



Put Our Heart into Technologies

First Half of Fiscal 2016
(Six month ended September 2015)

Interim Financial Results Supplementary Explanation Material

Focus Systems Corporation

November 2015



This document uses information available as of November 6, 2015, 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.

 *Focus Systems*

(¥ million)

	1st half of FY ended March 2015 Results	1st half of FY ending March 2016 Results	Year-on-year change	
			Amount	Ratio
Net Sales	7,286	7,494	207	2.9%
Public Sector	2,518	2,496	(21)	-0.8%
Private Sector	4,248	4,600	351	8.2%
Security Equipment	518	397	(121)	-23.4%
Operating Income	295	201	(93)	-31.6%
Ordinary Income	270	197	(72)	-26.8%
Net Income	165	280	115	70.1%

In the private sector business, willingness to invest in information systems continued its recovery trend from the previous fiscal year.

In the public sector business, the recovery trend has temporarily settled down.

The decrease in profits for the security equipment business is a repercussion of the previous year's early implementation of cyber forensics related budgets by relevant ministries and agencies. The business performed as planned for the first half of the current fiscal year.



Non-consolidated Balance Sheets

(¥ million)

Item	As of Sep. 30, 2014	As of Mar. 31, 2015	As of Sep. 30, 2015
(ASSETS)			
Current Assets	6,586	6,897	7,589
Non-current Assets	6,979	7,443	6,458
Property, Plant and Equipment	3,748	3,747	3,479
Intangible Assets	113	188	218
Investments and Other Assets	3,118	3,507	2,760
Total Assets	13,566	14,340	14,048
(LIABILITIES)			
Current Liabilities	4,033	4,141	4,131
Non-current Liabilities	3,524	3,429	3,561
Total Liabilities	7,557	7,571	7,692
(NET ASSETS)			
Capital stock	2,905	2,905	2,905
Capital surplus	1,468	1,468	1,468
Retained earnings	745	1,173	1,281
Treasury shares	(706)	(706)	(706)
Valuation and Translation Adjustments	1,596	1,928	1,407
Total Net Assets	6,009	6,769	6,355
Total Liabilities and Net Assets	13,566	14,340	14,048

Total assets decreased by ¥292 million compared with the end of the previous fiscal year. This was mainly because of decreases of ¥370 million in notes and accounts receivable – trade, ¥783 million in investment securities and ¥124 million in software in progress, despite increases of ¥154 million in work in process, ¥154 million in software and ¥937 million in cash and deposits.



Non-consolidated Income Statements

(¥ million)

Item	First Half of FY2014 (ended Sep. 30, 2013)	First Half of FY2015 (ended Sep. 30, 2014)	First Half of FY2016 (ended Sep. 30, 2015)
Net Sales	6,442	7,286	7,494
Cost of Sales	5,674	6,392	6,638
Gross Profit	768	893	856
SG & A Expenses	519	598	654
Operating Income	248	295	201
Non-operating Income	36	26	35
Non-operating Expenses	44	51	39
Ordinary Income	240	270	197
Extraordinary Income	—	—	235
Extraordinary Losses	—	1	1
Income before Income Taxes	240	269	432
Income Taxes	125	104	151
Net Income	115	165	280

Net sales climbed ¥207 million from the same period of previous fiscal year. This was due mainly to a ¥351 million increase of private sector business.

The decrease in operating income is due to the accrual of expenses related to switching our listing to the Tokyo Stock Exchange (TSE) Second Section from TSE JASDAQ, as well as to an increase in expenses associated with introduction of internal backbone systems.

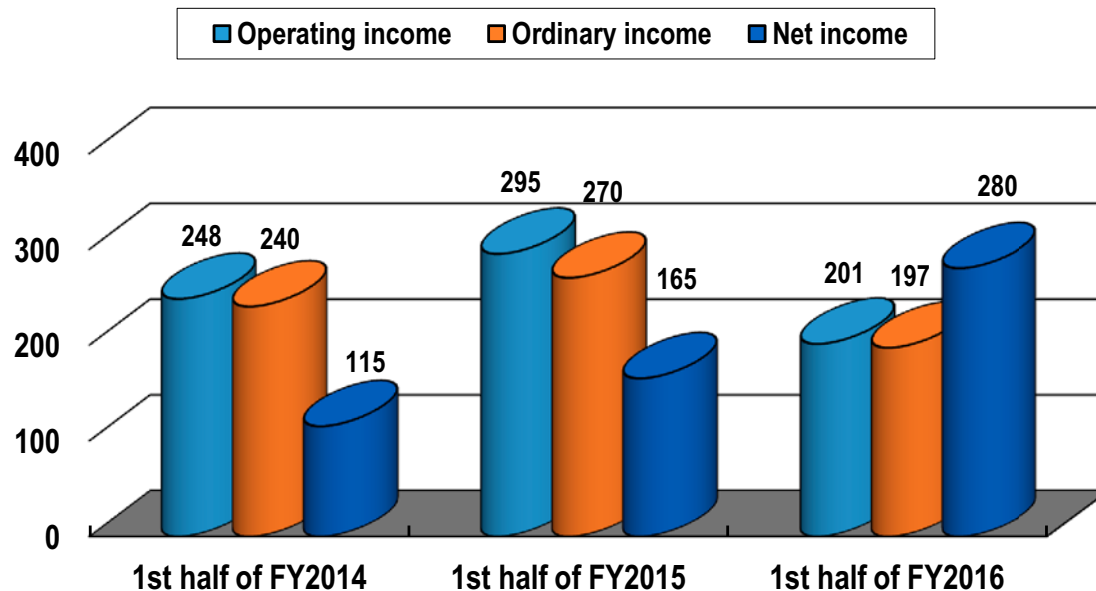
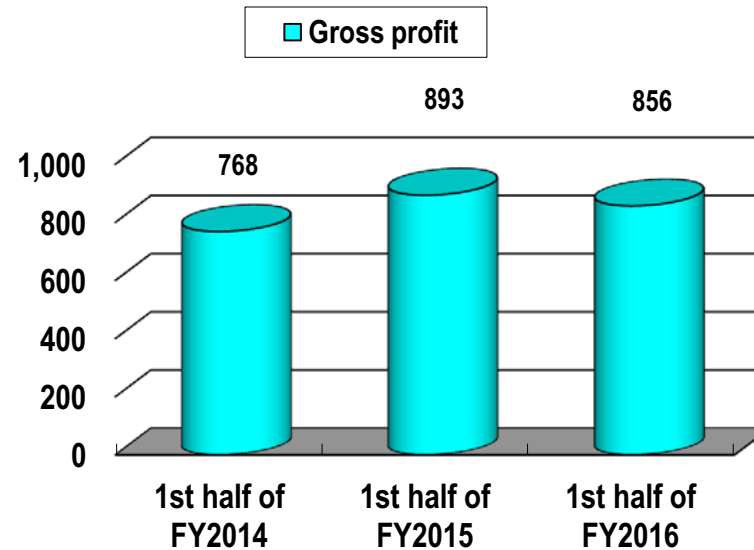
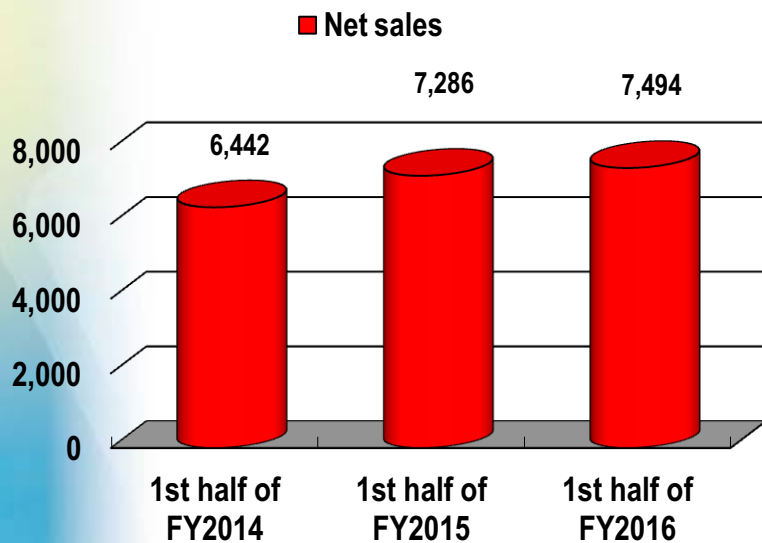
The extraordinary income was primarily comprised of ¥208 million in gain on sales of investment securities.

As a result, net income was ¥280million, increased ¥115 million from the same period of previous fiscal year.



Non-consolidated Performance (Last 3 years)

(¥ million)



(¥ million)

Item	First Half of FY2015 (ended Sep. 30, 2014)	First Half of FY2016 (ended Sep. 30, 2015)
I Cash Flows from Operating Activities	213	182
II Cash Flows from Investing Activities	(145)	331
III Cash Flows from Financing Activities	281	398
IV Net Increase in Cash and Cash Equivalents	348	911
V Cash and Cash Equivalents at Beginning of Period	2,910	3,106
VI Cash and Cash Equivalents at End of Period	3,259	4,018

I Cash Flows from Operating Activities

Net cash provided by operating activities was ¥182 million. The main factors were ¥432 million of income before income taxes, which offset ¥143 million of income taxes paid and ¥140 million of decrease in consumption tax payable.

II Cash Flows from Investing Activities

Net cash provided by investing activities was ¥331 million. The main factors were ¥272 million in proceed from sales of property, plant and equipment and ¥219 million in proceed from sales of investment securities, which offset ¥54 million of purchase of intangible assets, ¥44 million in purchase of property, plant and equipment and ¥32 million in purchase of insurance funds.

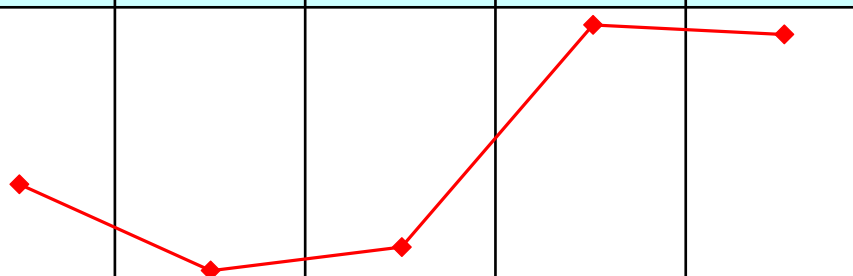
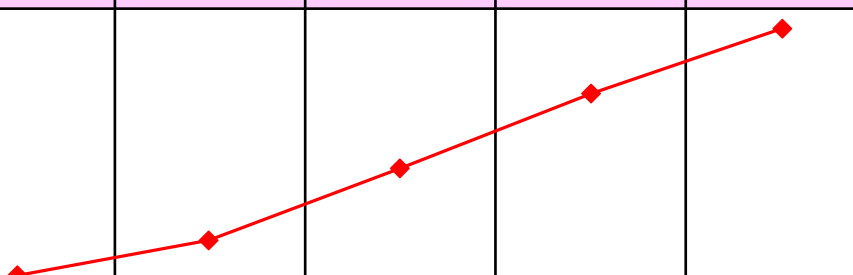
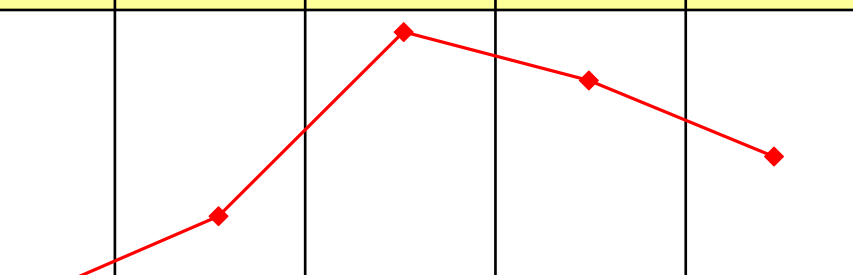
III Cash Flows from Financing Activities

Net cash provided by financing activities was ¥398 million. The main factors were ¥700 million in proceeds from long-term loans payable and ¥492 million in proceeds from issuance of bonds, which offset ¥626 million in repayments of long-term loans payable and ¥171 million in dividends paid.

VI Cash and Cash Equivalents at End of Period

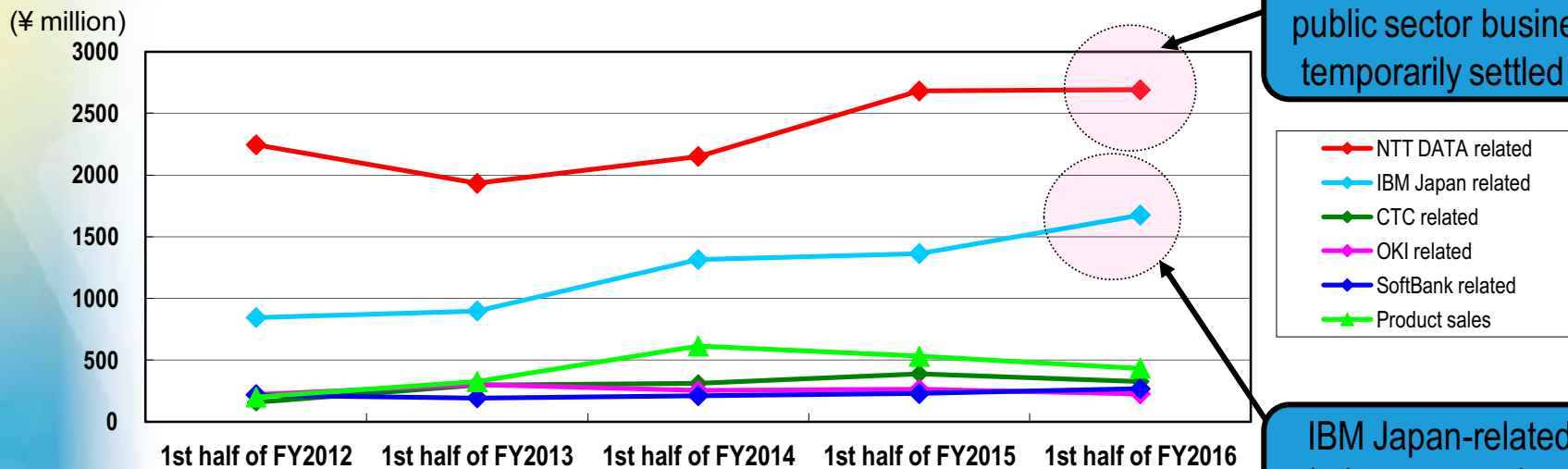
As a result, cash and cash equivalents at period-end increased ¥911 million from beginning of the period to ¥4,018 million.

(¥ million)

	Net sales of first half period (6 month ended September)					
	FY2012	FY2013	FY2014	FY2015	FY2016	
Public sector	2,150	1,951	2,005	2,518	2,496	There has been a temporary settling down in the recovery trend since the first half of the previous year, which followed the harsh conditions that had continued due to revised plans and reduced budgets, etc. when the Democratic Party of Japan was in power.
						
Private sector	3,262	3,451	3,842	4,248	4,600	With demand remaining steady, we have established an order system through both cultivating business with existing users and acquiring new users. Strong performance was seen in the Web application and infrastructure building areas.
						
Security equipment	175	302	595	518	397	The decrease is a repercussion of the special demand from supplemental spending in the first half of 2013 and the previous year's early implementation of cyber forensics related budgets by relevant ministries and agencies. The segment performed as planned for the first half of the current fiscal year.
						



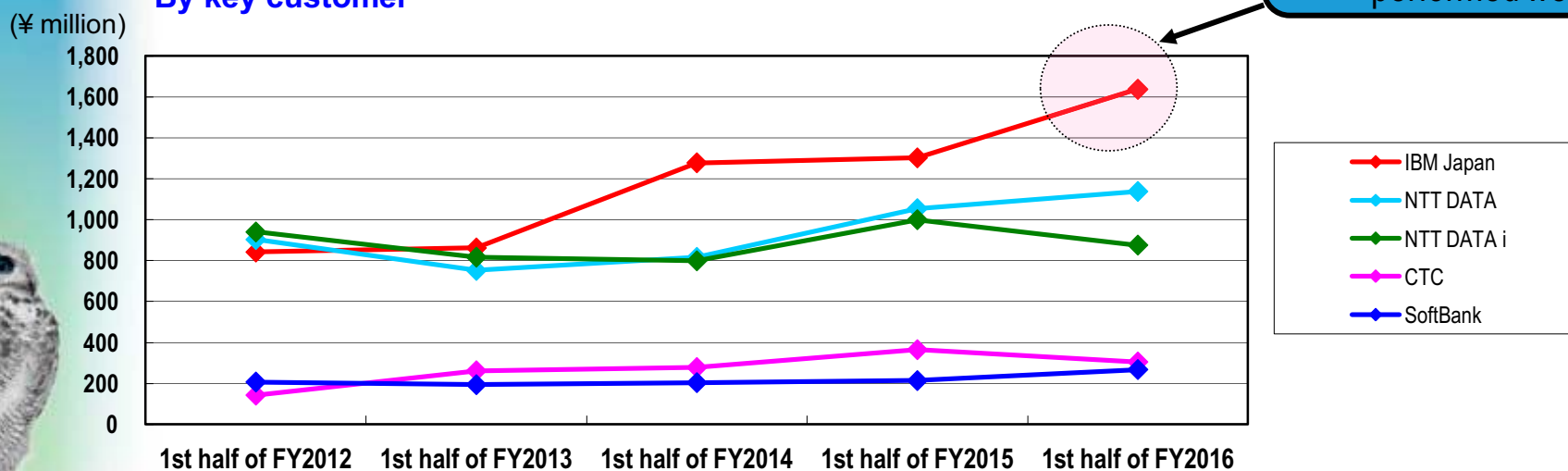
By customer group



The recovery trend of the public sector business has temporarily settled down.

IBM Japan-related sales (private sector business) performed well.

By key customer



Fiscal 2016 (from April 1, 2015 – March 31, 2016)	Net Sales (¥ million)	Operating Income (¥ million)	Ordinary Income (¥ million)	Net Income (¥ million)	Cash Dividends per Share (¥)
Projections	15,300	950	920	600	12.50

Note: Cash dividend per share indicates the amount that reflects the stock split, in which a single common stock is split into two with October 1, 2015 set as the effective date, as described in the “Notice Concerning Stock Split and Amendment to Cash Dividend Forecast” (Japanese only) announced on August 6, 2015.

Furthermore, the amount remains unchanged from the period-end cash dividend per share forecast announced on May 8, 2015 when calculated using the number of shares before the stock split.

