



Put Our Heart into Technologies

First Half of Fiscal 2018
(Six month ended September 2017)

Interim Financial Results

Supplementary Explanation Material

Focus Systems Corporation

November 2017



This document uses information available as of November 10, 2017, 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 ended March 2017 Results	1st half of FY ending March 2018 Results	Year-on-year change	
			Amount	Ratio
Net Sales	8,383	8,827	443	5.3%
Public Sector	2,931	2,912	-18	0.6%
Private Sector	4,897	5,439	541	11.1%
Security Equipment	554	475	-78	14.2%
Operating Income	201	227	25	12.7%
Ordinary Income	199	229	30	15.3%
Net Income	138	183	44	32.3%

The public sector business performed as planned although net sales decreased slightly year on year.

For the private sector business, IBM Japan-related, SoftBank-related and OKI-related orders grew primarily, resulting in record-high net sales.

For the security equipment business, net sales decreased year on year due to having received large orders in the first half of the previous fiscal year.



Non-consolidated Balance Sheets

(¥ million)

Item	As of Sep. 30, 2016	As of Mar. 31, 2017	As of Sep. 30, 2017
(ASSETS)			
Current Assets	8,203	7,881	8,572
Non-current Assets	6,765	6,685	6,421
Property, Plant and Equipment	3,478	3,525	3,520
Intangible Assets	232	208	179
Investments and Other Assets	3,054	2,951	2,722
Total Assets	14,969	14,567	14,993
(LIABILITIES)			
Current Liabilities	4,050	3,786	4,428
Non-current Liabilities	3,998	3,521	3,375
Total Liabilities	8,049	7,308	7,804
(NET ASSETS)			
Capital stock	2,905	2,905	2,905
Capital surplus	1,468	1,468	1,468
Retained earnings	1,656	2,069	2,079
Treasury shares	(706)	(706)	(706)
Valuation and Translation Adjustments	1,596	1,522	1,442
Total Net Assets	6,920	7,258	7,189
Total Liabilities and Net Assets	14,969	14,567	14,993

Total assets increased by ¥426 million compared with the end of the previous fiscal year.

The main factors were ¥538 million of increases in cash and deposits and ¥185 million of increases in work in process, which offset ¥115 million of decrease in investment securities, ¥112 million of decrease in insurance funds and ¥56 million of decrease in notes and accounts receivable – trade.



(¥ million)

Item	First Half of FY2016 (ended Sep. 30, 2015)	First Half of FY2017 (ended Sep. 30, 2016)	First Half of FY2018 (ended Sep. 30, 2017)
Net Sales	7,494	8,383	8,827
Cost of Sales	6,638	7,481	7,895
Gross Profit	856	902	931
SG & A Expenses	654	700	704
Operating Income	201	201	227
Non-operating Income	35	29	28
Non-operating Expenses	39	32	26
Ordinary Income	197	199	229
Extraordinary Income	235	14	58
Extraordinary Losses	1	—	8
Income before Income Taxes	432	213	279
Income Taxes	151	75	96
Net Income	280	138	183

Net sales climbed ¥443 million from the same period of previous fiscal year.
This was due to a ¥541 million increase of private sector business.

Operating income increased by ¥25 million year on year.
This is mainly the result of successfully curbing the increase in SG&A Expenses to ¥3 million against the increase of ¥443 million in net sales.

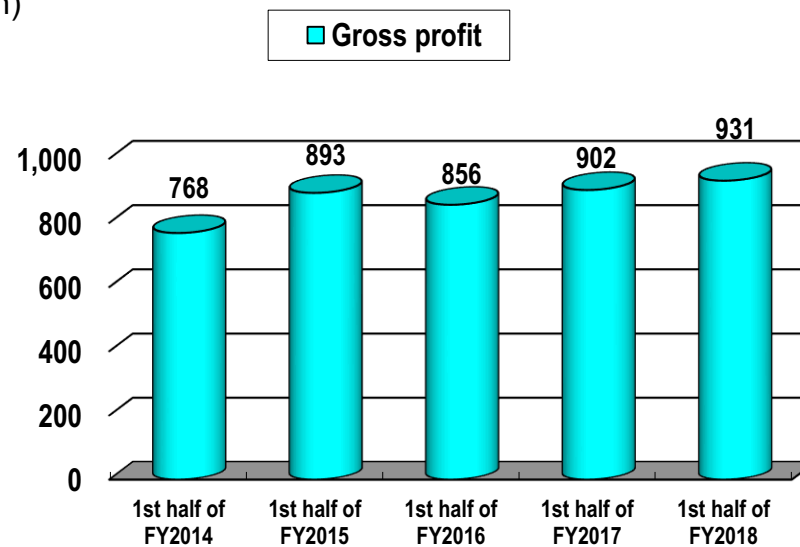
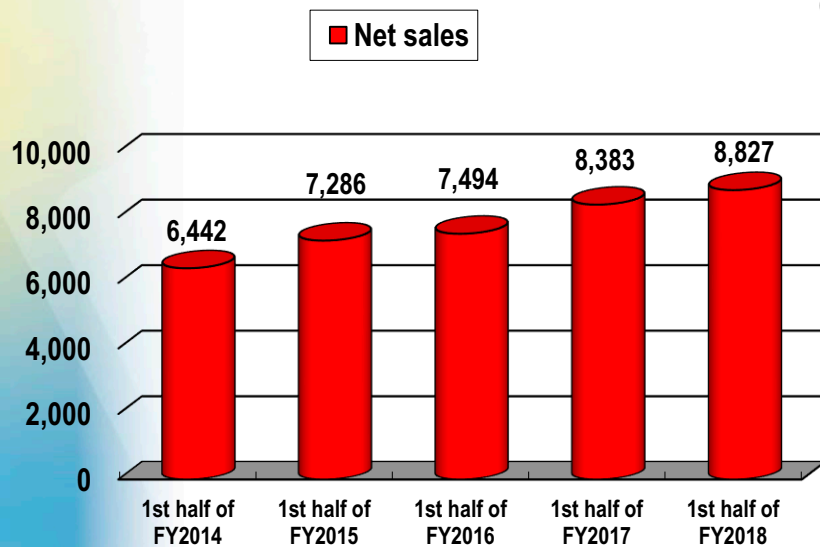
The extraordinary income for the first half of FY2018 ended September 30, 2017 was primarily comprised of ¥55 million in gain on surrender value of insurance.

As a result, net income was ¥183 million, increased ¥44 million from the same period of previous fiscal year.

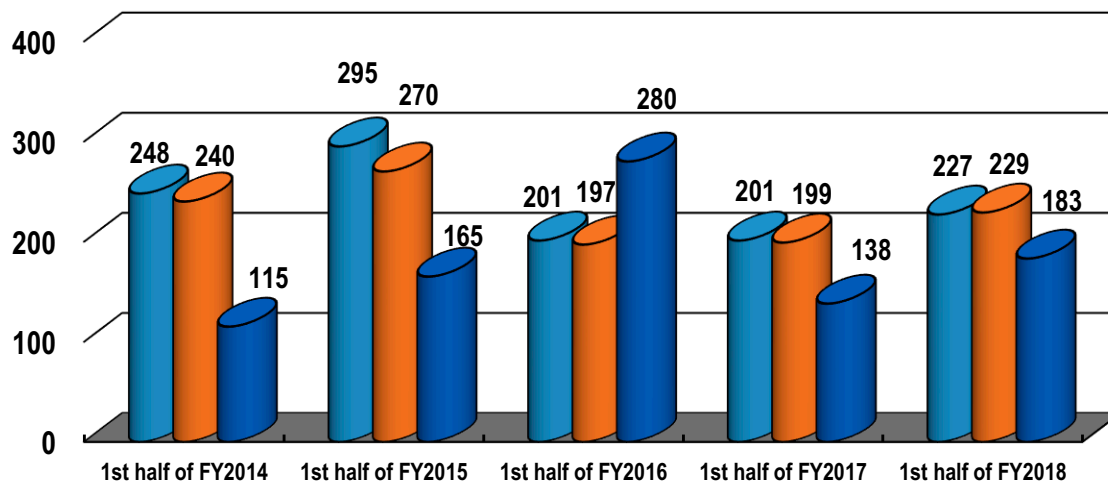


Non-consolidated Performance (Last 5 years)

(¥ million)



Operating income Ordinary income Net income



(¥ million)

Item	First Half of FY2017 (ended Sep. 30, 2016)	First Half of FY2018 (ended Sep. 30, 2017)
I Cash Flows from Operating Activities	339	244
II Cash Flows from Investing Activities	(22)	92
III Cash Flows from Financing Activities	785	194
IV Net Increase in Cash and Cash Equivalents	1,102	531
V Cash and Cash Equivalents at Beginning of Period	2,930	3,447
VI Cash and Cash Equivalents at End of Period	4,033	3,979

I Cash Flows from Operating Activities

Net cash provided by operating activities was ¥244 million. The main factors were ¥279 million of income before income taxes, ¥156 million of increase in provision for bonuses and ¥119 million of increase in advances received, which offset ¥198 million of increase in inventories and ¥120 million of payments for directors' retirement benefits.

II Cash Flows from Investing Activities

Net cash provided by investing activities was ¥92 million. The main factors were ¥199 million in proceeds from cancellation of insurance funds, which offset ¥69 million in payments for purchase of property, plant and equipment and ¥31 million in payments for purchase of insurance funds.

III Cash Flows from Financing Activities

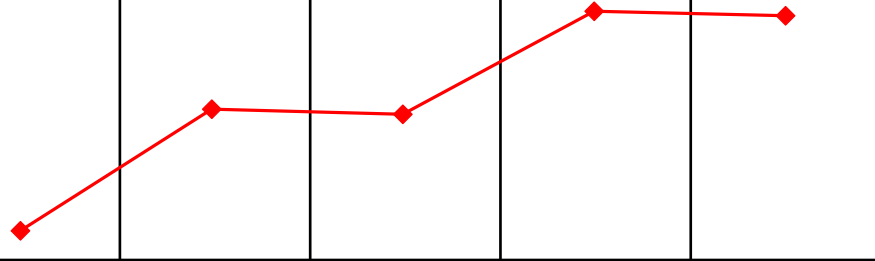
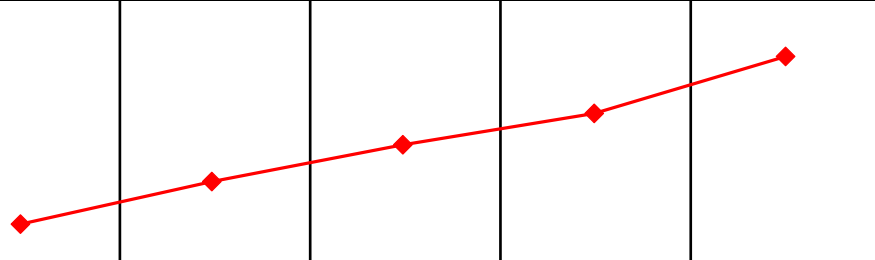
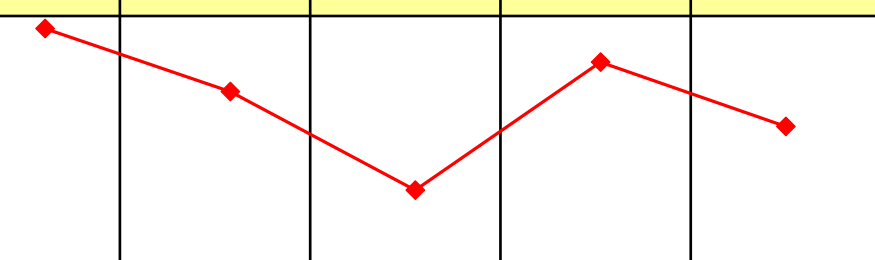
Net cash provided by financing activities was ¥194 million. The main factors were ¥400 million in proceeds from long-term loans payable, ¥393 million in proceeds from issuance of bonds and ¥270 million of net increase in short-term loans payable, which offset ¥384 million in repayment of long-term loans payable, ¥314 million in payments for redemption of bonds and ¥171 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 ¥531 million from beginning of the period to ¥3,979 million.



(¥ million)

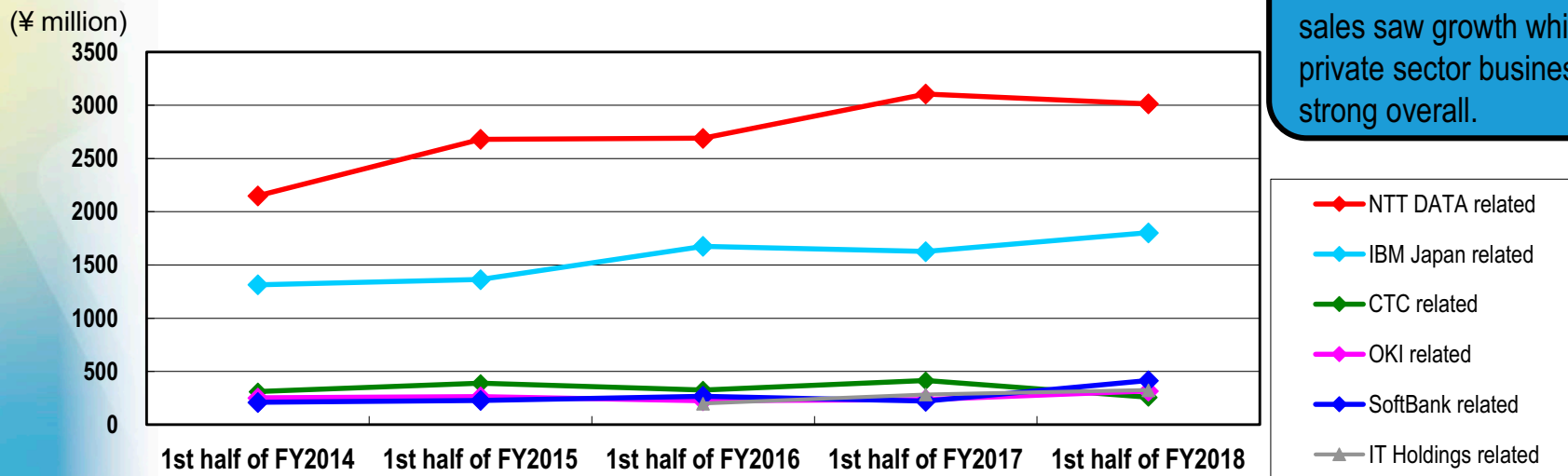
	Net sales of first half period (6 month ended September)					
	FY2014	FY2015	FY2016	FY2017	FY2018	
Public sector	2,005	2,518	2,496	2,931	2,912	<p>Although net sales decreased slightly year on year, profits increased by ¥7 million (1.8%) due to a decrease in the outsourcing ratio.</p>
						
Private sector	3,842	4,248	4,600	4,897	5,439	<p>Primarily, IBM Japan-related, SoftBank-related and OKI-related orders grew, resulting in record-high net sales. Profits increased by ¥29 million (6.6%) year on year.</p>
						
Security equipment	595	518	397	554	475	<p>Net sales decreased year on year due to having received large orders in the first half of the previous fiscal year. Profits also decreased by ¥6 million (12.5%) year on year.</p>
						



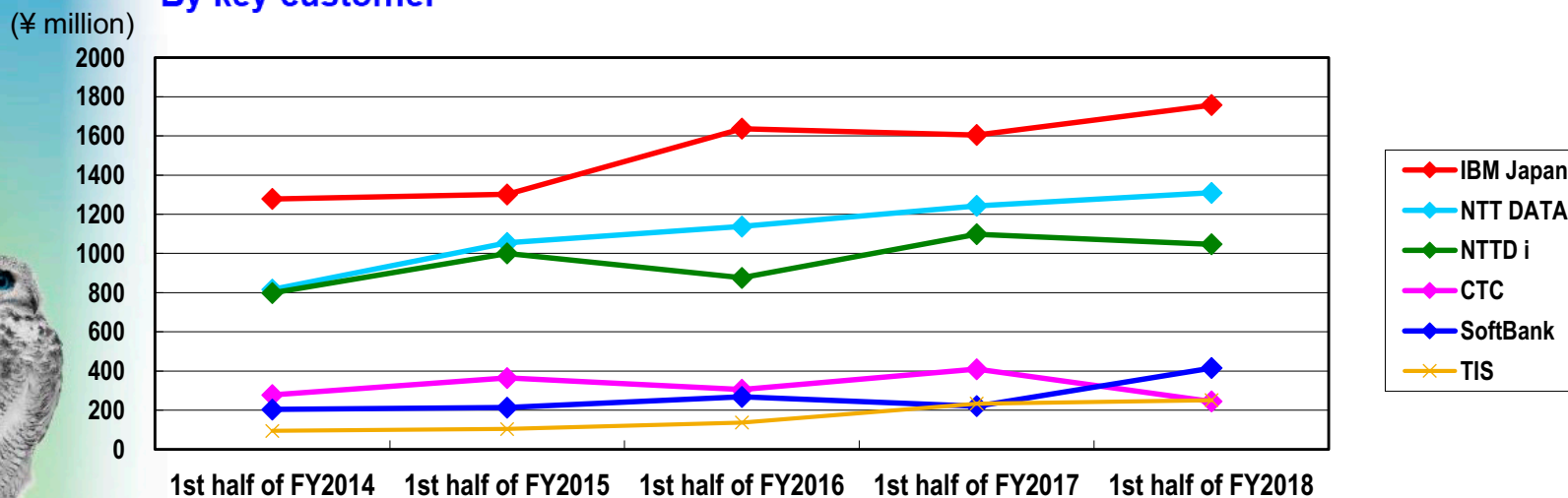
Sales to Key Customers

IBM Japan-related, SoftBank-related and OKI-related net sales saw growth while the private sector business was strong overall.

By customer group



By key customer



	Net Sales (¥ million)	Operating Income (¥ million)	Ordinary Income (¥ million)	Net Income (¥ million)	Cash Dividends per Share (¥)
Projections	18,400	850	820	520	12.50

