



Financial Results Presentation for the Second Quarter of the Fiscal Year Ending March 2020 (44th Business Year)

Focus Systems Corporation
(Securities Code: 4662)

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Financial Results for the Second Quarter of the Fiscal Year Ending March 2020 (44th Business Year)

Financial Results

- ✓ Record high sales and profits in the first half accounting period.
- ✓ Profit growth in all segments due to steady acquisition and expansion of projects and enhancement of management systems.
- ✓ Decision to implement first interim dividend (celebrating the new reign) since the Company's founding.

Operations

- ✓ Based on the Company's efforts to realize "Society 5.0*" and promote "offensive IT management," which is progressing, the market demand is increasing in IT investment in the age of Big Data, IoT, AI and 5G, and the business environment is favorable.
- ✓ Promote initiatives utilizing advanced technologies such as AI and Cloud for the purpose of business development.
 - Development of systems for the use of AI in medical imaging.
 - AI in fashion show verification testing.
 - Partner certification in the Google Cloud Partner Program... etc.

* Society 5.0

"A people-centric society in which people can live high-quality lives by resolving economic and social issues through the fusion of cyberspace and physical space"

In the 5th Science and Technology Basic Plan, this was proposed as the kind of future society that Japan should strive for.

- ✓ Both sales and profits have performed solidly as a result of efforts to promote the solidification of business development while further strengthening the Company's stable base.

(Unit: Million yen)

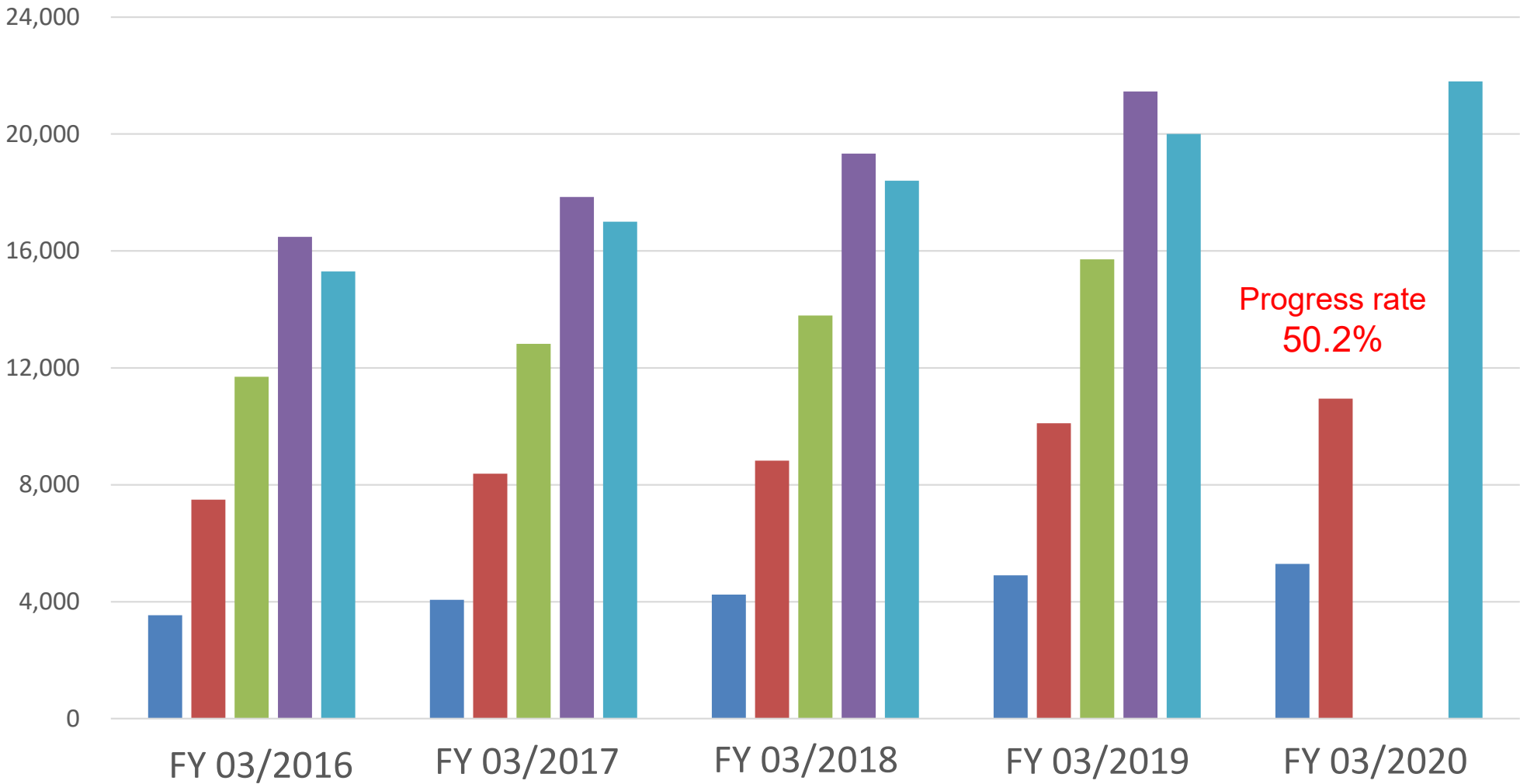
	FY 03/2019 1Q Results	FY 03/2019 2Q Results	FY 03/2019 3Q Results	FY 03/2019 Full-Year Results	FY 03/2020 1Q Results	FY 03/2020 2Q Results	Year-on-year change	
							Amount	Ratio
Net sales	4,904	10,107	15,701	21,453	5,298	10,951	843	8.3%
Operating income	288	621	1,056	1,368	321	682	60	9.7%
Ordinary income	288	619	1,060	1,375	336	707	88	14.3%
Net income	189	405	694	874	243	489	83	20.6%

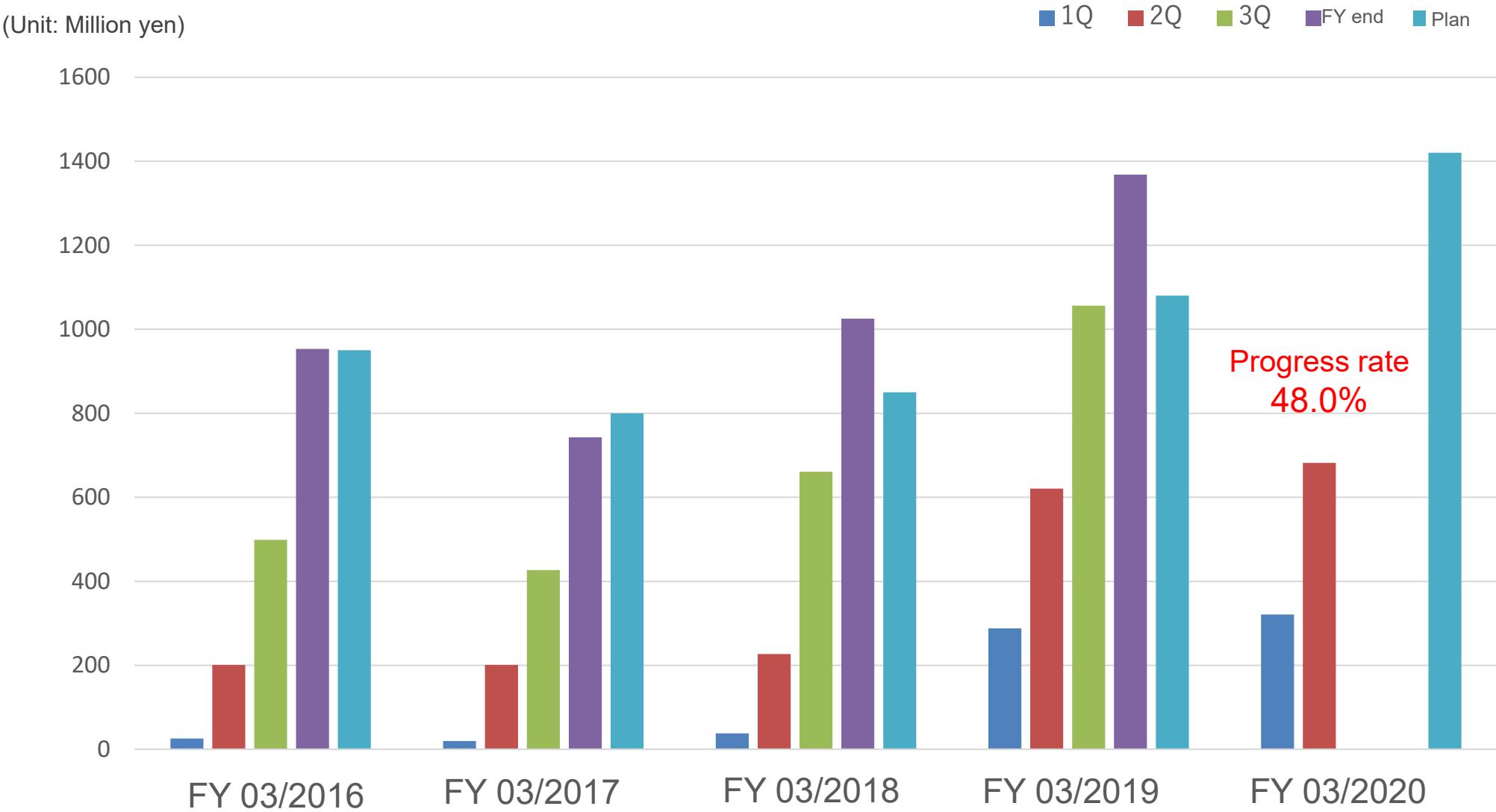
- ✓ Business has progressed steadily, mostly meeting the plan in all segments, without any special demand projects or unprofitable projects.

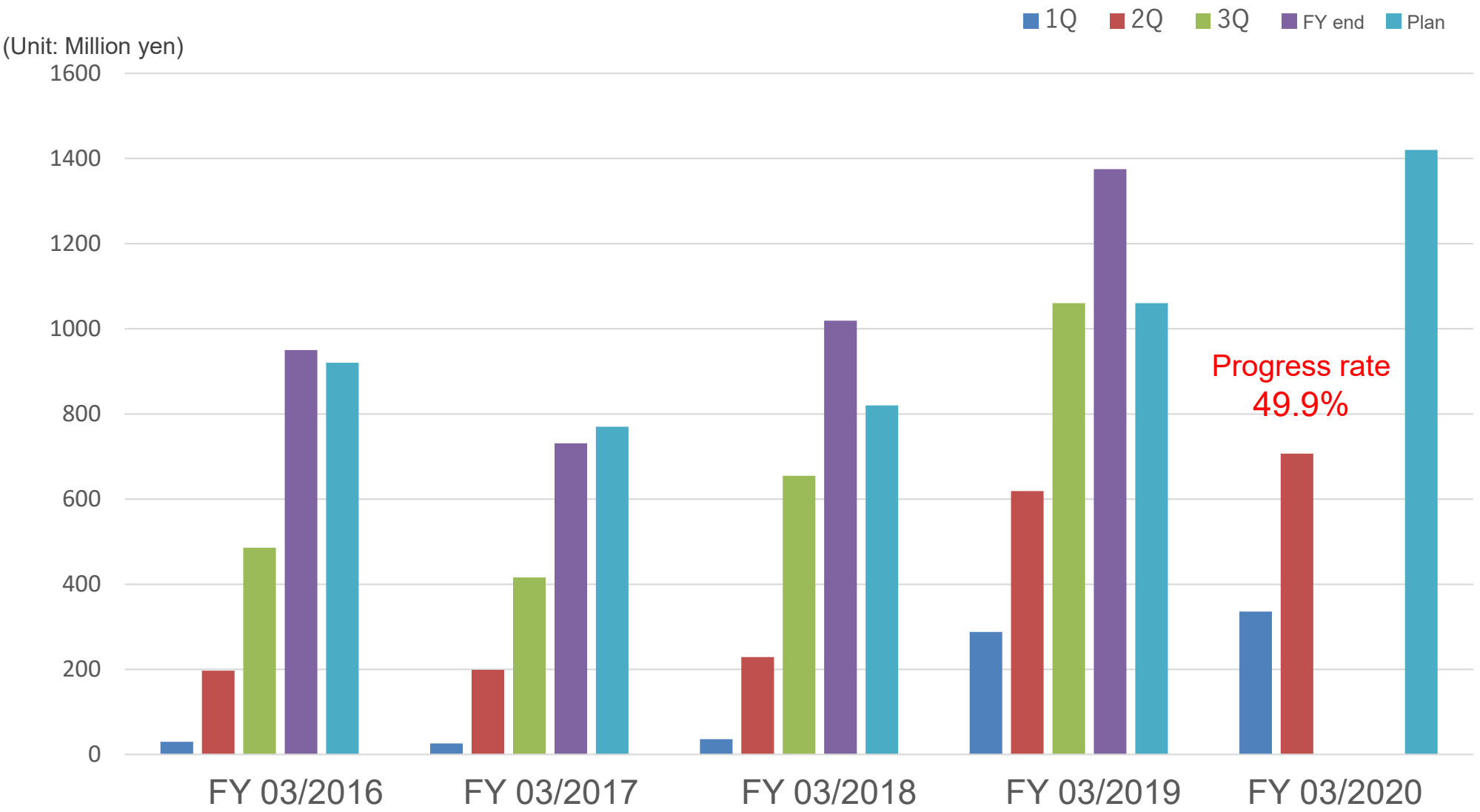


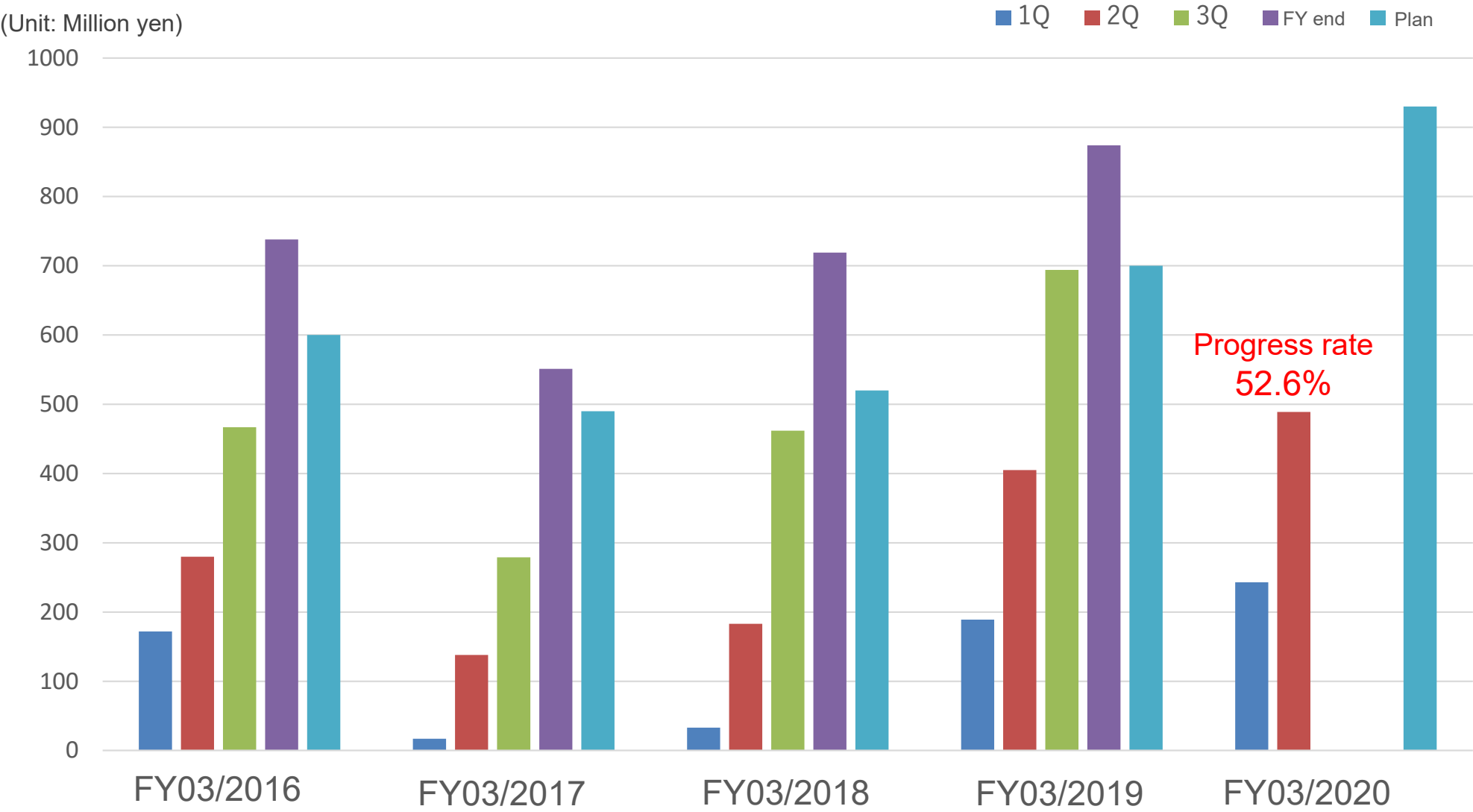
(Unit: Million yen)

1Q 2Q 3Q FY end Plan









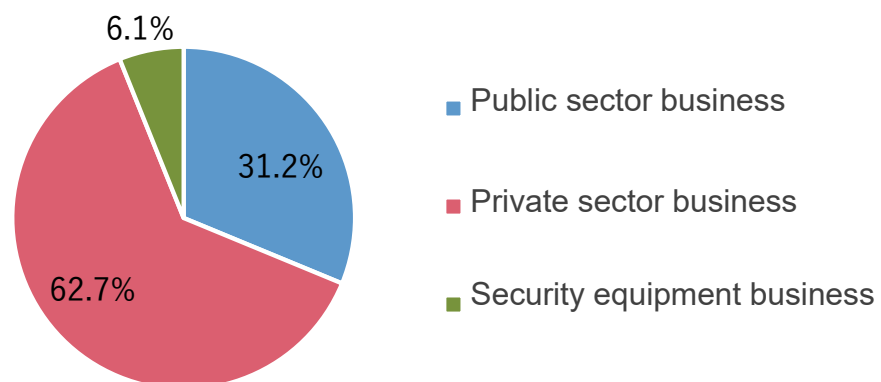
(Unit: 1 thousand yen)

	Reportable segments			Total	Adjustment amount (Note 1)	Income statement amount for the quarter (Note 2)
	Public sector business	Private sector business	Security equipment business			
Net sales	3,421,832	6,867,689	662,157	10,951,679	—	10,951,679
Segment income	531,076	834,050	121,104	1,486,231	(804,204)	682,027

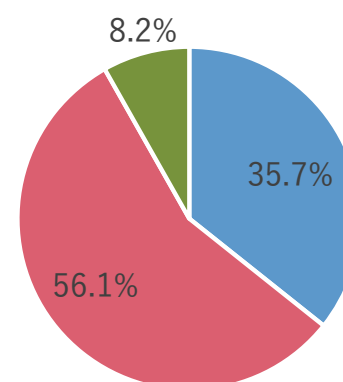
Note 1: The adjustment amount of — 804,204,000 yen applied to segment income represents, for the most part, general administrative expenses (company overheads) that are not attributable to reportable segments.

Note 2: Segment earnings are adjusted to the operating income stated in the quarterly statement of income.

Net sales composition ratio

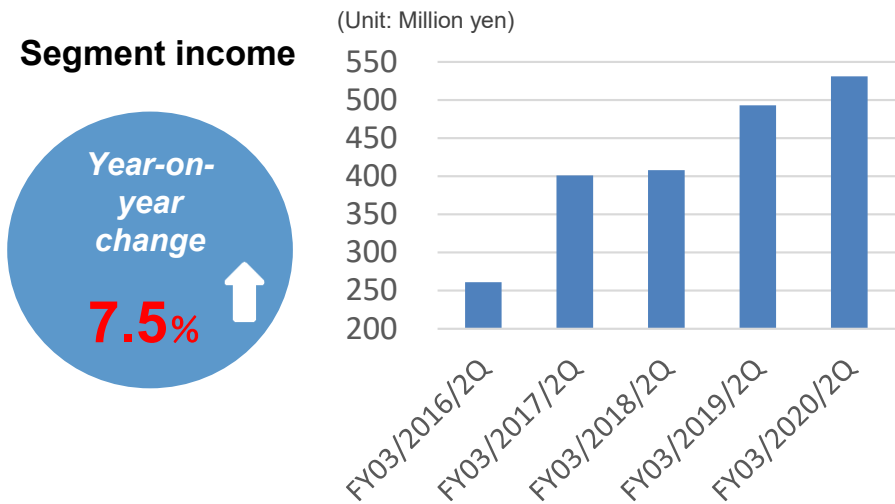
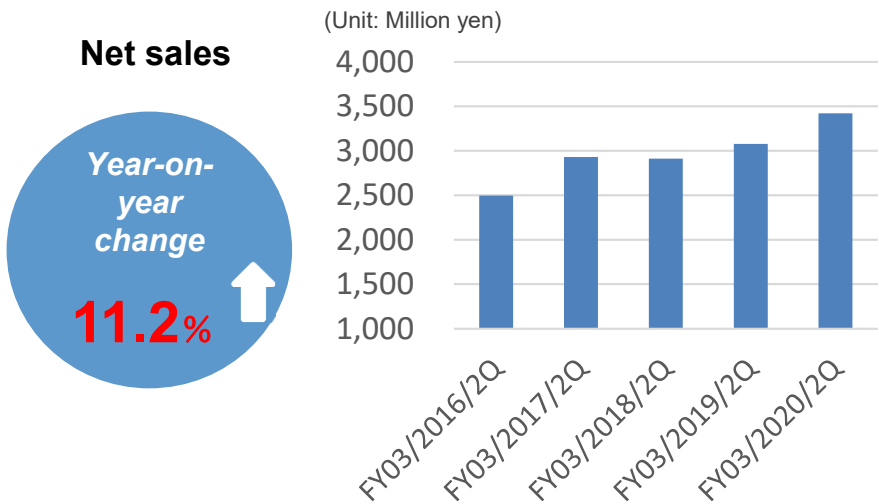


Segment income composition ratio



Public Sector

End users are government agencies and local governments.
Operations span the range from project design, manufacture, and testing through to the maintenance and running of systems after implementation.
Supporting society in various settings such as financial systems, trading systems, air traffic control systems, welfare and nursing care systems, and social insurance systems.



- ✓ While each project has its ups and downs of development and operational phases, the general trend of these projects is expanding.
- ✓ Efforts to strengthen a management system that bridges divisions laterally in order to win strategic projects have paid off.

Private Sector

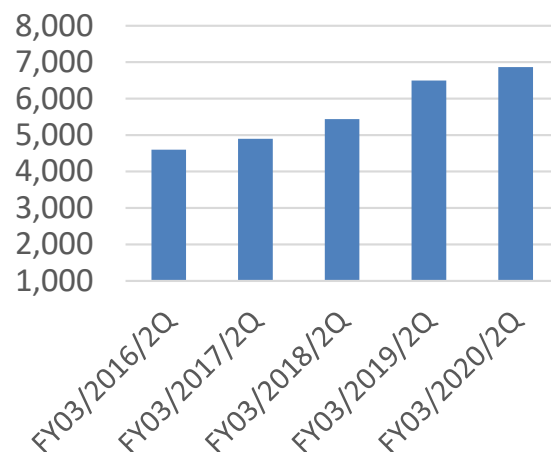
End users are mostly companies in the private sector.

In partnerships with IBM Japan, Oki Electric Industry, Softbank, ITS Intect, and others, operations span the range from system development and platform building through to the running and maintenance of systems for a diversity of private sector businesses.

Operations cover various types of systems such as business applications, communications control systems, IoT-related systems, and A-related systems.

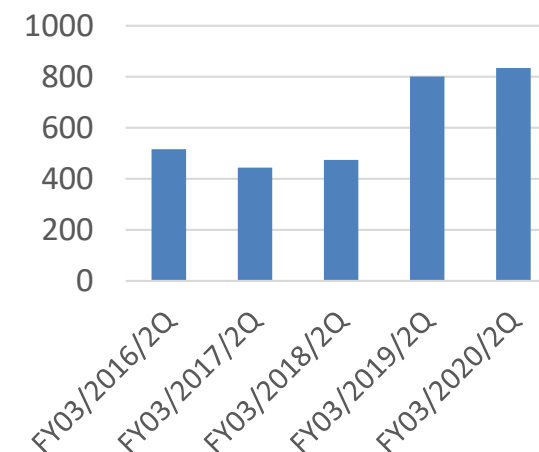
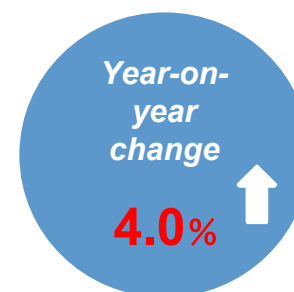
Net sales

(Unit: Million yen)



Segment income

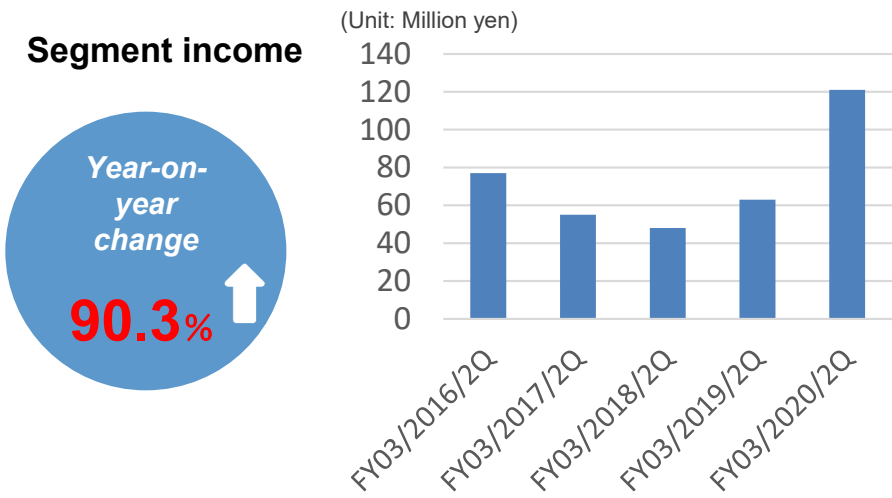
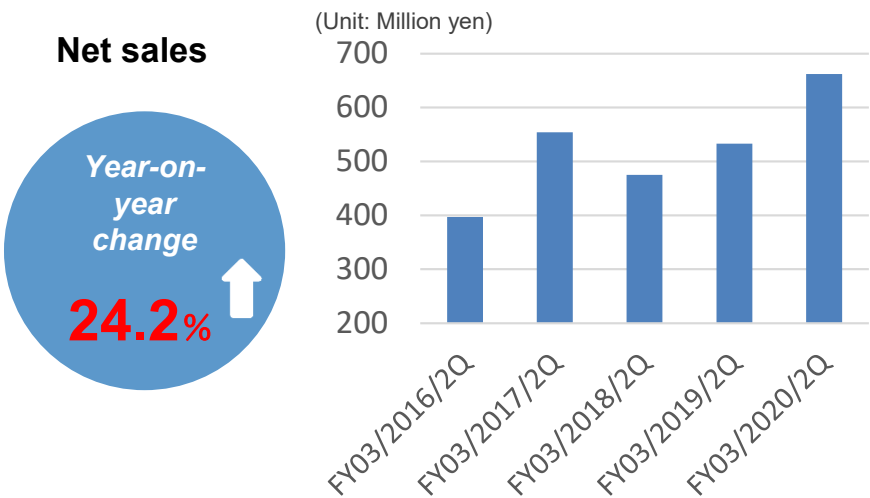
(Unit: Million yen)



- ✓ Growth pace maintained due to rise in take-away development rate, such as contract projects and Cloud projects, etc.
- ✓ Although labor shortage is a persistent challenge, we continue to focus on the effective use of resources and the securing of human capital, and aggressively promote initiatives in the field of IoT, AI, Cloud and RPA, etc.

Security Equipment

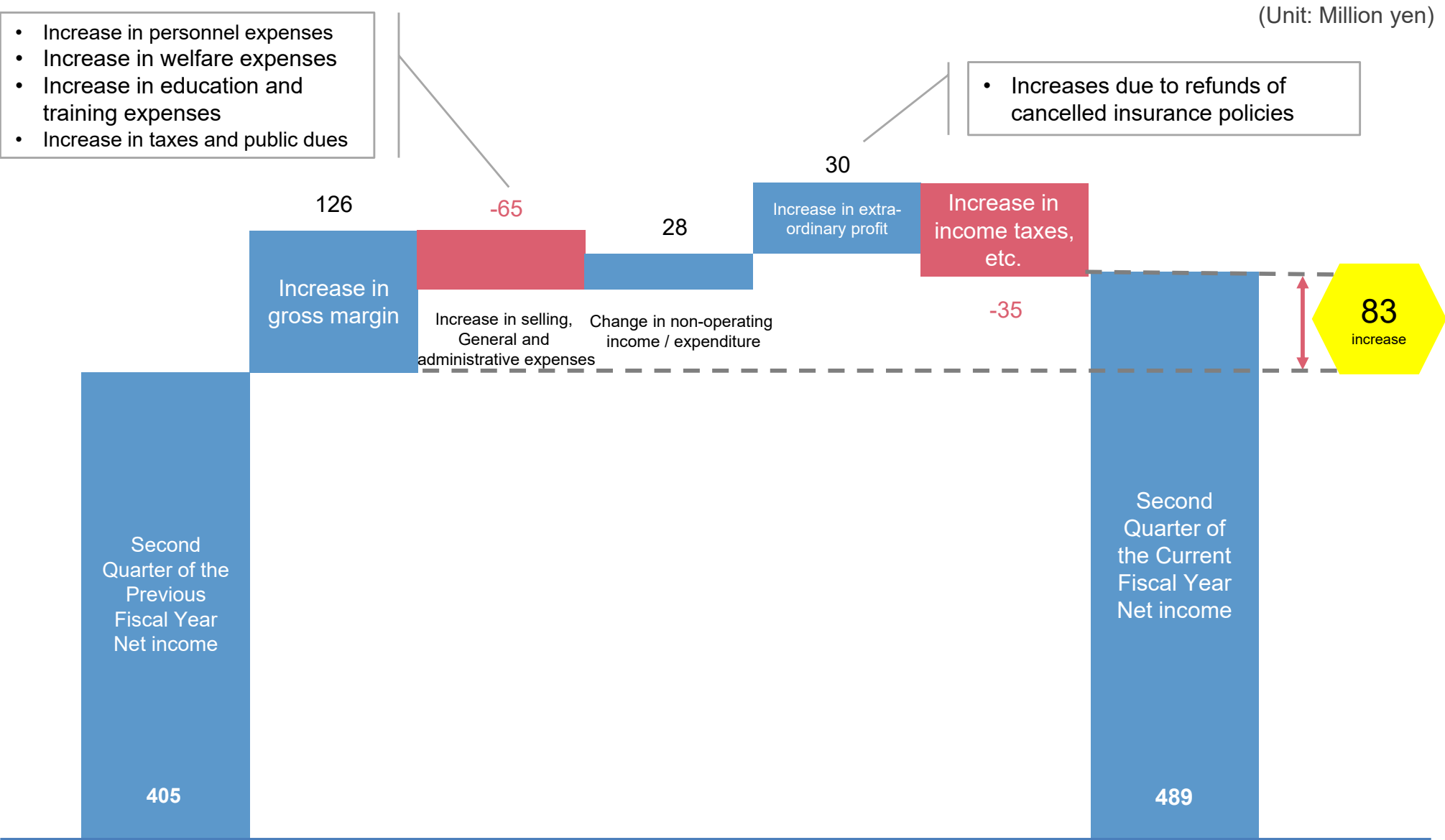
The segment caters to a broad customer base across the public and private sectors. Offerings address a diversity of customer needs spanning the range from security breach prevention measures (encryption technology and electronic watermarks) through to ex-post measures (digital forensics and cyber security). The security equipment business collaborates with numerous overseas partners and emphasizes the acquisition of growth technologies and the fostering of specialists.



- ✓ Steady growth across all segments.
- ✓ Against the backdrop of increasingly sophisticated and diverse information security threats, both our product sales and specialized technology provision match market needs, and the number of highly profitable projects continues to grow.

(Unit: 1 million yen)

	Second Quarter of the Previous Fiscal Year	Second Quarter of the Current Fiscal Year	
Assets			
Current assets	9,789	9,596	Reduction in accounts receivable 277 million yen Increase in work in progress 100 million yen
Non-current assets	6,202	5,702	
Property, plant, and equipment	3,492	3,505	Acquisition of investment securities and reduction of investment securities due to market valuation 558 million yen
Intangible assets	96	67	
Investments and other assets	2,613	2,129	
Total assets	15,991	15,298	
Liabilities			
Current liabilities	4,434	4,292	Decrease in deferred tax liabilities 221 million yen
Non-current liabilities	2,450	2,213	
Total liabilities	6,885	6,506	
Net assets			
Shareholders' equity	7,933	8,121	Unrealized loss on investment securities 503 million yen
Capital stock	2,905	2,905	
Capital surplus	2,138	2,138	
Retained earnings	3,249	3,437	
Treasury stock	(359)	(359)	
Valuation difference on available- for-sale securities	1,170	667	
Share acquisition rights	2	2	
Total net assets	9,106	8,791	
Total liabilities and net assets	15,991	15,298	



(Unit: Million yen)

	First half of the previous fiscal year	First half of the current fiscal year
Cash flows from operating activities	582	488
Cash flows from investing activities	(73)	(298)
Cash flows from financing activities	(27)	(175)
Net increase in cash and cash equivalents	481	14
Cash and cash equivalents at beginning of period	4,683	4,778
Cash and cash equivalents at the end of the period	5,165	4,792

Despite increases in the pre-tax quarterly net income and in the allowance for bonuses, the tendency to increase sales toward the end of the fiscal year levelled out and as a result of the decrease in trade receivables at the beginning of the term there was a decrease of 93 million yen compared to the previous first half period.

While there was income from the cancellation of insurance reserves, capital investment associated with the opening of project rooms and the acquisition of investment securities, etc., occasioned an expenditure increase of 224 million yen.

Continuing debt repayments and increased dividend payouts resulted in an expenditure increase of 148 million yen.

Decrease of 372 million yen compared with previous first half period.

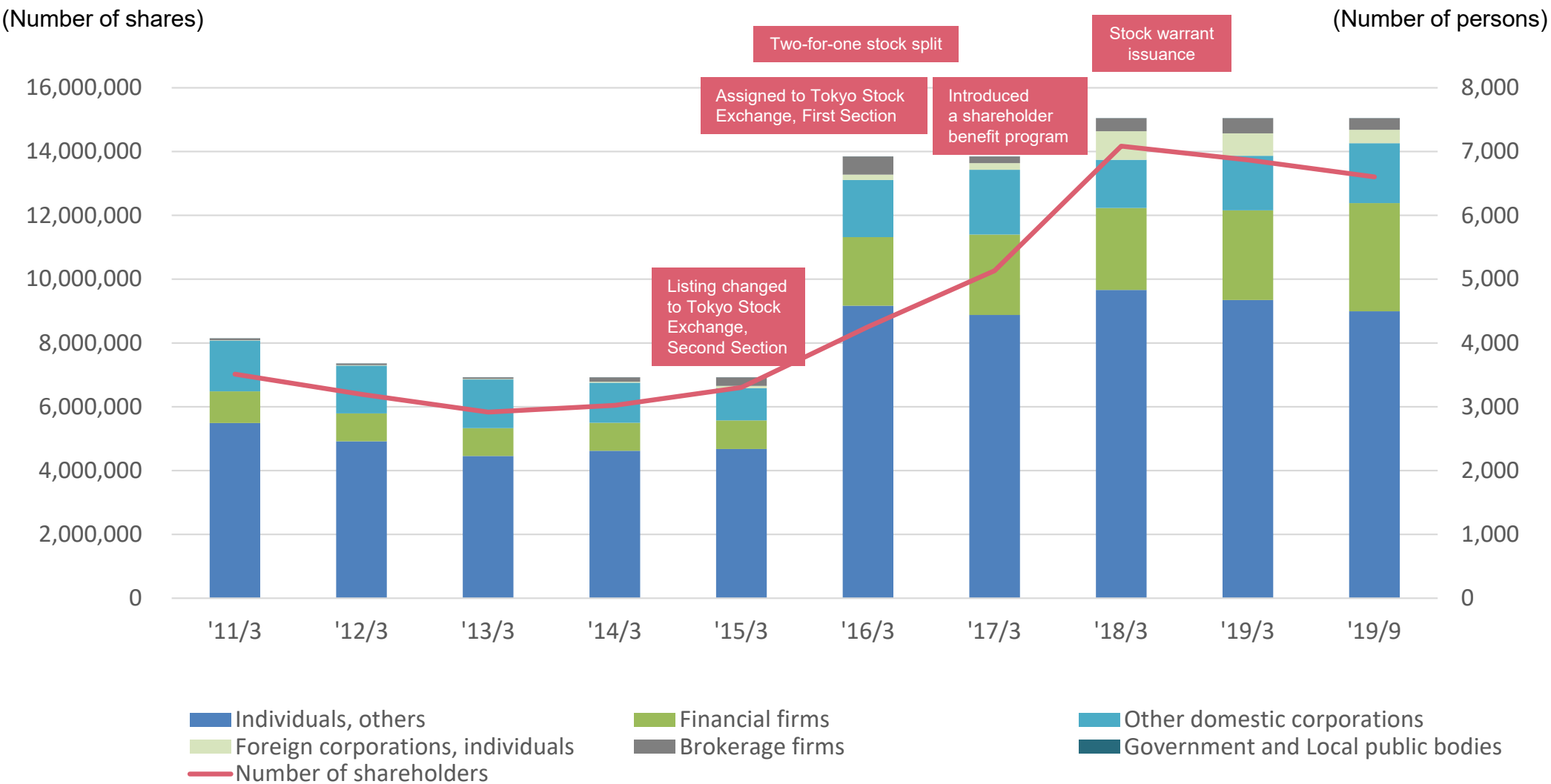
(Unit: yen)



	FY 2018	FY 2019	FY 2020 Projection
Net income per share (yen)	51.21	58.11	61.81
Dividend per share (yen)	16.00	20.00	25.00 (including interim dividend of 5.00 yen)
	(Initial plan) 12.50	(Initial plan) 16.00	(Initial plan) 20.00
Dividend pay-out ratio (%)	31.2	34.4	40.4

Dividend payout ratio rising.

- ✓ Total number of shareholders at the end of September, 2019: 6,602 (down 6 from the end of September, 2018, and down 265 from the end of March, 2019).
- ✓ In addition to foreign shareholders, there was a decrease in the number of shares held by private shareholders and securities companies, but there was an increase in the number of shares held by investment trusts and corporations.



- ✓ Employment tends to be stable in industries that have significant labor shortages.
- ✓ While the industry average turnover rate increased from 2017 to 2018, our turnover rate declined and continues to be below the industry average.



*Turnover rate of IT industry refers to the summary report on "Survey on Employment Trends" announced by the Ministry of Health, Labour and Welfare.

2

Projections
for the Fiscal Year Ending March 2020 (44th Business Year)

- ✓ Our aim is to achieve new net sales and profit records since the Company's founding, following our performance in Q3, 2019, while promoting new measures for the future, such as initiatives leveraging new technologies and capital investment, etc.
- ✓ Dividend expected to increase from 20.00 yen to 25.00 yen due to implementation of interim dividend (5.00 yen)

	FY 03/2019 Results (million yen)	FY 03/2020 Projections (million yen)	Y-o-Y Change (%)
Net sales	21,453	21,800	1.6
Operating income	1,368	1,420	3.8
Ordinary income	1,375	1,420	3.2
Net income	874	930	6.4

	FY 03/2019 Results	FY 03/2020 Projection
Net income per share (yen)	58.11	61.81
Annual per-share dividend (yen)	20.00	25.00 (including interim dividend of 5.00 yen)
	(Initial plan) 16.00	(Initial plan) 20.00
Dividend payout ratio (%)	34.4	40.4

3

Supplementary Information: Current Topics

2019
Apr./2

Working with Tsukuba University of Technology on real-time caption display of conversations of multiple persons for the hearing-impaired.

- ✓ Converts large amounts of auditory information, such as "who" said "what," into visual information in real time. Developing a user interface that helps the hearing impaired to acquire information.
- ✓ Aiming to expand and improve the workplace and other environments for the hearing impaired

2019
Jul./17

Collaboration with Micron to Develop Systems for Implementation of AI in Diagnostic Imaging in Clinical Trials

- ✓ System development aimed at solving issues with medical imaging in clinical trials at medical sites.
(Cost of judgment / inconsistency in judgment / time required for judgment, etc.)
- ✓ In the future, the aim is to apply solutions to daily medical care, solving such social issues as "shortage of doctors" and "missed lesions."

2019
Sep./2

AI in fashion show verification testing "Recognition of persons in videos and the creation of composite effect videos"

- ✓ Conducted a demonstration experiment of the "AI Effect LIVE!" system jointly developed with VRaiB Co., Ltd. (an affiliate company) on the stage of the Tokyo Girls Collection.
- ✓ "AI Effect LIVE!" is a solution that recognizes not only the face of a moving person but also the whole body in a video, and can automatically track and add effects to the video.

2019
Sep./10

Acquired Google Cloud Platform™ Service Partner and G Suite Sell Partner certification.

- ✓ We will further expand our cloud business, based on business knowledge, know-how, and customer bases that we have cultivated thus far in a wide range of industries, via the Google Cloud Platform (GCP™) and G Suite services provided by Google™.
- ✓ We aim to improve our service to the customer and create added value by collaborating with our existing solutions.

2019
Oct./18

SFA and CRM Solution "intra-mart DPS for Sales"

Focus Systems gains customer perspective and knowhow by implementing the solution in-house, to improve value creation for customers

- ✓ Timely visualization of changes in project status due to daily sales activities
Managers can realize optimal "sales support" without missing changes in project statuses.
- ✓ Implemented in-house as a first user, then began providing to customers, promote sales expansion leveraging proposals based on real customer perspectives gained as user.

2019
Oct./29

Started development of efficient AI teacher data creation with Osaka Institute of Technology

— Aiming for the automation of teacher data creation —

- ✓ The workload involved in creating teacher data is hindering the speedy implementation of AI systems. We are working on the resolution of customer issues for the expansion of our AI business.
- ✓ Now considering creating teacher data to handle enquiries, aiming for commercialization in 2020 as a part of new solution creation.

4 Supplementary Information: Company Outline

Name	Focus Systems Corporation
Line of business	Software development and IT services Security product development, sales, and service provision
Head office	2-7-8 Higashi Gotanda, Focus Gotanda Bldg., Shinagawa-ku, Tokyo
Business offices	Tokyo, Osaka, Nagoya
Capital	2,905 million yen
Exchange listings	Tokyo Stock Exchange, First Section (Securities Code: 4662)
Employees	1,161 (as of March 31, 2019)

1977	Focus Systems Corporation established for the purpose of software development
1978	Starts doing business with Oki Electric Industry Co., Ltd., and initiates software development work on electronic switchboards
1988	Starts doing business with Nippon Telegraph and Telephone Corporation (now NTT DATA Corporation) and begins providing services for the development of systems for government and other public agencies
1996	OTC share registration with the Japan Securities Dealers Association (now Tokyo Stock Exchange JASDAQ Standard)
1997	Commences business with IBM Japan, Ltd. and begins system operation/maintenance and infrastructure technology support business
1999	Starts information security business
2004	Starts selling products for digital forensics, a new field of information security
2015	Exchange listing changed to Tokyo Stock Exchange, Second Section
2016	Listing designation changed to Tokyo Stock Exchange, First Section



Triple FOCUS

1st FOCUS

System Integration

The Company provides comprehensive system integration at information system introduction, spanning the range from information system planning and development consistent with customers' business purposes through to the running of systems.

2nd FOCUS

IT Services

The Company provides practical applications of cutting-edge IT technology, support for customers' business systems, IT environment optimization and problem solutions, and improvement in value available from IT application.

3rd FOCUS

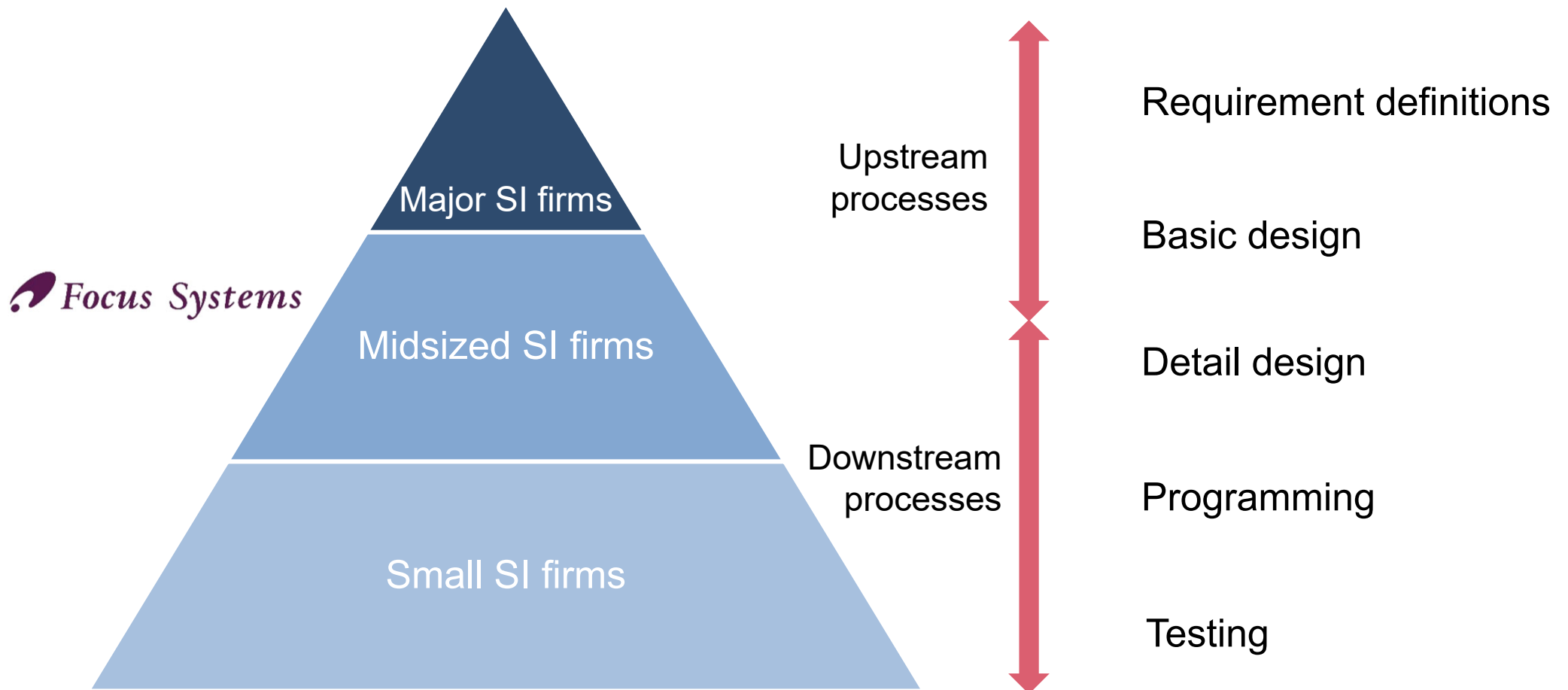
Information Security

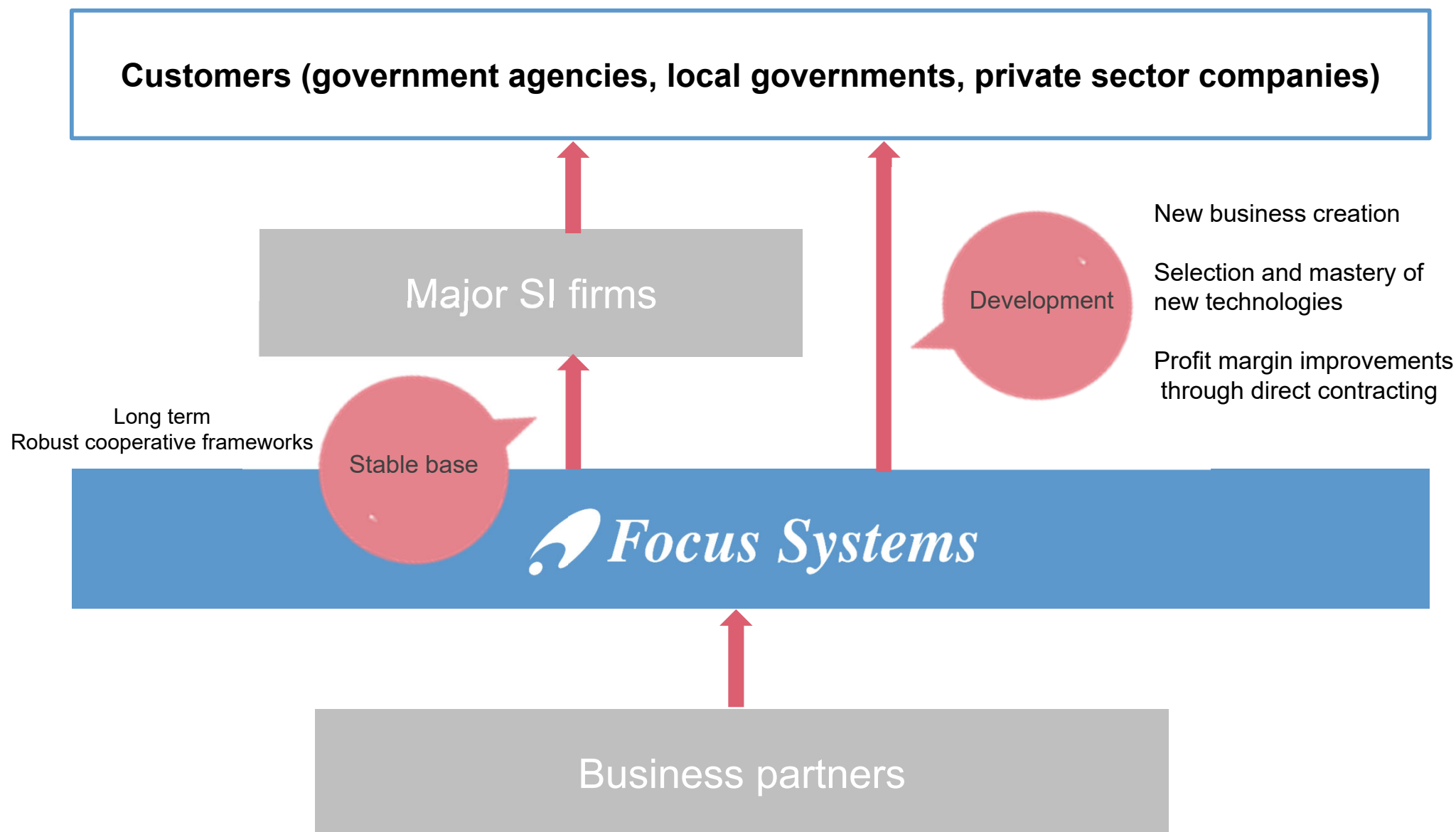
The Company provides customers with information risk control through information security technologies such as digital forensics, encryption, and digital watermarks.

Focus Systems is an independent system integrator (SI)

Processes range from upstream to downstream and projects from small to large

(including operation and maintenance after system start-up)





Public infrastructure- related business

Stable business base of the Company

Participation in diverse systems continuing over the long term
Periodic lifecycles (accommodation of legislative revisions, system renewals)
In-depth expert knowledge and ample track record grown over many years

Private sector- related business

Business development and expansion

Wide-ranging business fields
(smartphones, automotive, cloud, AI, RPA, business applications, and more)
Trend toward ICT-driven productivity enhancement and offensive IT management
in times of negative population growth keeps markets expanding

Security device-related business

High added-value technologies

Ownership of rare "digital forensics" technology
Ownership of own encryption and digital watermark technologies
Multiple introductions at the Ministry of Defense, National Police Agency, Financial Services Agency,
and central government ministries and agencies

フォーカスシステムズの技術は、さまざまなシーンで社会を支えています。

サイバーセキュリティ

サイバー攻撃に対する防御や事後対応、
ハイテク犯罪調査ソリューション

金融機関向けシステム

メガバンク向け顧客管理
システムの開発や新銀行の基盤構築

医療事務システム

診療を受けた時の診療報酬の
電算処理システムの開発

社会保険システム

全国の年金事務所をつなぐ
年金制度を支えるシステムの開発

Web アプリケーション

システム共通基盤 (intra-mart 等)、ERP パッケージ
を用いた、ソリューション提案から開発、保守運用

通信制御システム

携帯電話基地局、ルータやゲート
ウェイなど、通信制御装置の
ファームウェアの開発

電子行政システム

行政サービスの電子化に伴う
システムの開発

自動車登録システム

車、バイク等の所有者や車検状況を
管理するシステムの開発

暗号技術

電子情報を漏洩や改ざん
などのリスクから守る
ための次世代暗号技術

航空管制システム

管制官が使用する、いわば
「空の信号機」システムの開発

貿易流通システム

輸出入に関する手続きを
処理するシステムの開発

Beacon 開発

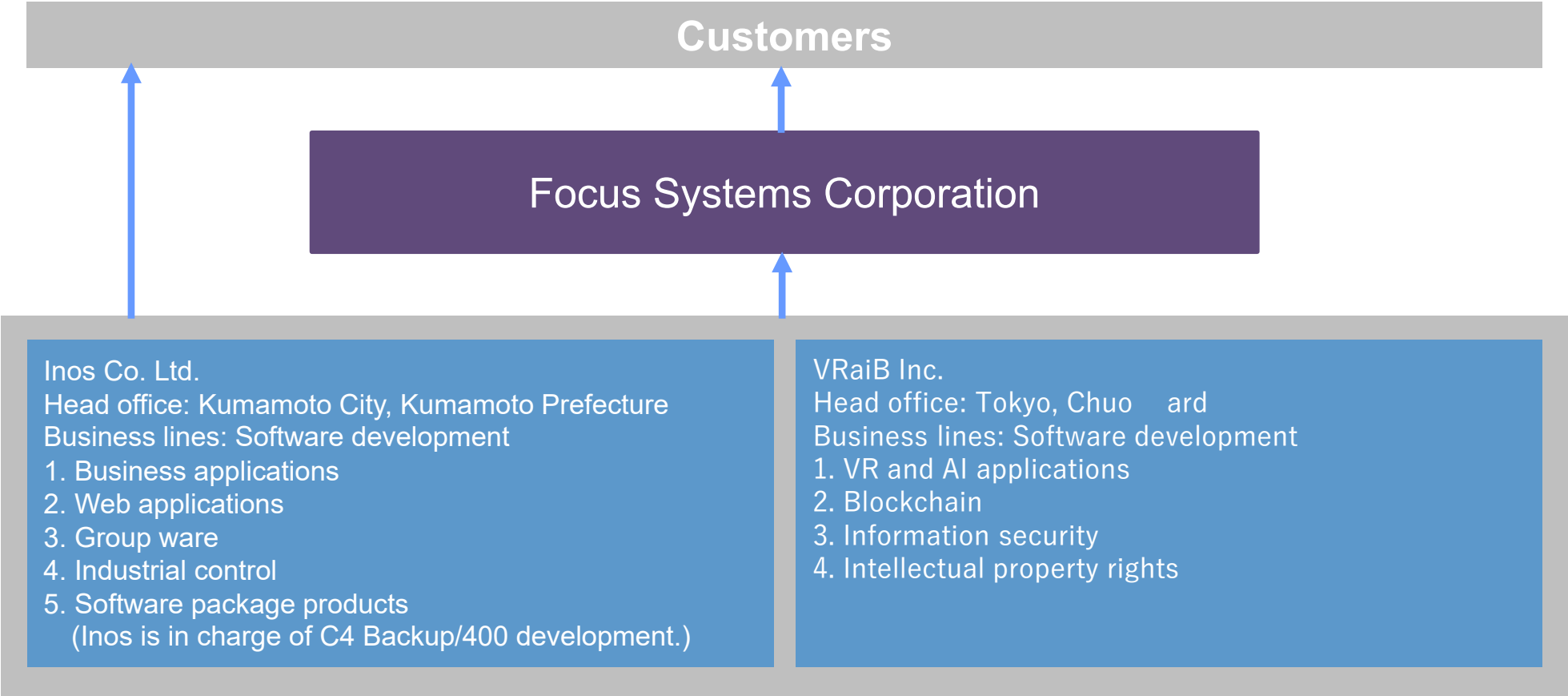
Bluetooth® Smart 規格に準拠した
薄型ウェアラブルデバイスの製造、
ソリューション提案からアプリケー
ション開発

RPA

ロボットによる業務自動化により、
生産効率を上げるソリューション

福祉介護システム

要介護者が受けている介護内容を
管理するシステムの開発



Affiliated company (as of September 2019)

Company name	Equity (%)	Sales (thousand yen)	Ordinary income(thousand yen)	Net income (thousand yen)
Inos Co. Ltd.	20.0	608,886	72,486	49,191
VRaiB Inc.	20.0	31,920	761	-102



Work–Life Balance

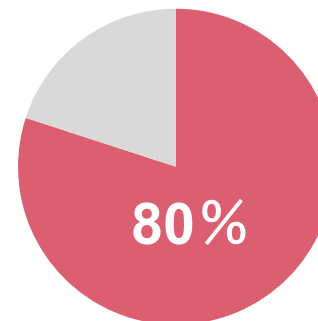
1 Systems for shortened working days or reduced working hours

- ... Systems for helping employees reconcile work duties with child care or elder care. Employees can choose shortened working days (3 days a week) or reduced working hours (choice of 5 hours or 6 hours per day).
- * Child care up to the 3rd elementary school year; caregiving until no longer needed.

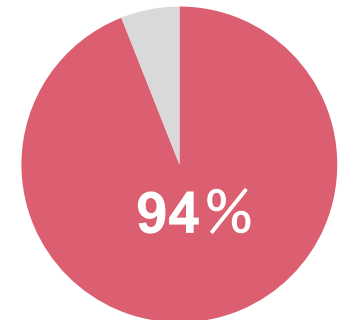
Kurumin (child rearing support) recognition



Usage rate of systems for shortened working days or reduced working hours



Reinstatement rate of employees after child care leave



* Results FY2018

2 Job return system (Re-employment system)

- ... Re-employment is possible within 10 years of resignation due to a life event (marriage, childbirth, or child rearing) or for career advancement (overseas study or change of employer).

3 Flex time system

- ... Set flexible times and core times, and promote work styles that match lifestyles of each employee



Diversity

1

Job creation

... In 2015 the Company initiated the production of vegetables by hydroponic cultivation, aiming at creating new fields of employment for persons with disabilities. An in-house magazine with employment information for persons with disabilities is issued at regular intervals. Currently, the Company is also promoting the development of clerical work areas for them.



2

Information exchange for female employees

... Addressing young women, this meeting serves to communicate information on work methods and support for career advancement.



L-Star (Female employee career promotion)

In April 2016, the Company received the top-ranking recognition out of three recognition levels for its efforts at career promotion for female employees.

1

Support for club activities

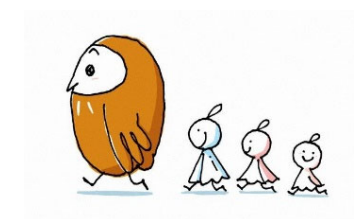
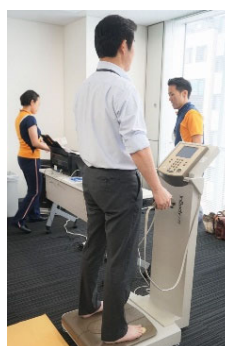
- ... To promote the health of employees, the Company supports club activities. Currently around 100 employees are enrolled in 9 types of club activities.



2

Health maintenance seminars

- ... To mitigate lifestyle habits and to prevent obesity, the Company sponsors seminars dedicated to specific topics such as dietary improvements and the prevention and improvement of sleep apnea syndrome.



3

Online programs for smoking cessation

- ... The Company introduced a quit-smoking program combining online hospital visits and smoking cessation prescriptions. Medical consultation is available via PC, smartphone or tablet. The Company supports employees making efforts to quit smoking.



1 Mascot Character "Fukue-san"

To promote a sense of familiarity with Focus Systems and the world of information systems, Fukue-san serves as the conduit for various kinds of information dissemination revolving around business, company performance, and employees.

2 The Company's original *manga* "Forensic Detective"

The content serves to help a wide range of stakeholders gain a deeper understanding of the field of digital forensics, which accounts for a growing share of the sales of the Company.



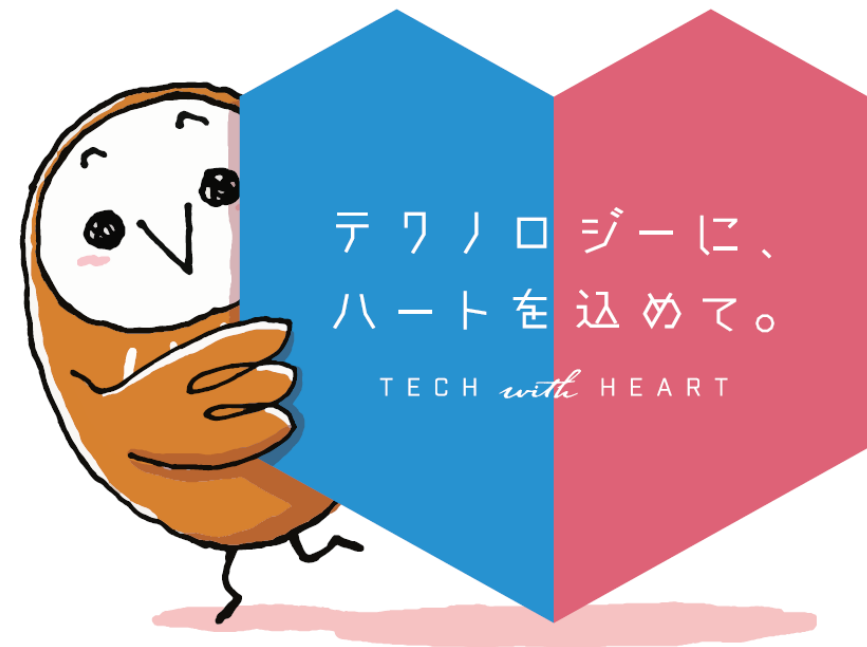
All episodes are available in the web magazine.

Fiscal year, ended March	2015	2016	2017	2018 ※2	2019 ※2
Net sales(1,000 yen)	15,081,738	16,482,792	17,846,896	19,327,344	21,453,829
Operating income(1,000 yen)	940,310	953,356	743,538	1,025,541	1,368,284
Ordinary income (1,000 yen)	897,205	950,301	731,331	1,019,522	1,375,563
Net income(1,000 yen)	592,742	738,841	551,571	719,243	874,282
Capital(1,000 yen)	2,905,422	2,905,422	2,905,422	2,905,422	2,905,422
Total number of shares issued and outstanding(1,000 shares)※1	8,146	16,292	16,292	16,292	16,292
Net assets(1,000 yen)	6,769,094	7,415,953	7,258,918	9,201,228	9,106,539
Total assets(1,000 yen)	14,340,827	14,936,873	14,567,320	16,820,805	15,991,992
Net assets per share(yen)※1	488.86	535.58	524.24	611.34	605.04
Dividend per share(yen)※1	12.50	16.00	12.50	16.00	20.00
Net income per share(yen)※1	42.81	53.36	39.83	51.21	58.11
Equity ratio(%)	47.2	49.6	49.8	54.7	56.9
Return on equity(%)	10.0	10.4	7.5	8.7	9.6
Payout ratio(%)	29.2	30.0	31.4	31.2	34.4
Number of employees	962	1,024	1,073	1,116	1,161
Stock price – high (yen)※1	1,210	888	634	1,350	1,153
Stock price - low(yen)※1	540	340	412	503	774

Note 1: Values calculated after the two-for-one common stock split instituted on October 1, 2015.

Note 2: "Total assets (in thousand yen)" and "Equity ratio (%)" have been restated to apply for the Partially Revised Tax Effect Accounting Standard (Business Accounting Standard No. 28 of February 16, 2018), etc.

Focus Systems sincerely requests the continued guidance and support of all stakeholders.



This document is based on information available as of November 8, 2019, and on assumptions as of the same date concerning uncertain factors affecting future financial results. Actual financial results may materially differ from projections due to various factors in the future. Consequently, the Company offers no warranty for the certainty of the Group's business projections.