



Put Our Heart into Technologies

**First Half of Fiscal 2017**  
**(Six month ended September 2016)**

# Interim Financial Results

# Supplementary Explanation Material

**Focus Systems Corporation**

**November 2016**



This document uses information available as of November 11, 2016, 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*

# Overview of the Operational Results for the 1st Half of Fiscal Year

(¥ million)

	1st half of FY ending March	1st half of FY ending March	Year-on-year change	
	2016 Results	2017 Results	Amount	Ratio
<b>Net Sales</b>	<b>7,494</b>	<b>8,383</b>	<b>889</b>	<b>11.9%</b>
<b>Public Sector</b>	<b>2,496</b>	<b>2,931</b>	<b>434</b>	<b>17.4%</b>
<b>Private Sector</b>	<b>4,600</b>	<b>4,897</b>	<b>297</b>	<b>6.5%</b>
<b>Security Equipment</b>	<b>397</b>	<b>554</b>	<b>157</b>	<b>39.7%</b>
<b>Operating Income</b>	<b>201</b>	<b>201</b>	<b>(0)</b>	<b>-0.1%</b>
<b>Ordinary Income</b>	<b>197</b>	<b>199</b>	<b>1</b>	<b>0.5%</b>
<b>Net Income</b>	<b>280</b>	<b>138</b>	<b>(142)</b>	<b>-50.6%</b>

In public sector business, net sales marked a record high backed by steady orders from existing customers.

Net sales in private sector business also set a record high, indicating continuation of a recovery trend in willingness to invest in information systems.

Security equipment business saw an increase in orders from public offices.



# Non-consolidated Balance Sheets

(¥ million)

Item	As of Sep. 30, 2015	As of Mar. 31, 2016	As of Sep. 30, 2016
(ASSETS)			
Current Assets	7,589	7,597	<b>8,203</b>
Non-current Assets	6,458	7,339	<b>6,765</b>
Property, Plant and Equipment	3,479	3,473	<b>3,478</b>
Intangible Assets	218	234	<b>232</b>
Investments and Other Assets	2,760	3,631	<b>3,054</b>
<b>Total Assets</b>	<b>14,048</b>	<b>14,936</b>	<b>14,969</b>
(LIABILITIES)			
Current Liabilities	4,131	4,064	<b>4,050</b>
Non-current Liabilities	3,561	3,456	<b>3,998</b>
<b>Total Liabilities</b>	<b>7,692</b>	<b>7,520</b>	<b>8,049</b>
(NET ASSETS)			
Capital stock	2,905	2,905	<b>2,905</b>
Capital surplus	1,468	1,468	<b>1,468</b>
Retained earnings	1,281	1,739	<b>1,656</b>
Treasury shares	(706)	(706)	<b>(706)</b>
Valuation and Translation Adjustments	1,407	2,009	<b>1,596</b>
<b>Total Net Assets</b>	<b>6,355</b>	<b>7,415</b>	<b>6,920</b>
<b>Total Liabilities and Net Assets</b>	<b>14,048</b>	<b>14,936</b>	<b>14,969</b>

Total assets increased by ¥32 million compared with the end of the previous fiscal year. This was mainly because of increases of ¥421 million in work in process and ¥1,058 million in cash and deposits, despite decreases of ¥864 million in notes and accounts receivable – trade and ¥594 million in investment securities.



# Non-consolidated Income Statements

(¥ million)

Item	First Half of FY2015 (ended Sep. 30, 2014)	First Half of FY2016 (ended Sep. 30, 2015)	First Half of FY2017 (ended Sep. 30, 2016)
<b>Net Sales</b>	7,286	7,494	<b>8,383</b>
Cost of Sales	6,392	6,638	<b>7,481</b>
Gross Profit	893	856	<b>902</b>
SG & A Expenses	598	654	<b>700</b>
<b>Operating Income</b>	295	201	<b>201</b>
Non-operating Income	26	35	<b>29</b>
Non-operating Expenses	51	39	<b>32</b>
<b>Ordinary Income</b>	270	197	<b>199</b>
Extraordinary Income	—	235	<b>14</b>
Extraordinary Losses	1	1	—
<b>Income before Income Taxes</b>	269	432	<b>213</b>
Income Taxes	104	151	<b>75</b>
<b>Net Income</b>	165	280	<b>138</b>

Net sales climbed ¥889 million from the same period of previous fiscal year. This was due to a ¥434 million increase of public sector business, a ¥297 million increase of private sector business and a ¥157 million increase of security equipment business.

Operating income remained roughly the same as the previous year due to advanced costs for facilitating the development environment to respond to an increase of orders, preparation for making proposals to gain new orders, etc.

The extraordinary income for the fiscal year ended March 31, 2016 was primarily comprised of ¥208 million in gain on sales of investment securities.

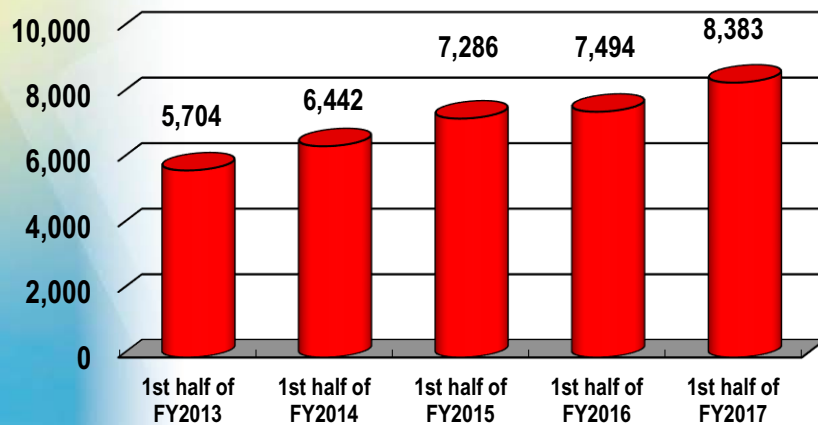
As a result, net income was ¥138million, decreased ¥142 million from the same period of previous fiscal year.



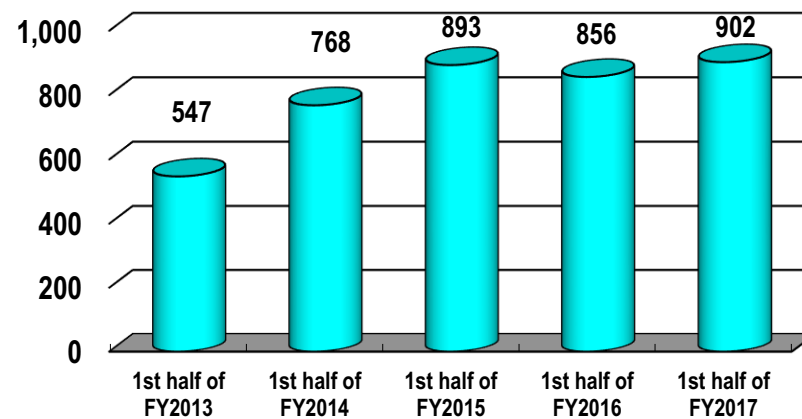
# Non-consolidated Performance (Last 5 years)

(¥ million)

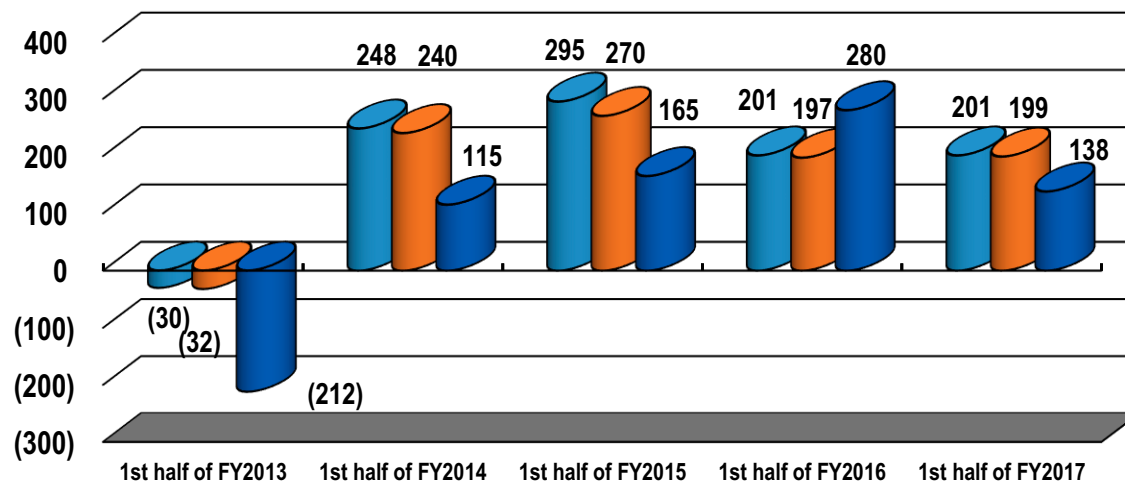
■ Net sales



■ Gross profit



■ Operating income (loss) ■ Ordinary income (loss) ■ Net income (loss)



# Non-consolidated Statements of Cash Flows

(¥ million)

Item	First Half of FY2016 (ended Sep. 30, 2015)	First Half of FY2017 (ended Sep. 30, 2016)
<b>I Cash Flows from Operating Activities</b>	182	339
<b>II Cash Flows from Investing Activities</b>	331	(22)
<b>III Cash Flows from Financing Activities</b>	398	785
IV Net Increase in Cash and Cash Equivalents	911	1,102
V Cash and Cash Equivalents at Beginning of Period	3,106	2,930
VI Cash and Cash Equivalents at End of Period	4,018	4,033

## I Cash Flows from Operating Activities

Net cash provided by operating activities was ¥339 million. The main factors were ¥833 million of decrease in notes and accounts receivable - trade and ¥213 million of income before income taxes, which offset ¥417 million of increase in inventories and ¥303 million of income tax paid.

## II Cash Flows from Investing Activities

Net cash used in investing activities was ¥22 million. The main factors were ¥43 million of decrease in time deposits and ¥30 million in proceeds from cancellation of insurance funds, which offset ¥48 million in payments for purchase of property, plant and equipment, ¥35 million in payments for purchase of insurance funds and ¥19 million in payments for purchase of intangible assets.

## III Cash Flows from Financing Activities

Net cash provided by financing activities was ¥785 million. The main factors were ¥950 million in proceeds from long-term loans payable and ¥592 million in proceeds from issuance of bonds, which offset ¥507 million in repayment of long-term loans payable, ¥229 million in payments for redemption of bonds and ¥219 million in payments for cash dividends.

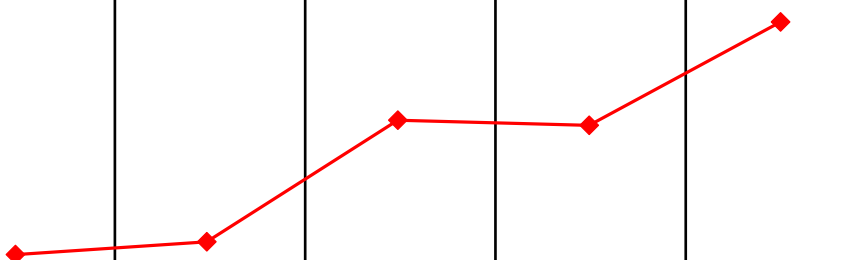
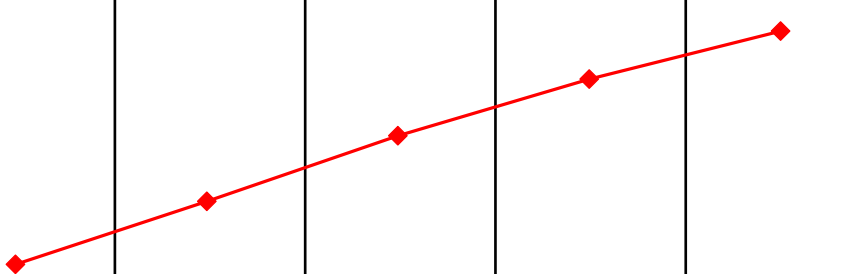
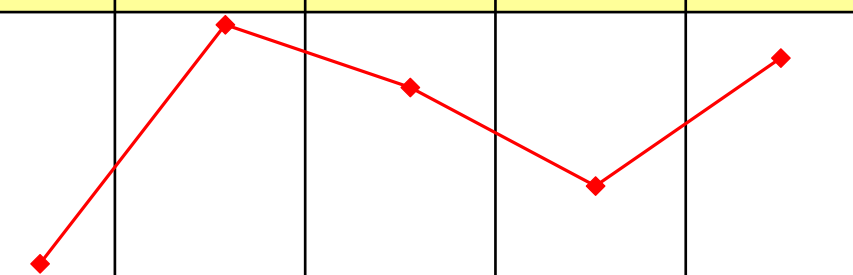
## VI Cash and Cash Equivalents at End of Period

As a result, cash and cash equivalents at period-end increased ¥1,102 million from beginning of the period to ¥4,033 million.



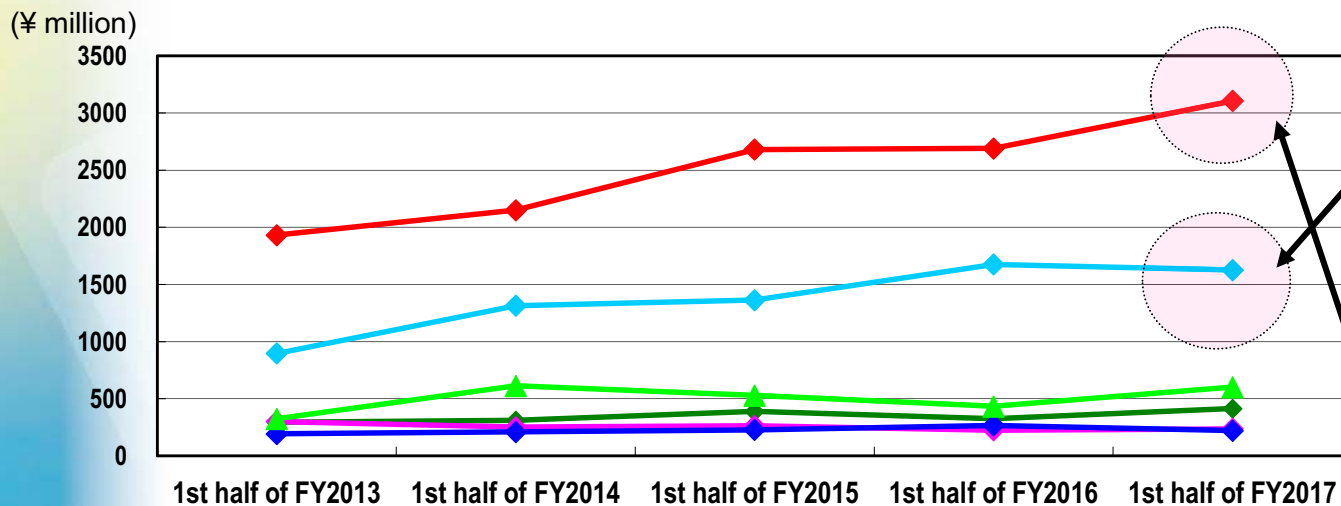


(¥ million)

	Net sales of first half period (6 month ended September)					
	FY2013	FY2014	FY2015	FY2016	FY2017	
<b>Public sector</b>	1,951	2,005	2,518	2,496	2,931	Backed by steady orders from existing customers, net sales set a record high, resulting in increase of both revenue and profits.
						
<b>Private sector</b>	3,451	3,842	4,248	4,600	4,897	Profits decreased due to advanced costs for facilitating the development environment to respond to an increase of orders, preparation for making proposals to gain new orders, etc., despite setting a record-high sales figure through steady demand.
						
<b>Security equipment</b>	302	595	518	397	554	Although revenue increased due to the increase in orders from public offices, profits decreased due to the impact of product replacement by existing users.
						



## By customer group

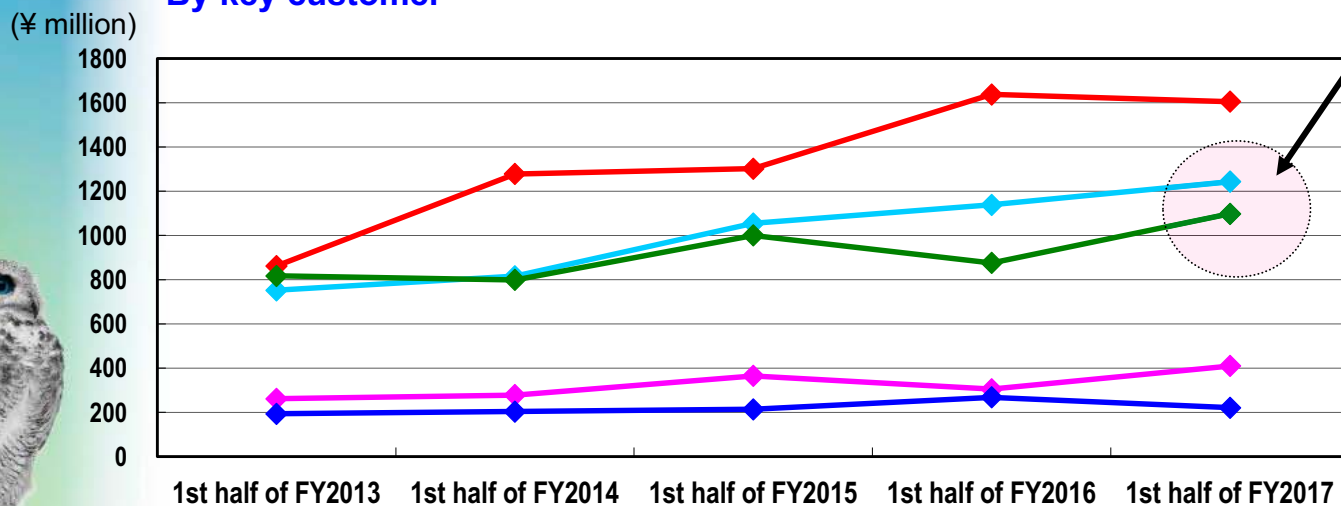


IBM Japan-related sales were mostly unchanged but the overall private sector business performed well.

- NTT DATA related
- IBM Japan related
- CTC related
- OKI related
- SoftBank related
- Product sales

Public sector business demonstrated growth.

## By key customer



- IBM Japan
- NTT DATA
- NTTD i
- CTC
- SoftBank





Fiscal 2017 (from April 1, 2016 – March 31, 2017)	Net Sales (¥ million)	Operating Income (¥ million)	Ordinary Income (¥ million)	Net Income (¥ million)	Cash Dividends per Share (¥)
Projections	17,000	800	770	490	12.50

