



**Fiscal 2018 year ended March 2018**

# **Financial Results Presentation**

June 12, 2018  
Focus Systems Corporation  
(Ticker code: 4662)

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# Financial Results for Fiscal 2018

Ended March 31, 2018



## Financial Results

- ◆ Increase in net sales (P.6), increase in profits (P.7) and increase in cash dividend per share (P.17)
- ◆ Issuance of share acquisition rights with exercise price revision clause by way of third-party allotment
- ◆ Reduced net interest-bearing debt further and virtually achieved zero debt (P.16)



## Business

- ◆ Expansion of partnership
  - Coordination with Microsoft Japan to achieve fast processing for cybercrime evidencing data analysis
  - Joint research with Nagoya Institute of Technology on directional antenna
  - Concluded alliance partnership contract with Drone Pilot Association
  - Established VRaiB, a new company jointly invested in with JPPVR

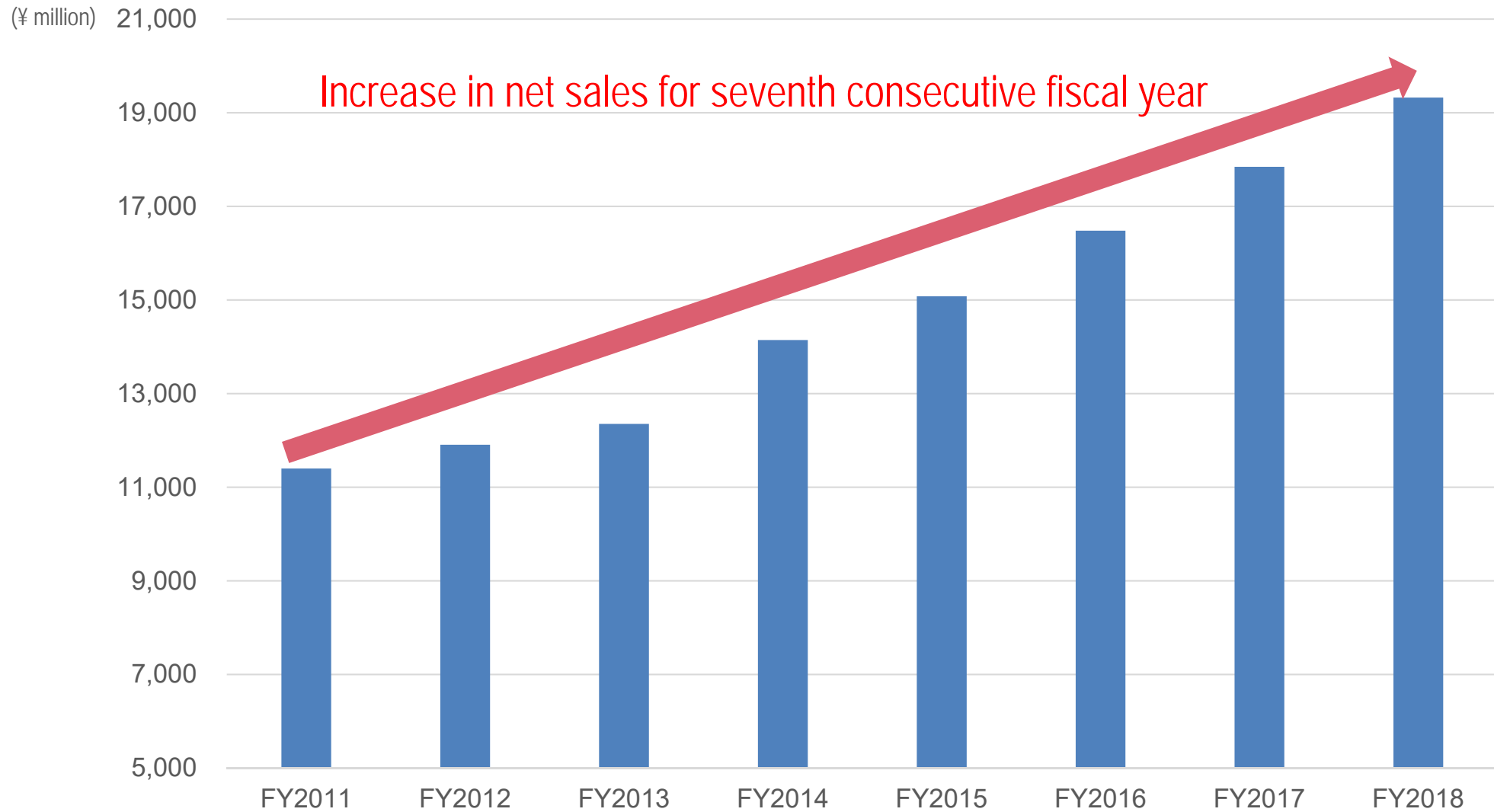
- ◆ Highest net sales since founding in 1977
- ◆ Income recovered significantly in this fiscal year with thorough improvement measures reflecting on decrease in profit in the previous fiscal year

(¥ million)

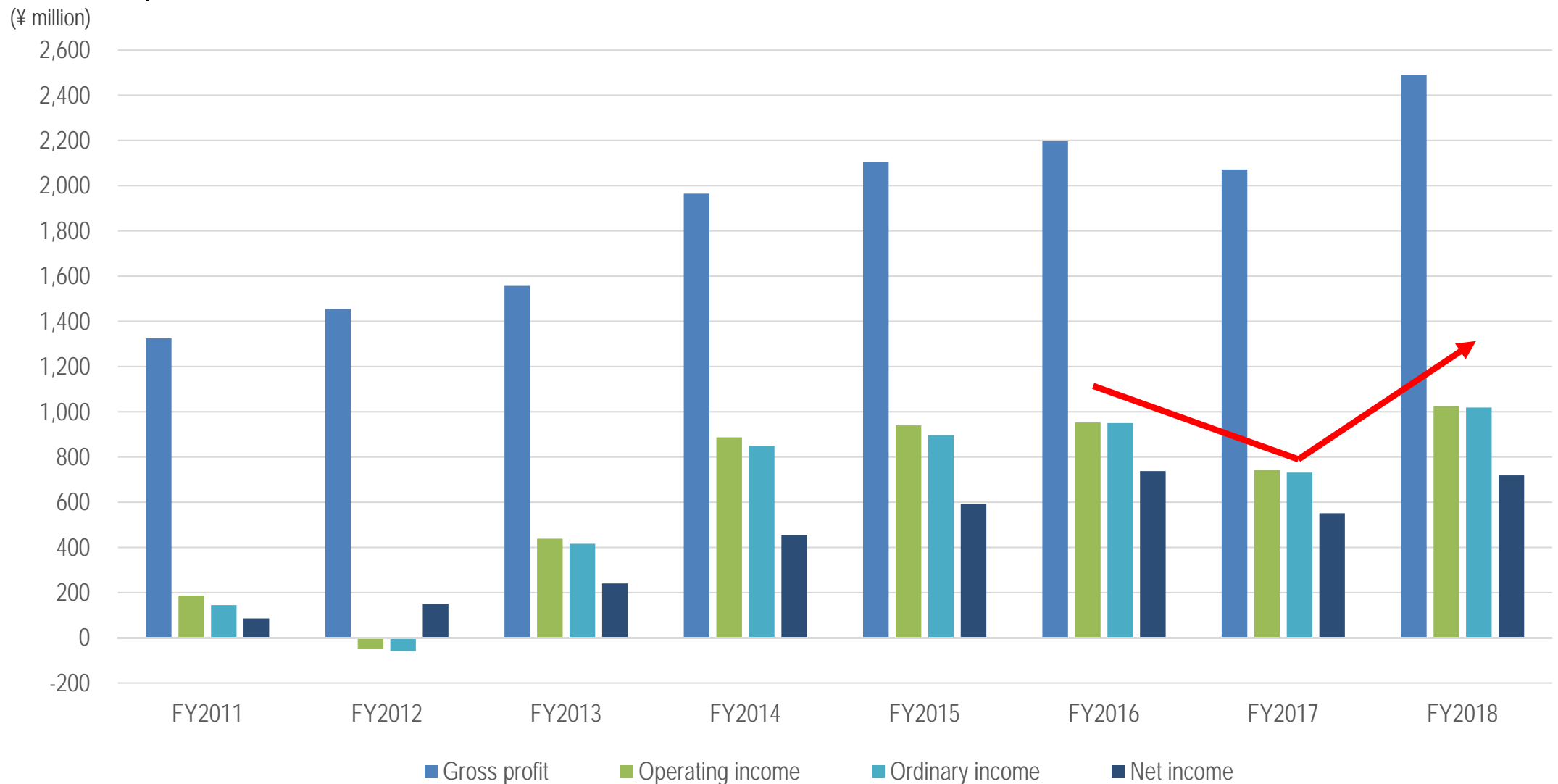
	Year ended March 2017 Results	Year ended March 2018 Plans	Year ended March 2018 Results	Year-on-year change		Changes compared with plan	
				Amount	Ratio	Amount	Ratio
Net sales	17,846	18,400	19,327	1,480	8.3%	927	5.0%
Operating income	743	850	1,025	282	37.9%	175	20.7%
Ordinary income	731	820	1,019	288	39.4%	199	24.3%
Net income	551	520	719	167	30.4%	199	38.3%

Plan for the next fiscal year: ¥20.0 billion

Increase in net sales for seventh consecutive fiscal year



- ◆ Income marked V-shaped recovery in all items
- ◆ Profitability improved albeit gradually. Measures for each project are being enhanced toward further improvement

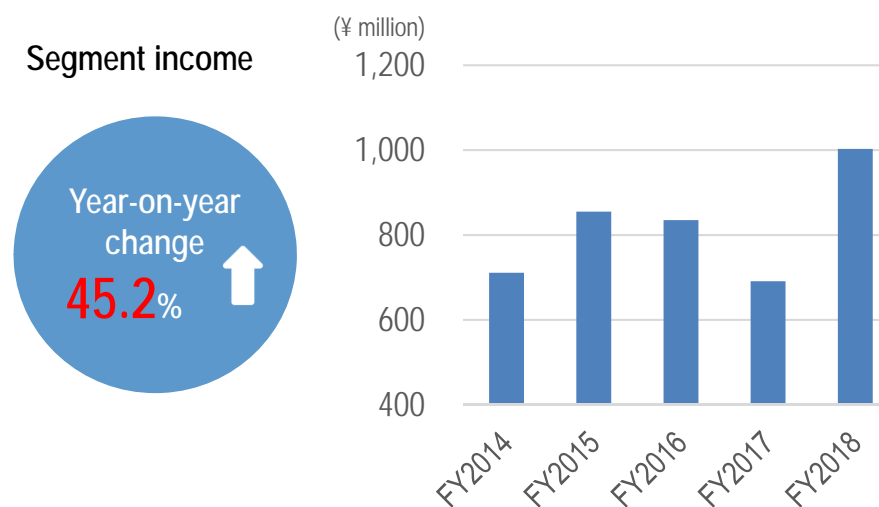
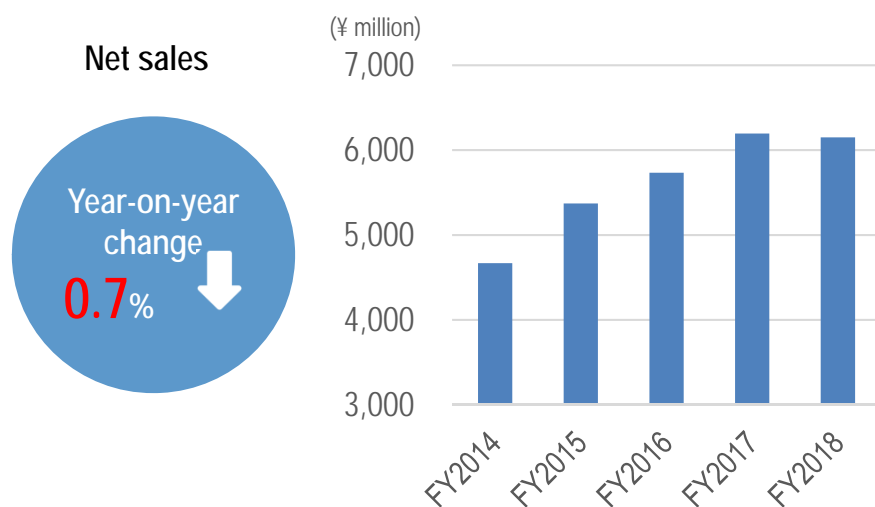


## Public Sector

Final users are public offices and local governments

Covers steps from proposal to design, manufacturing, testing as well as maintenance and operation following commencement of system operations

Supporting society in various settings such as financial systems, trading systems, air traffic control systems, welfare and nursing care systems, social insurance systems, etc.



- ◆ Constitutes 31.8% of net sales (34.7% in the previous fiscal year)
- ◆ Although net sales decreased slightly, segment income recovered significantly from the previous fiscal year which marked decrease in profits
- ◆ Thoroughly conducted measures to prevent recurrence of delayed progress in projects leading to decrease in profits in Fiscal 2017  
Adopted stricter stance in decision meetings for received orders

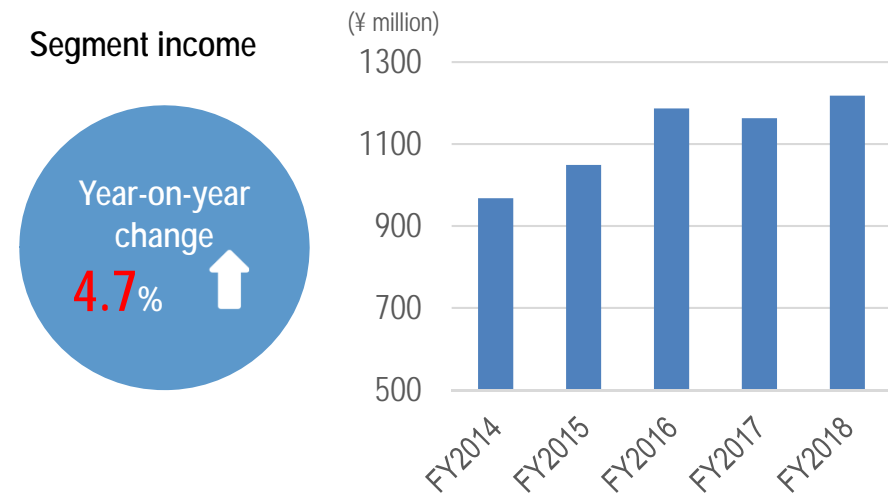
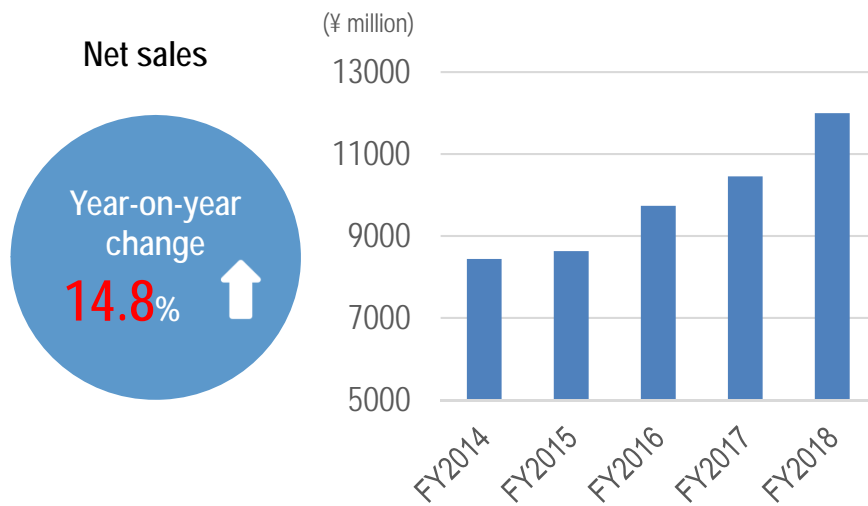


## Private Sector

Final users are mainly general private businesses

Conducting development, operation and maintenance of systems for various private businesses under partnership with IBM Japan, Oki Electric Industry, SoftBank, TIS INTEC, etc.

Engaged in a wide variety of systems including business applications, communications control systems, IoT and AI



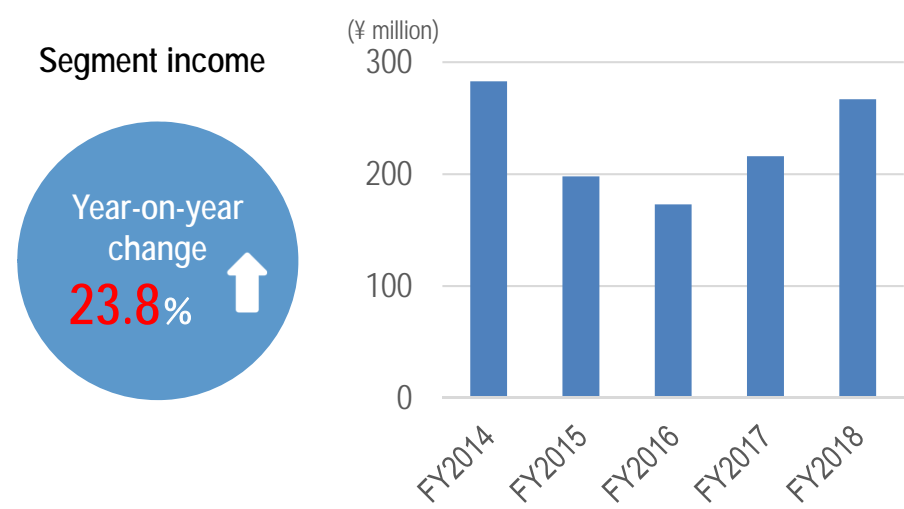
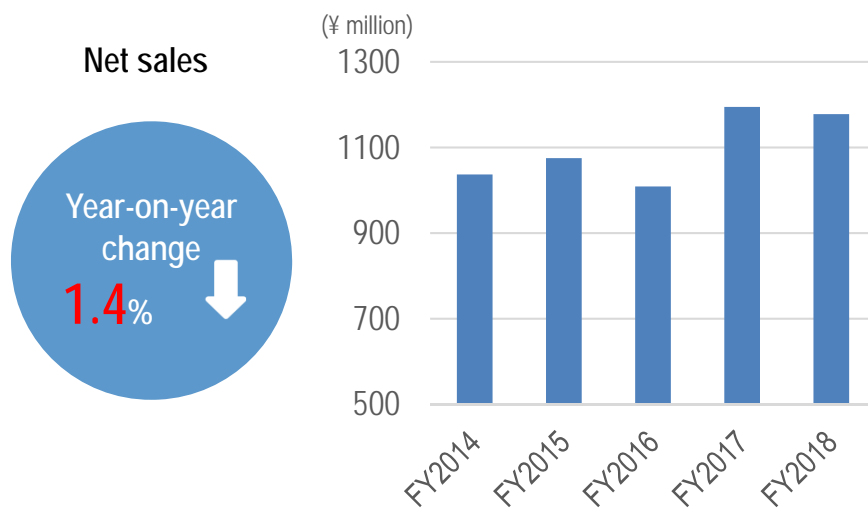
- ◆ Constitutes 62.1% of net sales (58.6% in the previous fiscal year)
- ◆ Infrastructure building and operation services for major clients achieved growth
- ◆ Operational results in regional areas focusing on Osaka and Nagoya expanding through steady securement of projects

## Security Equipment

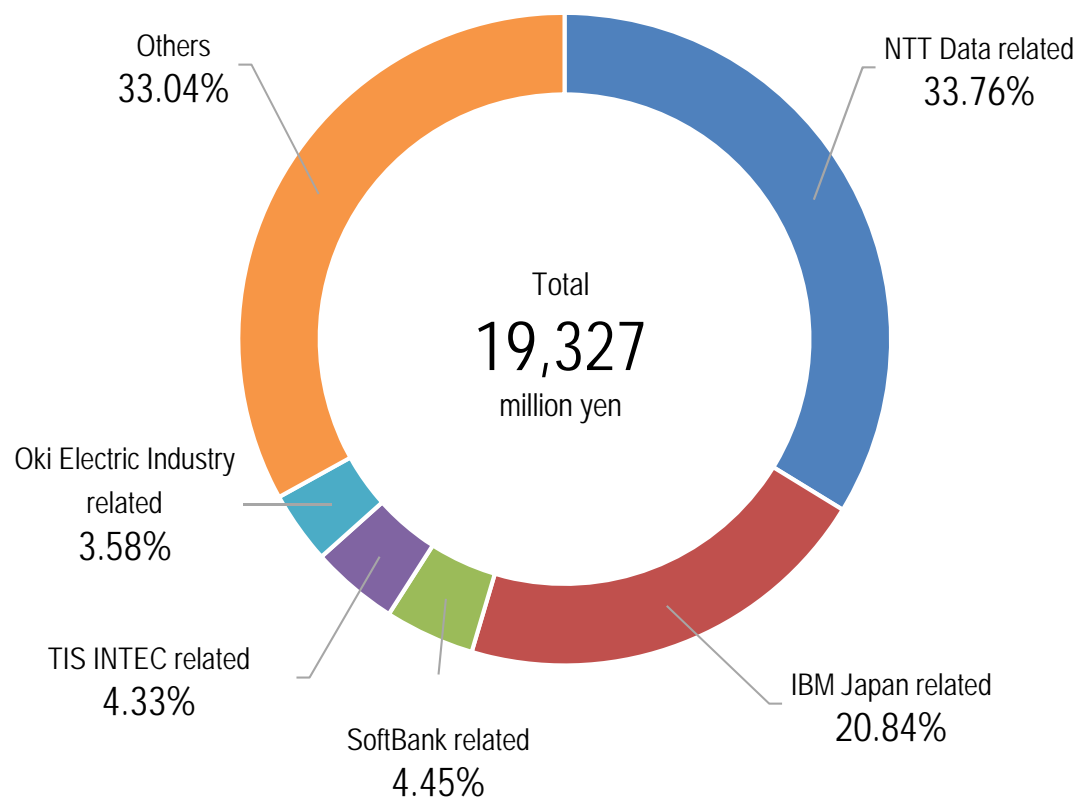
Has a broad customer base and provides services to both the public sector and private sector

Addresses various needs in handling protective measures, preventing security accidents (cryptographic technologies and digital watermark) and postventions (digital forensics and cyber security)

Has several partners, including those overseas, and strives to acquire developing technologies and to nurture specialists



- ◆ Constitutes 6.1% of net sales (6.7% in the previous fiscal year)
- ◆ Although segment income slumped from FY 2014 to FY 2016, it has been on a recovery trend for 2 consecutive years, due largely to growth in forensics related products
- ◆ Public office projects are also performing favorably (received large orders for cyber security products and experienced increase in orders for training)



Name	FY2018 Sales (¥million)
NTT Data related	6,525
IBM Japan related	4,028
SoftBank related	860
TIS INTEC related	837
Oki Electric Industry related	690
Others	6,385
<b>Total</b>	<b>19,327</b>

- ◆ SoftBank-related orders grew, making it the third-largest customer in terms of net sales in the fiscal year
  - ◆ Net sales from NTT Data and related companies decreased slightly
- Net sales from related companies of top 4 companies is generally on an increasing trend

(¥ million)

	As of Mar. 31, 2016	As of Mar. 31, 2017	As of Mar. 31, 2018
<b>(ASSETS)</b>			
Current Assets	7,597	7,881	9,969
Noncurrent Assets	7,339	6,685	7,061
Property, Plant and Equipment	3,473	3,525	3,506
Intangible Assets	234	208	151
Investments and Other Assets	3,631	2,951	3,403
<b>Total Assets</b>	<b>14,936</b>	<b>14,567</b>	<b>17,030</b>
<b>(LIABILITIES)</b>			
Current Liabilities	4,064	3,786	4,459
Noncurrent Liabilities	3,456	3,521	3,370
<b>Total Liabilities</b>	<b>7,520</b>	<b>7,308</b>	<b>7,829</b>
<b>(NET ASSETS)</b>			
Capital stock	2,905	2,905	2,905
Capital surplus	1,468	1,468	2,138
Retained earnings	1,739	2,069	2,615
Treasury stock	(706)	(706)	(359)
Valuation difference on available-for-sale securities	2,009	1,522	1,898
Share acquisition rights	—	—	2
<b>Total Net Assets</b>	<b>7,415</b>	<b>7,258</b>	<b>9,201</b>
<b>Total Liabilities and Net Assets</b>	<b>14,936</b>	<b>14,567</b>	<b>17,030</b>

Increased by ¥2,463 million compared with the end of the previous fiscal year

(Major factors)

- ¥1,248 million of increase in cash and deposits
- ¥703 million of increase in accounts receivable-trade
- ¥542 million of increase in investment securities

Increased by ¥521 million compared with the end of the previous fiscal year

(Major factors)

- ¥201 million of increase in deferred tax liabilities
- ¥170 million of increase in income taxes payable
- ¥167 million of increase in accounts payable - trade

Increased by ¥1,942 million compared with the end of the previous fiscal year

(Major factors)

- ¥670million of increase in other capital surplus
- ¥546million of increase in retained earnings brought forward
- ¥376million of increase in valuation difference on available-for-sale securities

(¥ million)

	FY2016 (ended Mar. 31, 2016)	FY2017 (ended Mar. 31, 2017)	FY2018 (ended Mar. 31, 2018)
Net Sales	16,482	17,846	19,327
Cost of Sales	14,285	15,774	16,836
Gross Profit	2,197	2,072	2,490
SG & A Expenses	1,243	1,328	1,465
Operating Income	953	743	1,025
Non-operating Income	69	47	50
Non-operating Expenses	72	59	56
Ordinary Income	950	731	1,019
Extraordinary Income	235	37	58
Extraordinary Loss	1	—	8
Income before Income Taxes	1,184	768	1,070
Income Taxes	445	216	350
Net Income	738	551	719

Increased ¥1,480 million from the previous fiscal year

- ¥45 million decrease of public sector business
- ¥1,542 million increase of private sector business
- ¥17 million decrease of security equipment business

Gross profit improved significantly by 20% from the previous fiscal year

- Profits increased by ¥312 million due to adoption of stricter stance in decision meetings for public sector business (45.2% increase from the previous fiscal year)
- Profits increased by ¥51 million through the expansion of highly profitable business models in digital forensics field under the information security equipment business (23.8% increase from the previous fiscal year)

Increased ¥167 million from the previous fiscal year

◆ Shareholders' equity increased by effective utilization of treasury stock through exercising share acquisition rights

(¥ thousand)

	Shareholders' equity							Total Valuation and translation adjustments	Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Total retained earnings	Treasury stock	Total shareholders' equity			
		Legal capital surplus	Other capital surplus	Total capital surplus						
Balance as of March 31, 2017	2,905,422	749,999	718,471	1,468,471	2,069,354	(706,490)	5,736,756	1,522,161	-	7,258,918
Changes of items during the period										
Dividends from surplus					(173,082)		(173,082)			(173,082)
Net income					719,243		719,243			719,243
Disposal of treasury stock			670,497	670,497		346,554	1,017,051			1,017,051
Net changes of items other than shareholders' equity								376,397	2,700	379,097
Total changes of items during the period	-	-	670,497	670,497	546,160	346,554	1,563,212	376,397	2,700	1,942,309
Balance as of March 31, 2018	2,905,422	749,999	1,388,968	2,138,968	2,615,515	(359,936)	7,299,969	1,898,558	2,700	9,201,228

(¥ million)

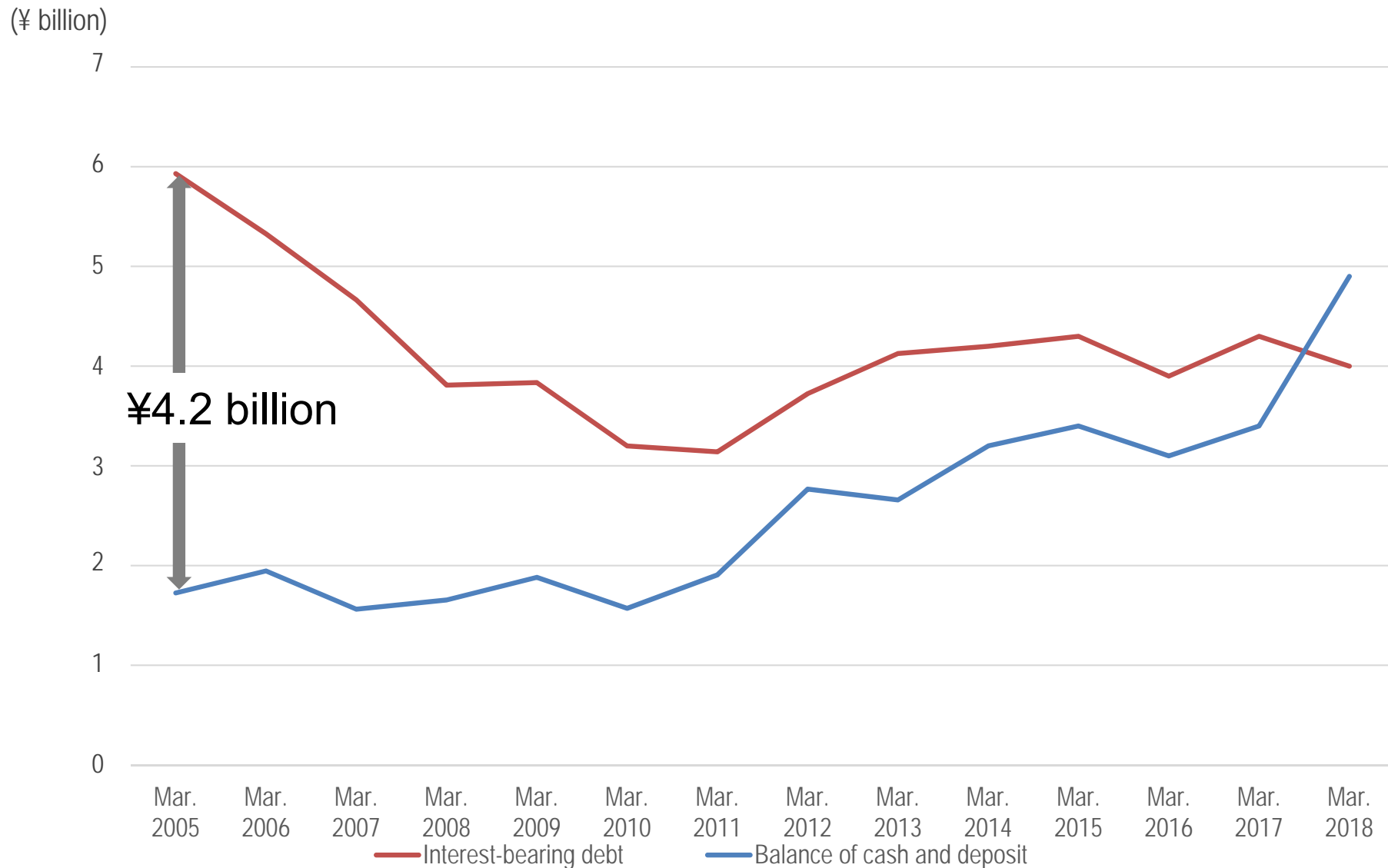
	FY2016 (ended Mar. 31, 2016)	FY2017 (ended Mar. 31, 2017)	FY2018 (ended Mar. 31, 2018)
Cash Flows from Operating Activities	42	490	641
Cash Flows from Investing Activities	293	(62)	49
Cash Flows from Financing Activities	(512)	88	544
Net Increase (Decrease) in Cash and Cash Equivalents	(176)	516	1,236
Cash and Cash Equivalents at Beginning of Period	3,106	2,930	3,447
Cash and Cash Equivalents at End of Period	2,930	3,447	4,683

Increased ¥151 million from the end of the previous fiscal year due to the expansion in business size and improvement in profit margins

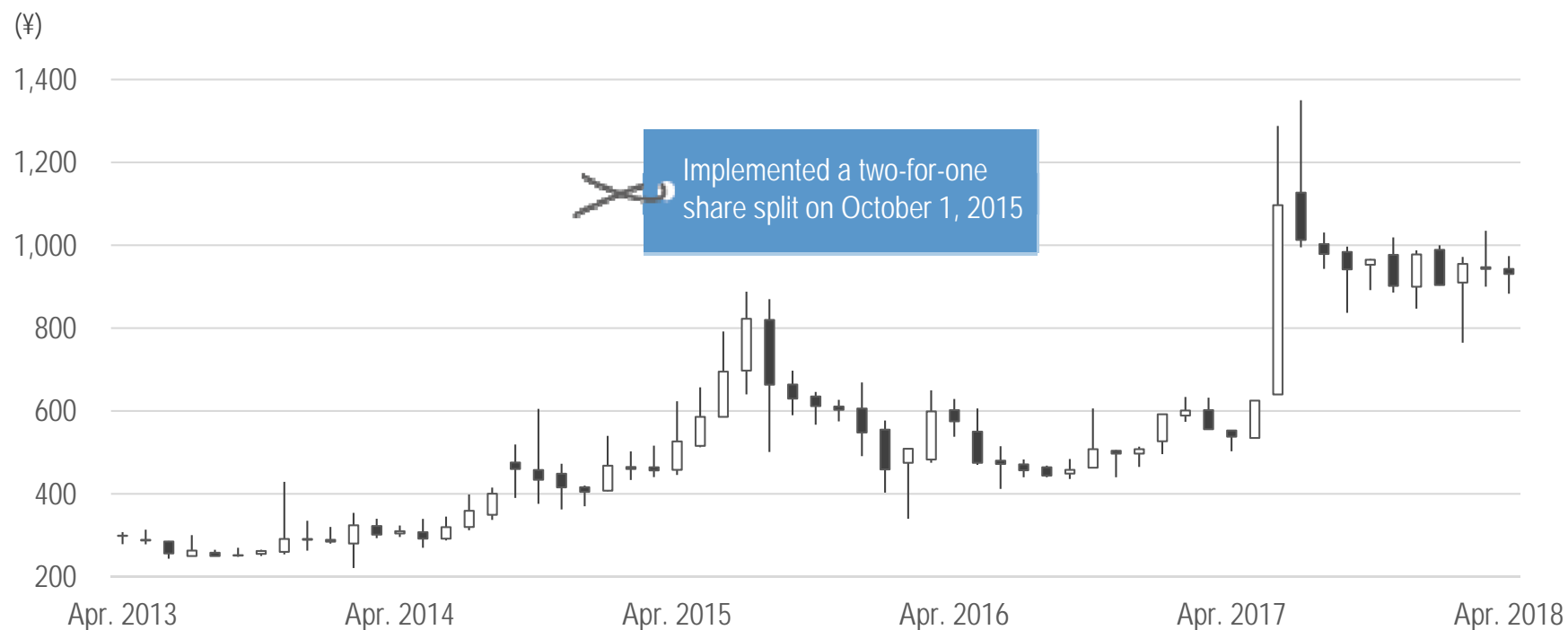
Increased ¥456 million from the end of the previous fiscal year as a result of proceeds from disposal of treasury stock through exercising share acquisition rights largely surpassing repayment of interest-bearing debt which progressed

Increased ¥1,236 million from the end of the previous fiscal year and virtually achieved zero debt

◆ Net interest-bearing debt, which was ¥4.2 billion 13 years ago, was reduced and zero debt was virtually achieved

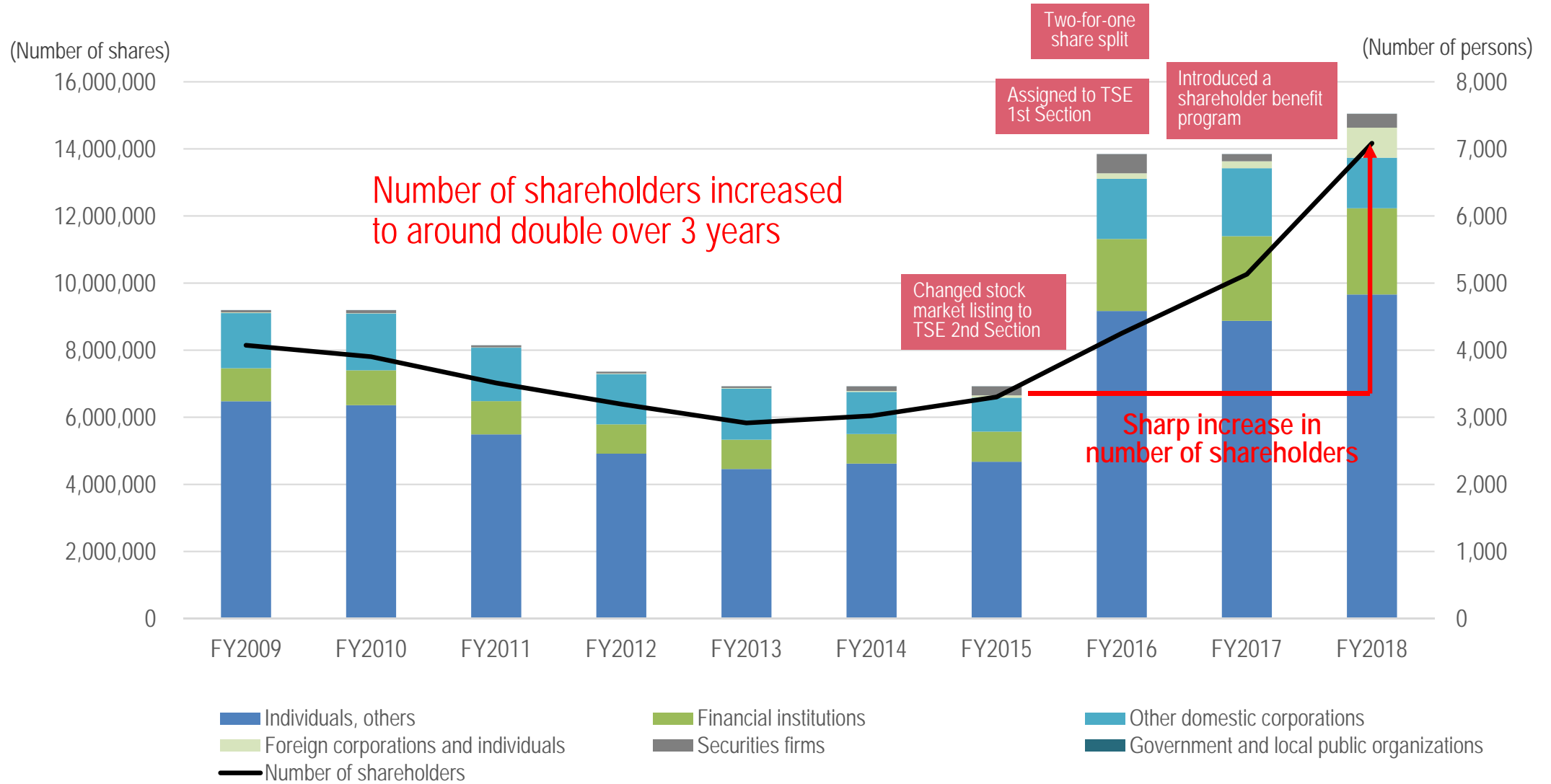




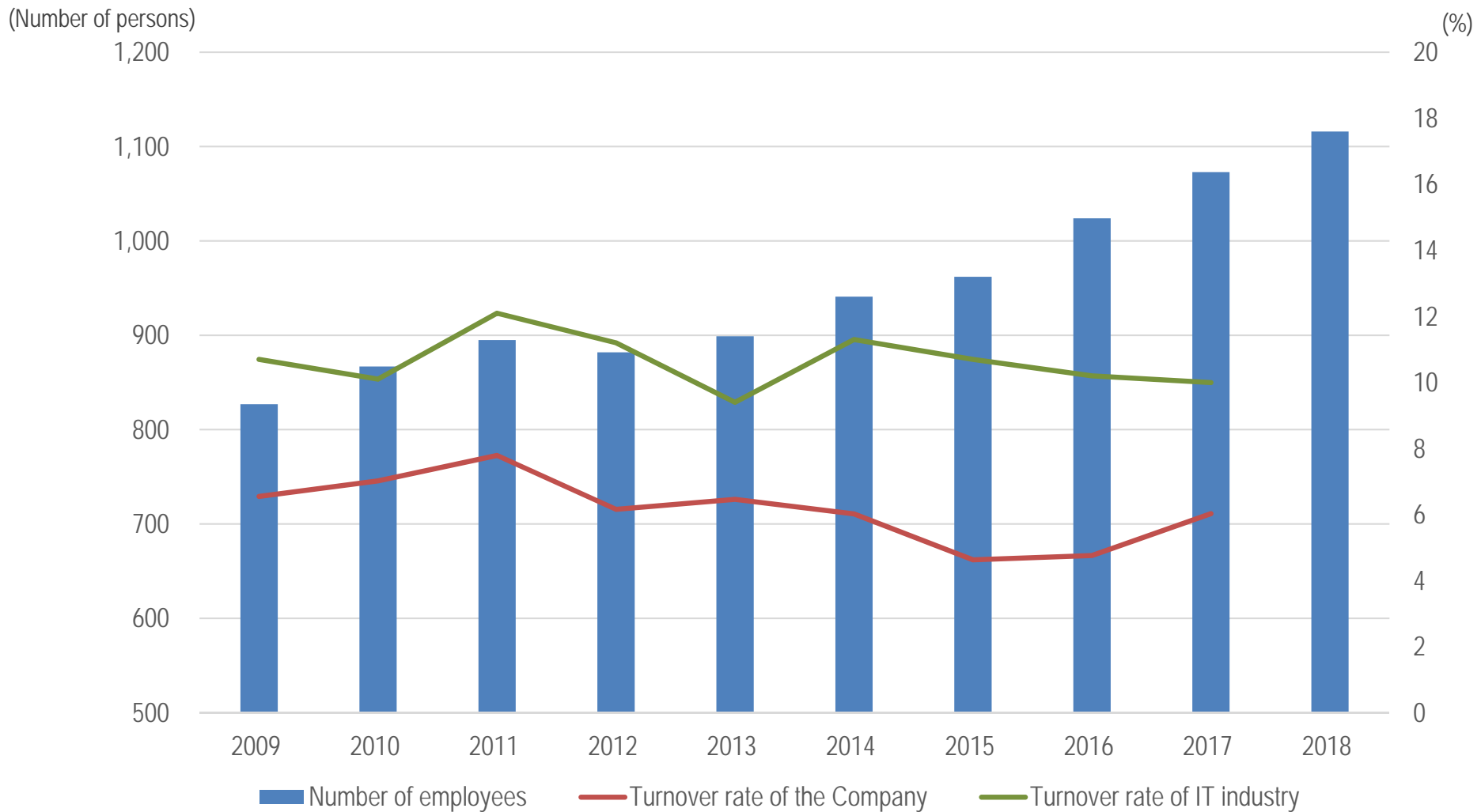


	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018
Net income per share (¥)	17.02	32.91	42.81	53.36	39.83	51.21
Cash dividend per share (¥)	7.5	10.0	12.5	16.0	12.5	16.0
Payout ratio (%)	44.1	30.4	29.3	30.0	31.4	31.2

※ The Company implemented a two-for-one split of its common shares with October 1, 2015 as the effective date. Accordingly, figures before the split have been converted in accordance with the number of shares after the split.



- ◆ Surpassed 1,000 employees in 2016. Increasing trend continues each year
- ◆ In the IT industry which sees employees come and go in large numbers, has maintained a turnover rate of industry average or below



\*Turnover rate of IT industry refers to summary report on “Survey on Employment Trends” announced by Ministry of Health, Labour and Welfare. Turnover ratio in 2018 is not indicated as it is not yet announced.

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# Projections for Fiscal 2019

Ending March 31, 2019

- ◆ Make strategic moves for expansion of business content including human investment, development of new products and services, M&A as well as capital and business partnerships and work on such

(¥ million)

	Year ended March 2018 Results	Year ending March 2019 Projections	Year-on-year change
Net Sales	19,327	20,000	3.5%
Operating Income	1,025	1,080	5.3%
Ordinary Income	1,019	1,060	4.0%
Net Income	719	700	-2.7%

Extraordinary income of ¥58 million arose due to surrender of insurance and such in accordance with retirement of directors

No extraordinary income projected for the next fiscal year

(¥)

	Year ended March 2018 Results	Year ending March 2019 Projections
Cash Dividends per Share	16.00	15.00
Payout Ratio	31.2%	32.2%

Payout ratio to improve

Increase in cash dividend per share from the forecast of ¥12.00