionary (iCD) to visualize skills, analyze organizational capabilities, and effectively deploy talent

Initiatives for Key Strategy 3: Financial and Management Foundation Strategy

We aim to strengthen the management foundation that supports sustainable growth by improving capital efficiency, establishing highly transparent governance, and addressing environmental challenges.

Topics	
Strengthening Information Disclosure on Highly Transparent Governance	● **Enhancing Information Disclosure** Expanded ESG and non-financial disclosures, including disclosures aligned with the TCFD recommendations. ● **Promoting Engagement with Shareholders and Investors** Feedback and requests received through dialogue with shareholders and investors are shared with management.
Addressing Environmental Challenges	● **Establishing TCFD Disclosures** Completed TCFD scenario analysis and disclosures for the domestic Information Services Business in the FY2025 Annual Securities Report (filed in March 2026). ● **Advancing Decarbonization and Reducing Environmental Impact** Continue initiatives to reduce GHG emissions and other environmental impacts by incorporating identified risks and opportunities into specific measures.

Growth Investment

First Half FY2026 Investment: ¥650 million allocated in 1H FY2026 for building a sustainable growth foundation and driving future expansion. Progress:
Reached 82% completion against the 3-year cumulative investment plan of ¥3.78 billion.

	FY2024 Investment	FY2025 Investment	FY2026 First Half Investment	FY2024–FY2026 Planned Total
Recruitment & Training	¥70 million	¥260 million	¥50 million	¥530 million
Compensation Enhancement	¥450 million	¥520 million	¥270 million	¥1,390 million
Workplace Environment	¥310 million	¥700 million	¥270 million	¥1,540 million
IT	¥30 million	¥50 million	¥30 million	¥200 million
Other	¥40 million	¥30 million	¥30 million	¥120 million
Total	¥900 million	¥1,560 million	¥650 million	¥3,780million

*Growth investment amounts are based on expenses recognized.

Medium- to Long-Term Business Plan 2030: Group Targets and KPIs

ISB GROUP

FY2030 Business and Human Capital Targets	Net Sales	Operating Profit	Net Sales per Employee	Operating Profit per Employee
	¥50.0 Billion or Higher FY2025 Result: ¥37.0 billion	**¥4.5 Billion or Higher** FY2025 Result: ¥2.3 billion	**¥17.60 Million or Higher** FY2025 Result: Approx. ¥16.50 million	**¥1.60 Million or Higher** FY2025 Result: Approx. ¥1.00 million
	Number of Employees[1]	**Percentage of Women in Management Positions[2, 3]**	**Percentage of Female New Graduate Hires[2]**	**Employee Engagement Score[2, 4]**
	2,850 or More FY2025 Result: 2,246	**7.0%** FY2025 Result: 5.7%	**30%** FY2025 Result: 17%	**3.6 or Higher** FY2025 Result: 3.2

FY2030 Financial and Management Foundation Targets	ROE	Dividend Payout Ratio	DOE (Dividend on Equity)	GHG Emissions[5]
	14% or Higher FY2025 Result: 10.2%	**50% or Higher** FY2025 Result: 43.9%	**Minimum of 4%** FY2025 Result: 4.5%	**30% Reduction** FY2024 Result: 593.8 t-CO_2[6]

1. This figure does not include the part-time and contract employees.
2. Calculated on a non-consolidated basis for ISB Corporation (the reporting company).
3. Management positions include those at manager level and above (excluding outside directors).
4. Represents the Job Satisfaction Index derived from the Engagement Score (maximum score: 5.0).
5. This calculation includes Scope 1 and Scope 2 emissions in comparison to 2024.
6. This figure reflects Scope 1 and Scope 2 emission from our domestic operations.

ISB GROUP

- This material is intended to provide information on our company's business performance for the first half of the fiscal year ending December 31, 2026, and to promote a deeper understanding of our company. It is not intended as a solicitation to invest in any securities issued by our company.
- This material has been prepared based on the situation as of the end of June 2026. The opinions, forecasts, and other statements contained in this material are based on our judgment at the time of the preparation of this material. We do not guarantee or promise the accuracy or completeness of the information, which is subject to change without prior notice.