

**First Half of Fiscal 2015**  
**(Six month ended September 2014)**

# Interim Financial Results

## Supplementary Explanation Material

**Focus Systems Corporation**

**November 2014**

This document uses information available as of November 7, 2014, and contains forward-looking statements that represent management's expectations or beliefs relating to future events. Actual results could differ materially from those stated or implied in these forward-looking statements. The Focus Systems Group does not guarantee the information's accuracy.

(¥ million)

|                    | 1st half of FY<br>ended March<br>2014<br>Results | 1st half of FY<br>ending March<br>2015<br>Results | Year-on-year change |        |
|--------------------|--|---|---------------------|--------|
|                    |  |   | Amount              | Ratio  |
| Net Sales          | 6,442  | 7,286   | 843                 | 13.1%  |
| Public Sector      | 2,005  | 2,518   | 513                 | 25.6%  |
| Private Sector     | 3,842  | 4,248   | 406                 | 10.6%  |
| Security Equipment | 595  | 518   | (76)                | -12.8% |
| Operating Income   | 248  | 295   | 46                  | 18.7%  |
| Ordinary Income    | 240  | 270   | 30                  | 12.5%  |
| Net Income         | 115  | 165   | 49                  | 42.9%  |

In both the public and private sectors, willingness to invest in information systems continued its recovery trend from the previous fiscal year.

This recovery trend was especially pronounced for public sector-related business. Sales and profits both made steady progress.

The decrease in profits for the security equipment-related business is due to significant sales/profits recorded as a result of special demand from supplemental spending and the like in the first half of the previous year. There are growing social needs for digital forensics, with the increased number of specialists in government offices and major private companies.

# Non-consolidated Balance Sheets

(¥ million)

| Item                                    | As of Sep. 30,<br>2013 | As of Mar. 31,<br>2014 | As of Sep. 30,<br>2014 |
|---|------------------------|------------------------|------------------------|
| <b>(ASSETS)</b>                         |                        |                        |                        |
| Current Assets                          | 5,469                  | 6,428                  | 6,586                  |
| Non-current Assets                      | 5,507                  | 5,408                  | 6,979                  |
| Property, Plant and Equipment           | 3,733                  | 3,741                  | 3,748                  |
| Intangible Assets                       | 39                     | 60                     | 113                    |
| Investments and Other Assets            | 1,734                  | 1,606                  | 3,118                  |
| <b>Total Assets</b>                     | <b>10,977</b>          | <b>11,837</b>          | <b>13,566</b>          |
| <b>(LIABILITIES)</b>                    |                        |                        |                        |
| Current Liabilities                     | 3,713                  | 4,102                  | 4,033                  |
| Non-current Liabilities                 | 2,485                  | 2,705                  | 3,524                  |
| <b>Total Liabilities</b>                | <b>6,198</b>           | <b>6,807</b>           | <b>7,557</b>           |
| <b>(NET ASSETS)</b>                     |                        |                        |                        |
| Capital stock                           | 2,905                  | 2,905                  | 2,905                  |
| Capital surplus                         | 1,468                  | 1,468                  | 1,468                  |
| Retained earnings                       | 379                    | 719                    | 745                    |
| Treasury shares                         | (706)                  | (706)                  | (706)                  |
| Total shareholders' equity              | 4,046                  | 4,386                  | 4,413                  |
| Valuation and Translation Adjustments   | 732                    | 642                    | 1,596                  |
| <b>Total Net Assets</b>                 | <b>4,779</b>           | <b>5,029</b>           | <b>6,009</b>           |
| <b>Total Liabilities and Net Assets</b> | <b>10,977</b>          | <b>11,837</b>          | <b>13,566</b>          |

Total assets increased by ¥1,729 million compared with the end of the previous fiscal year. This was largely because of increases of ¥75 million in work in process, ¥1,481 million in investment securities, ¥55 million in software in progress and ¥374 million in cash and deposits despite a decrease of ¥299 million in notes and accounts receivable – trade.

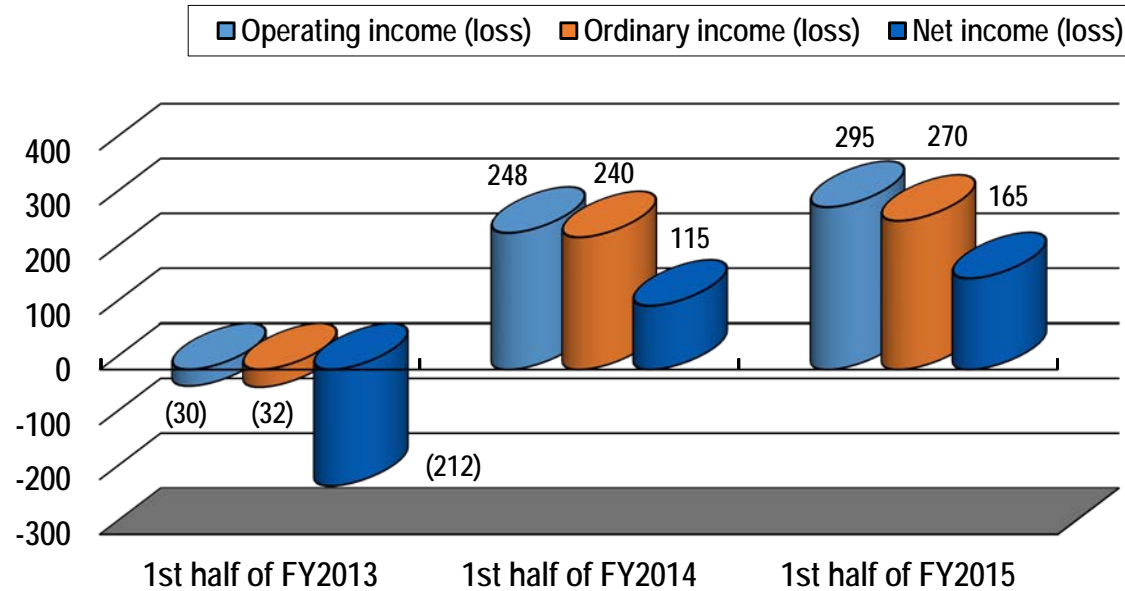
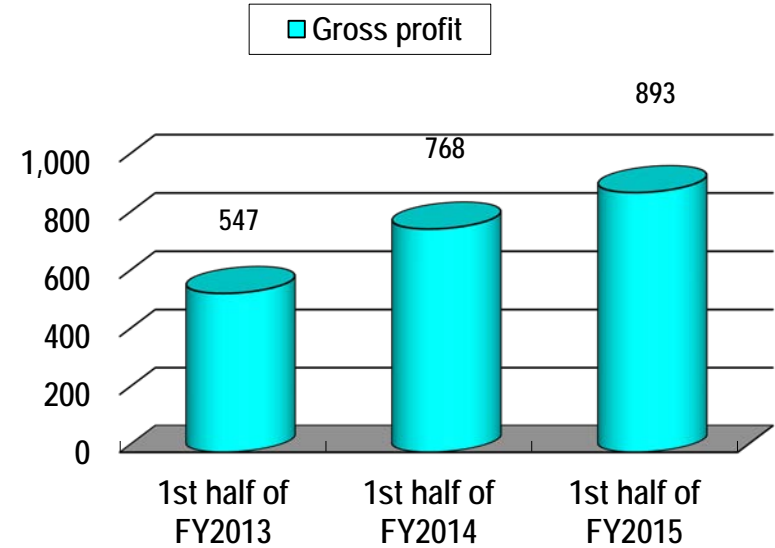
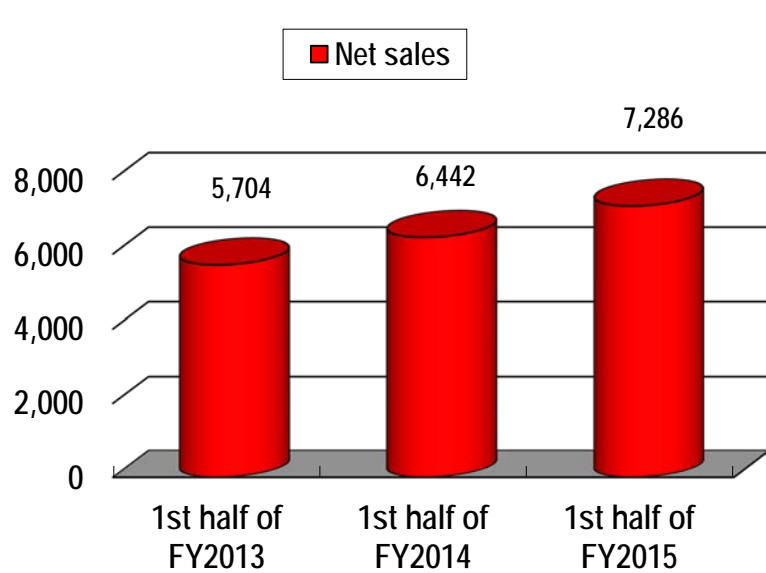
(¥ million)

| Item   | First Half of FY2013<br>(ended Sep. 30,<br>2012) | First Half of FY2014<br>(ended Sep. 30,<br>2013) | First Half of FY2015<br>(ended Sep. 30,<br>2014) |
|--|--|--|--|
| <b>Net Sales</b>                             | 5,704  | 6,442  | <b>7,286</b>                                     |
| Cost of Sales                                | 5,157  | 5,674  | <b>6,392</b>                                     |
| Gross Profit                                 | 547  | 768  | <b>893</b>                                       |
| SG & A Expenses                              | 577  | 519  | <b>598</b>                                       |
| <b>Operating Income (Loss)</b>               | (30)   | 248  | <b>295</b>                                       |
| Non-operating Income                         | 43   | 36   | <b>26</b>  |
| Non-operating Expenses                       | 45   | 44   | <b>51</b>  |
| <b>Ordinary Income (Loss)</b>                | (32)   | 240  | <b>270</b>                                       |
| Extraordinary Income                         | 525  | —  | <b>—</b>   |
| Extraordinary Losses                         | 705  | —  | <b>1</b>   |
| <b>Income (Loss) before<br/>Income Taxes</b> | (212)  | 240  | <b>269</b>                                       |
| Income Taxes                                 | —  | 125  | <b>104</b>                                       |
| <b>Net Income (Loss)</b>                     | (212)  | 115  | <b>165</b>                                       |

Net sales climbed ¥843 million from the same period of previous fiscal year. This was due mainly to a ¥513 million increase of public sector business and a ¥406 million increase of private sector business. The Company thus posted a gross profit of ¥893 million, up ¥125 million from the same period of previous fiscal year.

The extraordinary income of ¥525 million for the first half of fiscal year ended March 2013 was primarily comprised of ¥301 million in gain on sales of investment securities and ¥222 million in surrender value of insurance. The extraordinary losses of ¥705 million were primarily comprised of ¥704 million in directors' retirement benefits.

As a result, net income was ¥165 million, increased ¥49 million from the same period of previous fiscal year.



(¥ million)

| Item  | First Half of FY2014<br>(ended Sep. 30,<br>2013) | First Half of FY2015<br>(ended Sep. 30,<br>2014) |
|---|--|--|
| <b>I Cash Flows from Operating Activities</b>           | 300  | 213  |
| <b>II Cash Flows from Investing Activities</b>          | (48)   | (145)  |
| <b>III Cash Flows from Financing Activities</b>         | (323)  | 281  |
| IV Net Increase (Decrease) in Cash and Cash Equivalents | (71)   | 348  |
| V Cash and Cash Equivalents at Beginning of Period      | 2,395  | 2,910  |
| VI Cash and Cash Equivalents at End of Period           | 2,323  | 3,259  |

### I Cash Flows from Operating Activities

Net cash provided by operating activities was ¥213 million. The main factors were ¥299 million of decrease in notes and account payable – trade and ¥269 million of income before income taxes, which offset ¥364 million of income taxes paid.

### II Cash Flows from Investing Activities

Net cash used in investing activities was ¥145 million. The main factors were ¥73 million in purchase of intangible assets, ¥32 million in purchase of insurance funds, ¥25 million of increase in time deposits and ¥17 million in purchase of property, plant and equipment, which offset ¥6 million of collection of loans receivable.

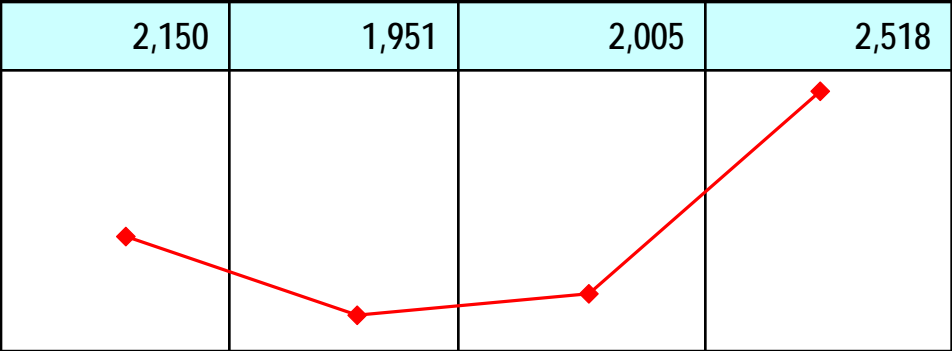
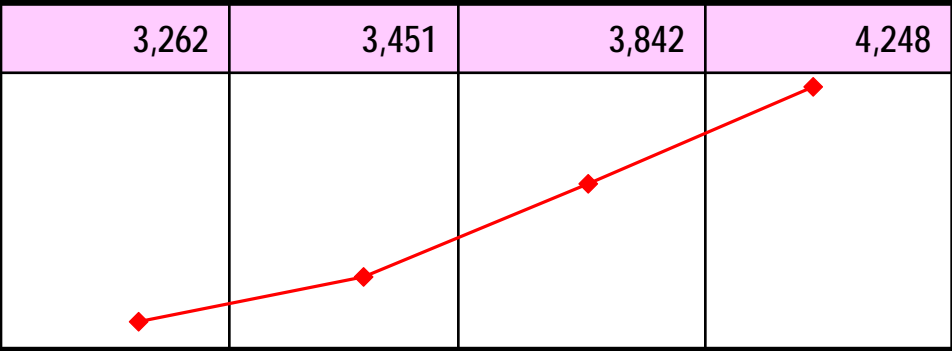
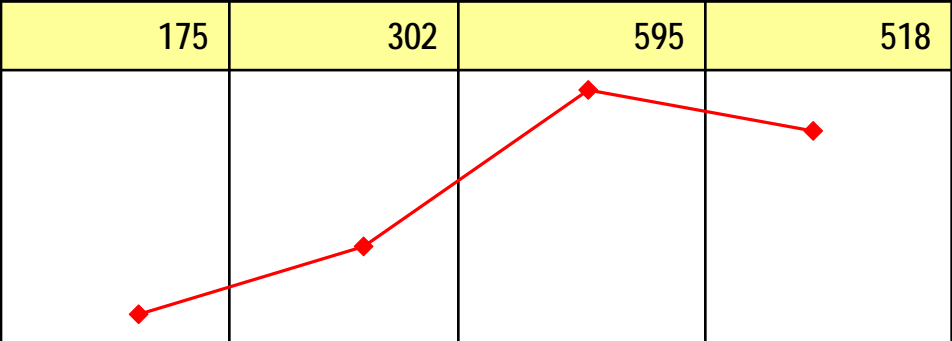
### III Cash Flows from Financing Activities

Net cash provided by financing activities was ¥281 million. The main factors were ¥588 million in proceeds from issuance of bonds and ¥500 million in proceeds from long-term loans payable, which offset ¥735 million in repayments of long-term loans payable.

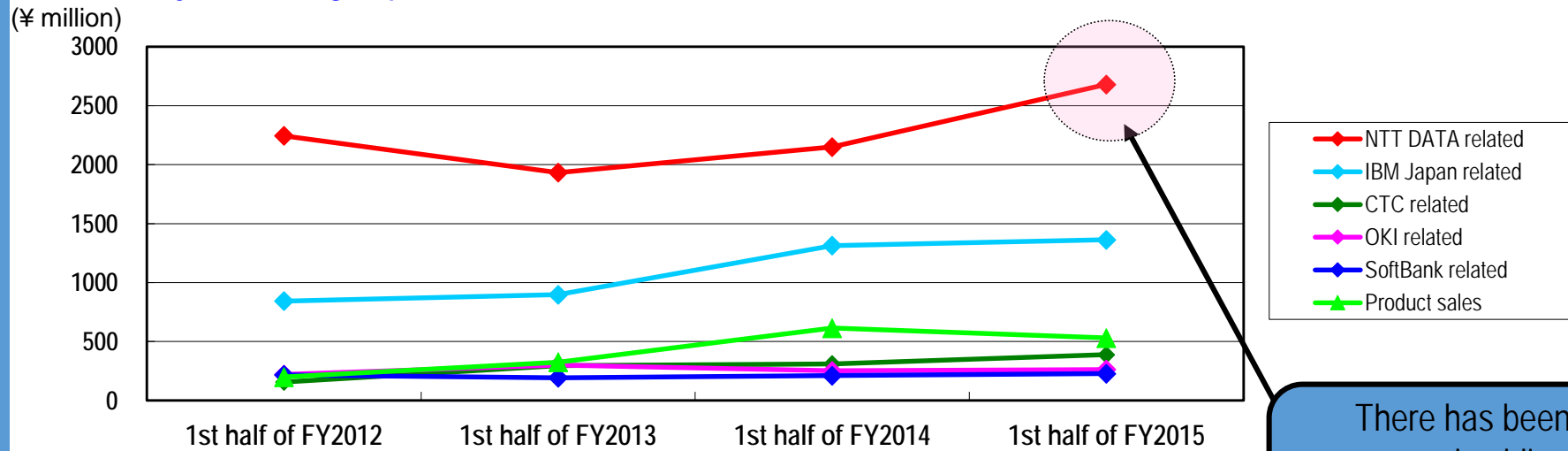
### VI Cash and Cash Equivalents at End of Period

As a result, cash and cash equivalents at period-end increased ¥348 million from beginning of the period to ¥3,259 million.

(¥ million)

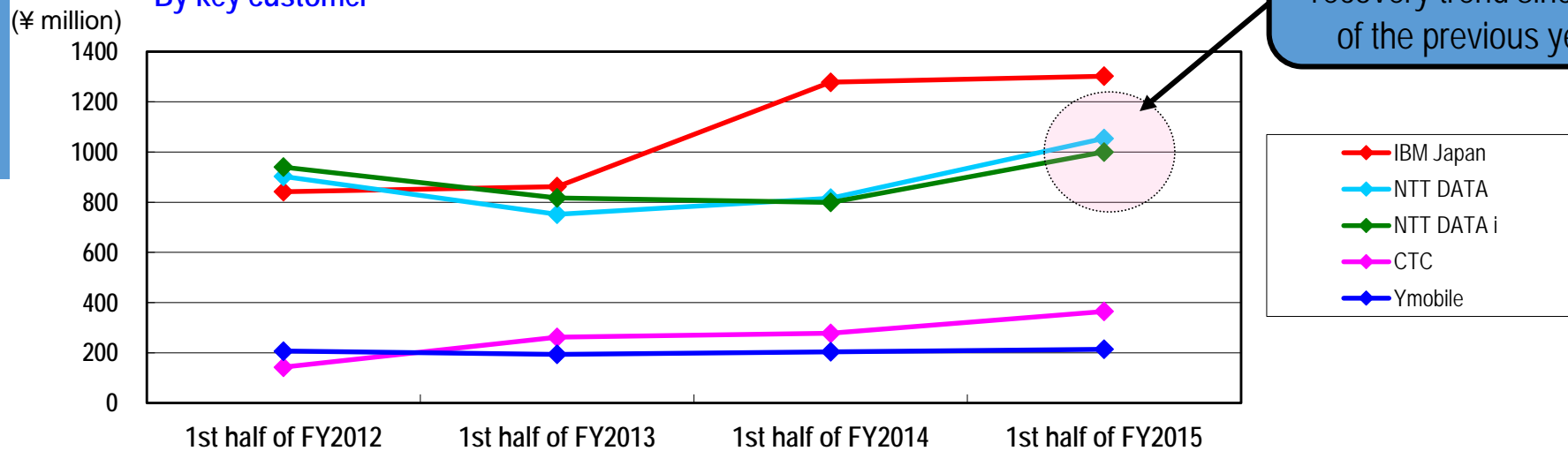
|                    | Net sales of first half period (6 month ended September)                             |        |        |        |   |
|--------------------|--|--------|--------|--------|---|
|                    | FY2012   | FY2013 | FY2014 | FY2015 |   |
| Public sector      | 2,150  | 1,951  | 2,005  | 2,518  | <p>Although conditions had remained harsh since when the Democratic Party of Japan was in power as it revised plans and reduced budgets, among other matters, there has been a pronounced recovery trend since the first half of the previous year.</p> |
|                    |    |        |        |        |   |
| Private sector     | 3,262  | 3,451  | 3,842  | 4,248  | <p>With demand remaining steady, we have established an order system through both cultivating business with existing users and acquiring new users.</p>   |
|                    |   |        |        |        |   |
| Security equipment | 175  | 302    | 595    | 518    | <p>Revenue decreased since there was special demand arising from supplemental spending in the first half of the previous year, but there are growing social needs for forensic technology at both government offices and major corporations.</p>        |
|                    |  |        |        |        |   |

## By customer group



There has been a pronounced public-related recovery trend since Q4 of the previous year.

## By key customer





| Fiscal 2015<br>(from April 1, 2014 –<br>March 31, 2015) | Net Sales<br>(¥ million) | Operating Income<br>(¥ million) | Ordinary Income<br>(¥ million) | Net Income<br>(¥ million) | Cash Dividends<br>per Share (¥) |
|---|--------------------------|---------------------------------|--------------------------------|---------------------------|---------------------------------|
| Projections   | 14,500                   | 900                             | 850                            | 500                       | 20.00                           |

