



Financial Results Presentation for the Second Quarter of the Fiscal Year Ending March 2021 (45th Business Year)

November 20, 2020 Focus Systems Corporation (Securities Code: 4662)



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Financial Results for the Second Quarter of the Fiscal Year Ending March 2021 (45th Business Year)



Highlights

Financial Results Outline

- Sales and operating income exceeded those of the previous year while ordinary income and net income remained around 99% the same as the same quarter of the previous year.
- In response to changes in market conditions, the impact on business performance was kept minor by curbing SG&A expenses, etc.

Business Overview

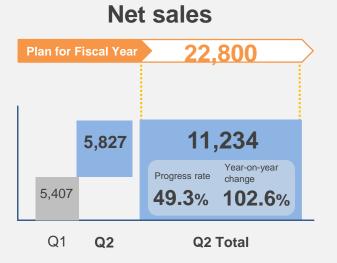
- I The resilience of the public sector is driving overall performance due to steady progress in public medical insurance-related business.
- Although there is a sense of market stagnation in the Nagoya area, some projects in the Tokyo metropolitan and Osaka areas have been active. As we proceed with proposal-based sales to major customers, we can also see the gradual recovery of civil projects.
- Looking ahead to the expansion of business opportunities, including utilizing advanced technologies such as AI and the cloud. The development of joint research and entrusted projects will continue from the second half of the year onward.
 - Started joint research into shortening examination times using AI for the first time in the field of brainrelated nuclear medicine"
 - "Entrusted with the development of a product safety support system that utilizes natural language processing of AI"
 - > "An industry first Visualize group work discussions in real time –"
- Our proposal-based sales capabilities were demonstrated in all businesses, and we have returned to a growth trajectory.

(Unit: Million yen)

	FY 03/2020				FY 03/2021		Year-on-year change	
	Q1 Results	Q2 Results	Q3 Results	Entire financial year Results	Q1 Results	Q2 Results	Amount	Ratio
Net sales	5,298	10,951	16,402	22,703	5,407	11,234	283	2.6%
Operating income	321	682	1,063	1,428	322	687	5	0.8%
Ordinary income	336	707	1,088	1,467	328	699	(8)	(1.2%)
Net income	243	489	734	930	216	482	(7)	(1.3%)

Amid the prolonged impact of COVID-19, sales increased year-on-year thanks largely to aspects such as our "proposal-based sales force that works with customers to meet their needs" – the source of our strong business foundation.

(Unit: Million yen)



Operating income Plan for Fiscal Year 1,430 365 687 Progress rate Year-on-year 322 48.1% 100.8%

Q2 Total

Ordinary income



Net income



СНЕСК

Q2

Q1

Breaking through stagnant market conditions and returning overall business performance to almost that of previous years. This term, "cultivating existing customers through proposals" drive growth.

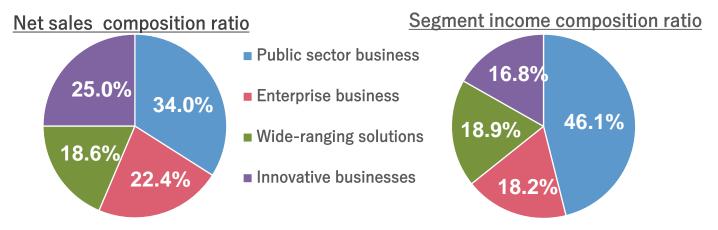
- I Amid the prolonged impact of COVID-19, sales increased due to the good fight that was put up in Q2 following Q1.
- I While the public sector is driving a stable business foundation, the market will be ready to switch from defensive to offensive toward the second half of the year due to the gradual recovery of market conditions and the acquisition of business negotiation opportunities.

(Unit: Million yen)

		Reportable	esegments		Total	Quarterly income	
	Public sector business	Enterprise business	Wide-ranging solutions	Innovative businesses	ΤΟΙΆΙ	amount (Note 1)	statement amount (Note 2)
Net sales	3,822	2,519	2,085	2,807	11,234	-	11,234
Segment income	663	261	272	242	1,440	(753)	687

Note 1: The adjustment amount of - 753,000,000 yen applied to segment income represents, for the most part, general administrative expenses (company overheads) that are not attributable to reportable segments.

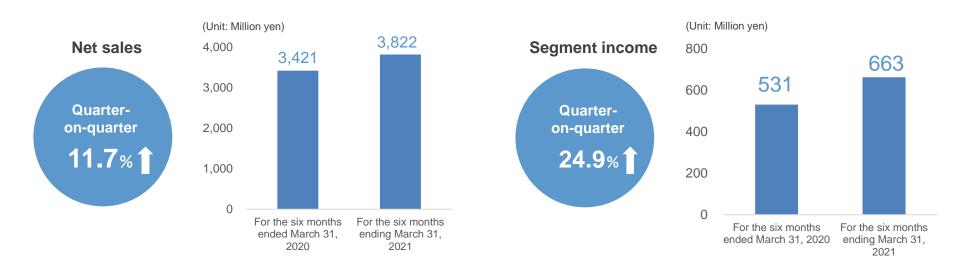
Note 2: Segment incomes are adjusted to the operating income stated in the quarterly income statement.





Public sector

From the design and manufacture of social infrastructure-related systems, whose end users are mainly government offices and local governments, to post-system operation management and maintenance

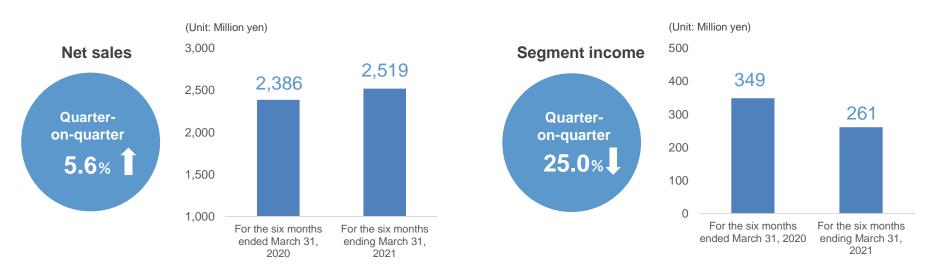


- I Despite a wave of development and operation phases, large-scale public medical insurance projects amid a general steady progress of projects contributed significantly to business performance, resulting in higher sales and profits.
- I Looking to the next fiscal year and beyond, strategic organizational structures, such as personnel adjustment and management systems across business divisions are being strengthened.



Enterprise business

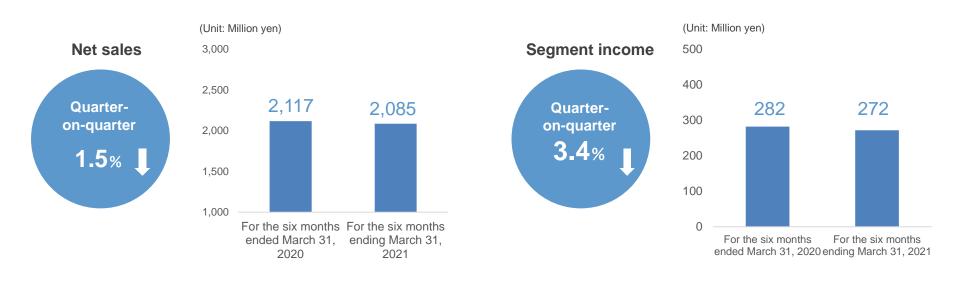
Mainly corporate company core business systems/online system development, network/infrastructure design/construction, RPA solutions, related operation/maintenance, and ICT consulting



- I In order to make up for the stagnation of development projects during the COVID-19 pandemic, we are striving to secure sales by strengthening information and the cooperation of teams. However, while sales have increased, profits have decreased due to an increase in expenses associated with finding new projects for the second half of the year.
- I We will work to grasp customers' needs for the next fiscal year onward, in fields such as cloud computing. Preparations for the response proceeding.

Wide-ranging solutions

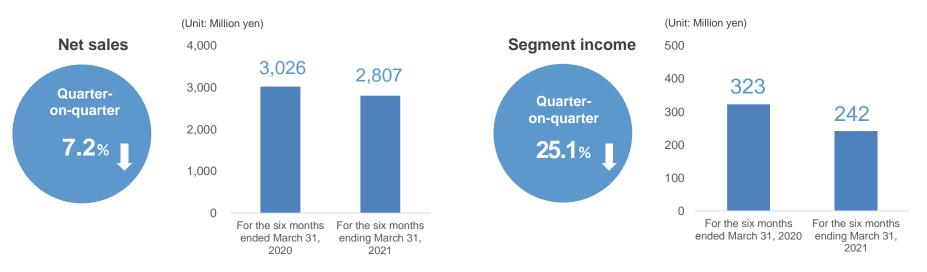
Communication control system development, embedded system development, system development for private companies and government agencies, AI solutions, related operation/maintenance, and ICT consulting, mainly in the Tokyo, Nagoya, and Osaka areas.



- I While there is a sense of market stagnation in the Nagoya area, sales and profits have declined only slightly across the entire segment due to the success of proposal-based sales centered on existing customers.
- I So as not to miss the increasing demand in recent years for things such as "low-code development," which helps streamline development and improve productivity, preparations for human resource development are being advanced.

Innovation

Mainly infrastructure design/construction, mainframe construction, system development, related operation/maintenance, in-house product manufacturing, provision of IoT solutions.



I While IT service projects progressed generally as planned, competition in some areas of the security field intensified.

In response to this, business strategies were reviewed and cost control was implemented. However, both sales and profits decreased.

I Progress in business expansion with IBM Japan, one of our main clients, was made. Deepen end users' business understanding and improvement proposals, and move from maintaining to expanding the customer base in the second half of the year.

Balance Sheets (B/S)

		(Unit: Million yen)	
	Previous Fiscal Year	Second Quarter of the Current Fiscal Year	
Assets			
Current assets	9,835	10,288	
Non-current assets	5.526	7,343	
Property, plant, and equipment	3,596	3,589	
Intangible assets	50	90	
Investments and other assets	1,878	3,663	
Fotal assets	15,361	17,631	
iabilities			
Current liabilities	4,829	4,884	
Non-current liabilities	1,646	2,370	
Total liabilities	6,475	7,254	
let assets	_		
Shareholders' equity	8,487	8,683	
Capital	2,905	2,905	
Capital surplus	2,138	2,148	
Retained earnings	3,803	3,985	
Treasury shares	(359)	(354)	
Valuation difference on available-for-sale securities	398	1,693	
Total net assets	8,885	10,377	
Fotal liabilities and net assets	15,361	17,631	

Year-on-year increase of 2,270 million yen

Main reason for increase:

Increase in investment securities	1,866 million yen
 Increase in cash and deposits 	1,245 million yen
 Increase in work-in-progress 	99 million yen
Main reason for decrease:	-
Reduction in accounts receivable	852 million yen

fear-on-year increase of 779 million yen

Main reason for increase:	
 Increase in deferred tax liabilities 	499 million yen
 Increase in long-term borrowings 	486 million yen
 Increase in short-term borrowings 	404 million yen
Main reason for decrease:	
 Decrease in corporate bonds 	265 million yen
Decrease in accounts payable-Other	243 million yen
 Decrease in accounts payable-trade 	123 million yen

Increase of 1,492 million yen year-on-year

Main reason for increase:

Increase in valuation difference

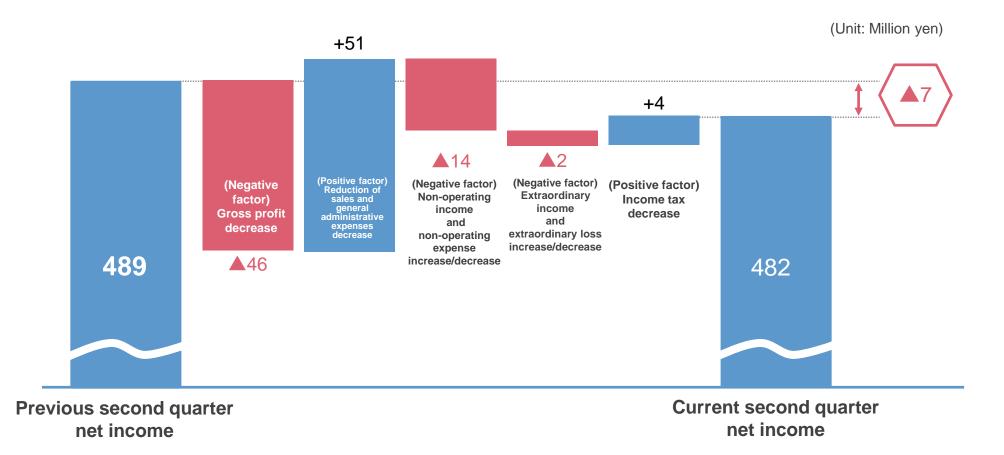
on available-for-sale securities

Increase in retained earnings

1,295 million yen 182 million yen

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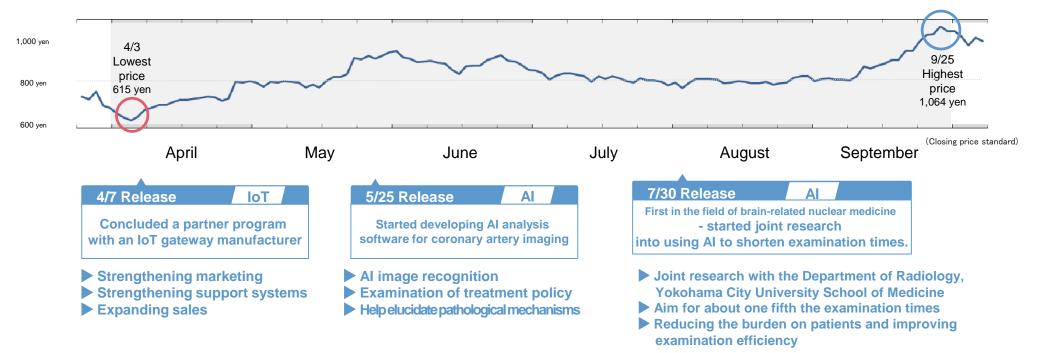
I Mainly striving to curb SG&A expenses, etc., the impact on net income was negligible.



	Cumulative first half of the previous fiscal year	(Unit: Million yen) Cumulative first half of the current fiscal year	Receipts of 931 million yenMain income:• Decrease in trade receivables• Quarterly profit before727 million yen
Cash flow from sales activities	488	931	income taxes Main payments: • Income taxes paid 298 million yen • Decrease in accounts payable 223 million yen • Other • Decrease in trade receivables 123 million yen
Cash flow from investing activities	(298)	(88)	Payments of 88 million yen Main income: • Income from cancellation of insurance reserve funds
Cash flow from financing activities	(175)	399	Main payments: • Expenditure on acquisitions 64 million ven
Net increase in cash and cash equivalents	14	1,242	Receipts of 399 million yen
Cash and cash equivalents at beginning of period	4,778	4,062	 Net increase in short-term Borrowings Main payments: Redemption of bonds Dividends paid 404 million yen 345 million yen 299 million yen
Cash and cash equivalents at the end of the period	4,792	5,304	Increase of 512 million yen year-on-year
			14

Changes in share price and dividends

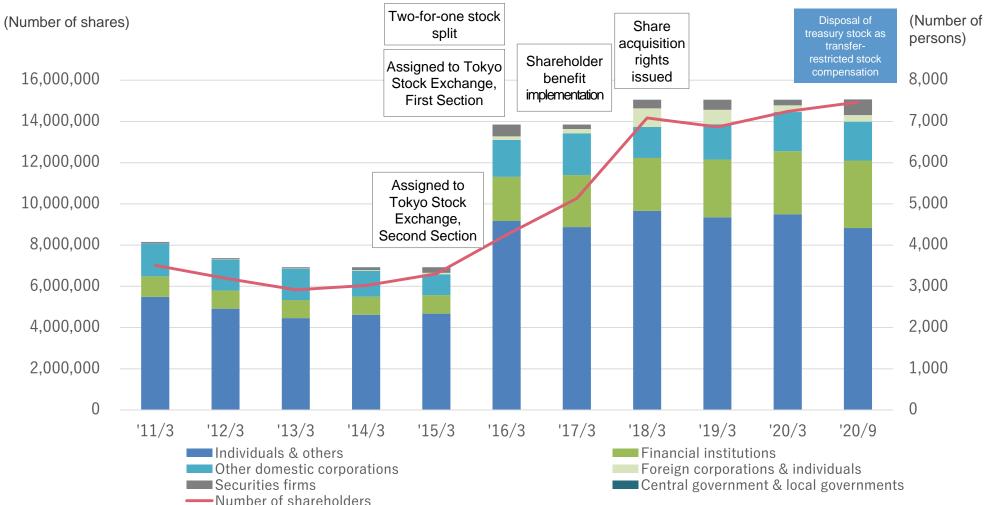
Focus Systems



	FY 03/2019	FY 03/2019 FY 03/2020	
Net income per share	58.11 yen	61.83 yen	62.43 yen
Results/Projections Annual per-share	20.00 yen	25.00 yen (including a 5.00 yen dividend for celebrating the new era)	20.00 yen
dividend Initial plan	15.00 yen	20.00 yen	20.00 yen
Payout ratio	34.4%	40.4%	32.0%

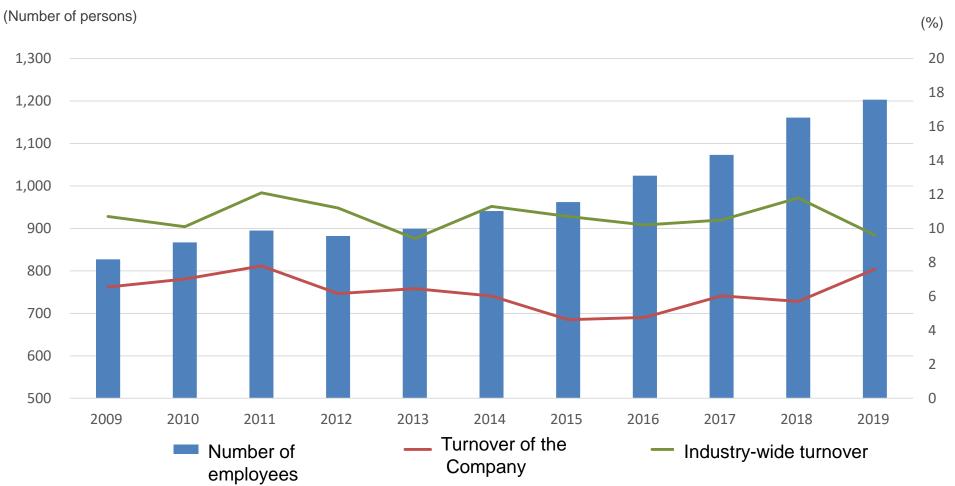
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- I Total number of shareholders at the end of September 2020: 7,471 (up 226 from the end of March 2020)
- I The number of shares individual shareholders and foreign shareholders hold has decreased while the number of shares of securities companies and investment trusts has increased.



Changes in the Number of Employees & Turnover Rate

I The number of employees increased steadily due to "strengthening recruitment" and being an "attractive of company." While the mobility of IT human resources is increasing, a turnover rate that is lower than the industry standard will be maintained by enhancing organizational management and support systems, and training systems.



*The industry turnover rate has been excerpted from the "Survey on Employment Trends" (Ministry of Health, Labor and Welfare) *Our turnover rate is based on the fiscal year, and the industry turnover rate is based on the year.





Projections for the Fiscal Year Ending March 2021 (45th Business Year)



Projections — Fiscal Year Ending March 2021 (45th Business Year)



I Given the prolonged impact of the COVID-19 pandemic,

we expect to achieve net sales and profits equivalent to those of the fiscal year ended March 2020.

I For dividends, we expect to maintain 20.00 yen per share on common stocks paid during the fiscal year ended March 2020.

	Results of Fiscal Year Ended March 2020 (million yen)	Projections for Fiscal Year Ending March 2021 (million yen)	Y-o-Y Change (%)
Net sales	22,703	22,800	0.4
Operating income	1,428	1,430	0.1
Ordinary income	1,467	1,430	(2.6)
Net income	930	940	1.0

	Results of Fiscal Year Ended March 2020	Projections for Fiscal Year Ending March 2021
Net income per share (yen)	61.83	62.43
Dividend per share (yen)	Ordinary dividend 20.00 + Reiwa commemorative dividend 5.00 25.00	20.00
Dividend payout ratio (%)	40.4	32.0

Changes in Non-consolidated Financial Results (Full Year)



Fiscal year, ended March	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019 *2	FY 03/2020 *2
Net sales (million yen)	16,482	17,846	19,327	21,453	22,703
Operating income (million yen)	953	743	1,025	1,368	1,428
Ordinary income (million yen)	950	731	1,019	1,375	1,467
Net income (million yen)	738	551	719	874	930
Capital (million yen)	2,905	2,905	2,905	2,905	2,905
Total number of shares issued and outstanding (thousand shares) *1	16,292	16,292	16,292	16,292	16,292
Net assets (million yen)	7,415	7,258	9,201	9,106	8,885
Total assets (million yen)	14,936	14,567	16,820	15,991	15,361
Net assets per share (yen) *1	535.58	524.24	611.34	605.04	590.56
Dividend per share (yen) *1	16.00	12.50	16.00	20.00	25.00
Net income per share (yen) *1	53.36	39.83	51.21	58.11	61.83
Equity ratio (%)	49.6	49.8	54.7	56.9	57.8
Return on equity (%)	10.4	7.5	8.7	9.6	10.3
Payout ratio (%)	30.0	31.4	31.2	34.4	40.4
Number of employees	1,024	1,073	1,116	1,161	1,203
Stock price – high (yen) *1	888	634	1,350	1,153	1,085
Stock price – low (yen) *1	340	412	503	774	583

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.



Supplementary Information: Current Topics



Topics (1)



2020 4/7

Join IoT Sensor and Device Partnership Program with IoT Gateway Manufacturer Plat'Home

- ✓ We have extensive experience in providing indoor location tracking systems for goods and personnel using our compact FCS1301 and timbe BLE beacons that have excellent portability.
- ✓ We aim to boost installation numbers of our BLE beacons by strengthening our marketing, sales and support systems.

2020 5/25

Development Work Launched on Al Analysis of Coronary Artery Imaging for Ischemic Heart Disease

- ✓ With Professor Shinke of Showa University School of Medicine's Division of Cardiology and Micron, Inc., we began research on coronary artery imaging software that utilizes AI image analysis to examine inside coronary arteries in cases of ischemic heart disease.
- Going forward, AI image analysis is expected to be adopted on a wider scale, not only for ischemic heart disease but also for many other diseases.
- \checkmark The goal is for the software to be put to use on-site in the medical field in 2021.

Topics (2)



2020 7/30 Alongside Yokohama City University, we aim to cut examination times to one-fifth by generating AI images for the first time in the field of brain-related nuclear medicine.

- Scanning in radiation-based examinations, which normally takes 30 to 45 minutes, takes 5 minutes. Al then generates an image with the same diagnostic accuracy as usual.
- In addition to reducing the burden on patients, this is expected to have many benefits, including improving the work and examination efficiency of medical staff, and making more effective use of the expensive equipment.



Entrusted with the development of a product safety support system that utilizes natural language processing of AI

- ✓ Reduce the burden on staff involved in the management and analysis of a huge amount of accident data at the National Institute of Technology and Evaluation's Product Safety Center, and streamline operations.
- Utilize the AI natural language processing know-how we have accumulated through endeavors such as the "Research into Teacher Data Generation Systems (2019)" and "Introduction of Software Developed to Create Q&A Data From Inquiry Responses (2020)."



Topics (3)

2020 10/23

Revolutionizing Online Communication An industry first –Visualize group work discussions in real time–

- Begun joint research with Hylable Inc. "Hylable," the core system of our joint research, features a standard function that displays group work discussions via texts and graphs.
 We will add functions that enable the state of group work to be grasped in real time through features such as "visualization of discussions, generation of subtitles, notifications, integrated display of aggregated data".
- ✓ Instructors in remote areas will be brought closer to online class participants, improving user satisfaction and the quality of education and training programs.
- ✓ The core system took home the "Minister of Health, Labor and Welfare's Japan e-Learning Award," which has provided momentum for our joint research.

The intellectual property rights generated by the results of this research will be shared and used by Focus Systems and Hylable.





Corporate Data



Line of business	Computer system consulting and entrusted development System maintenance/operation management, technical support Development and sales of information security related technologies and products Software package development and sales Planning and production of web content, etc. Other various computer-related businesses
Head office	2-7-8 Higashi Gotanda, Focus Gotanda Bldg., Shinagawa-ku, Tokyo
Business offices	Tokyo, Osaka, Nagoya
Capital	2,900 million yen
Exchange listings Tokyo Stock Exchange, First Section (Securities Code: 4662)	
Employees	1,203 (as of March 31, 2020)

Established 1977. Focus Systems Corporation established for the purpose of software development

- 1978. Commenced business with Oki Electric Industry Co., Ltd., and initiated software development work on electronic switchboard
- 1988. Commenced business with Nippon Telegraph and Telephone Corporation (now NTT DATA Corporation) and began 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. Commenced business with IBM Japan, Ltd. and began system operation/maintenance and infrastructure technology support business
- 1999. Commenced information security business
- 2004. Commenced 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

When implementing information systems, Focus Systems carries out everything from planning and development to operation according to the business purposes of the client.

2nd FOCUS

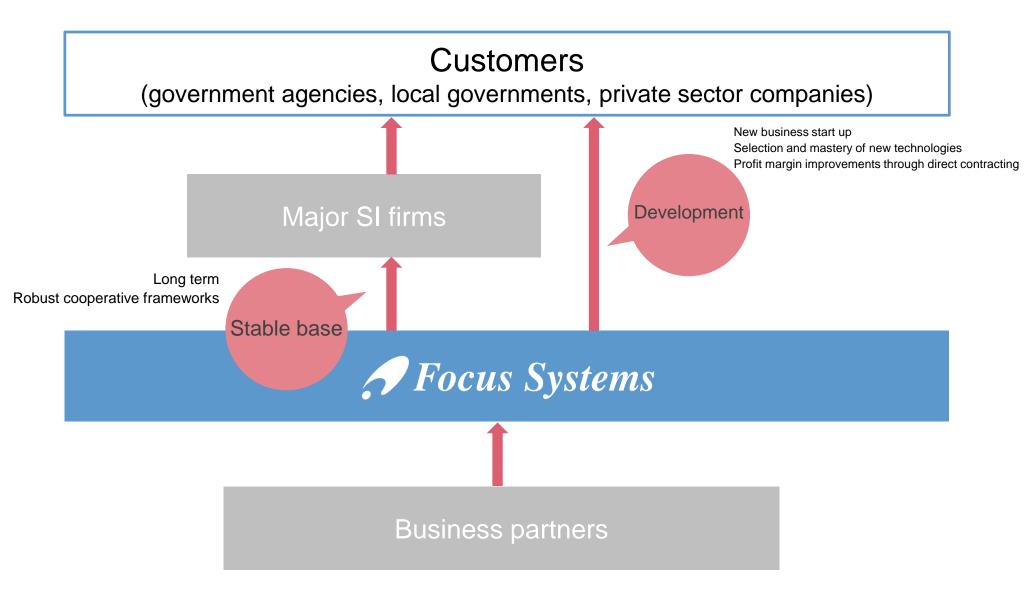
IT Services

Focus Systems designs and builds infrastructure and provides technical and operational support to enhance system availability and reliability.

3rd FOCUS

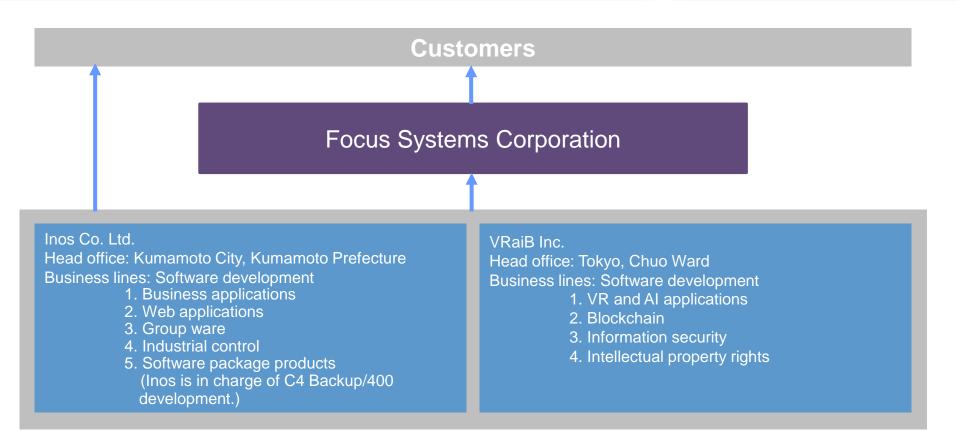
Information Security

Focus Systems provides customers with information risk control through information security technologies such as encryption, and digital water marks.









Affiliated company (as of September 2020)

Company name	Equity (%)	Sales (thousand yen)	Ordinary income (thousand yen)	Net income (thousand yen)
Inos Co. Ltd.	20.0	631,831	48,033	37,328
VRaiB Inc.	20.0	6,206	(1,698)	301





We were selected by the Ministry of Economy, Trade and Industry and the Japan Health Council as a company with good health management in their "Corporations with Exceeding Health Management 2020 (large-scale corporate division)" certificate.

Support for club activities

•• we support the participation in club activities in order to promote employee health. Currently around 150 employees are enrolled in 9 types of club activities.





Health maintenance seminars

••• To mitigate poor lifestyle habits and to prevent obesity, we sponsor seminars dedicated to specific topics such as improving diets and preventing and improving sleep apnea syndrome.



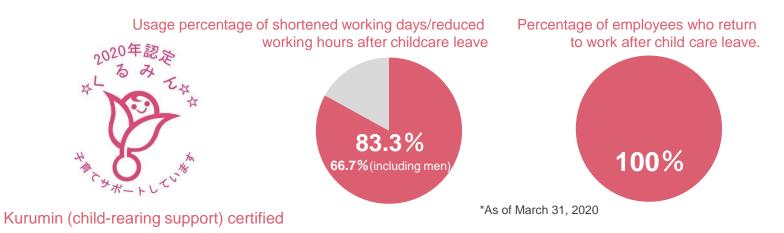


Includes initiatives such as "Start Walking Today!" and "Lifestyle Improvement Seminars."

Work–Life Balance

Systems for shortened working days or reduced working hours

••• Systems for helping employees balance work duties with childcare or eldercare. Employees can choose shortened working days (3 days a week) or reduced working hours (choice of 5 hours or 6 hours per day). Employees are eligible for the systems until their children reach the third grade in elementary school or until they no longer are required to do nursing care. *A combination of these systems and the flextime system is also possible.



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 Flextime system

··· helps employees work based on their lifestyles



Diversity

Occupational Field Creation

•••• In 2015, we began producing vegetables through hydroponics, aiming at creating new fields of employment for persons with disabilities.

Currently, we are also promoting the development of clerical work areas. (Refer to the next page for "Transition of actual response to the employment rate system for persons with disabilities")

These initiatives are posted on our blog "Public Relations for Persons with Disabilities (Focus NAVI)."





Focus NAVI Public relations for



https://magazine.focus-s.com/category/news/pwd_pr

Information Exchange for Female Employees



••• This initiative provides career planning support for young women by communicating work styles and the like.

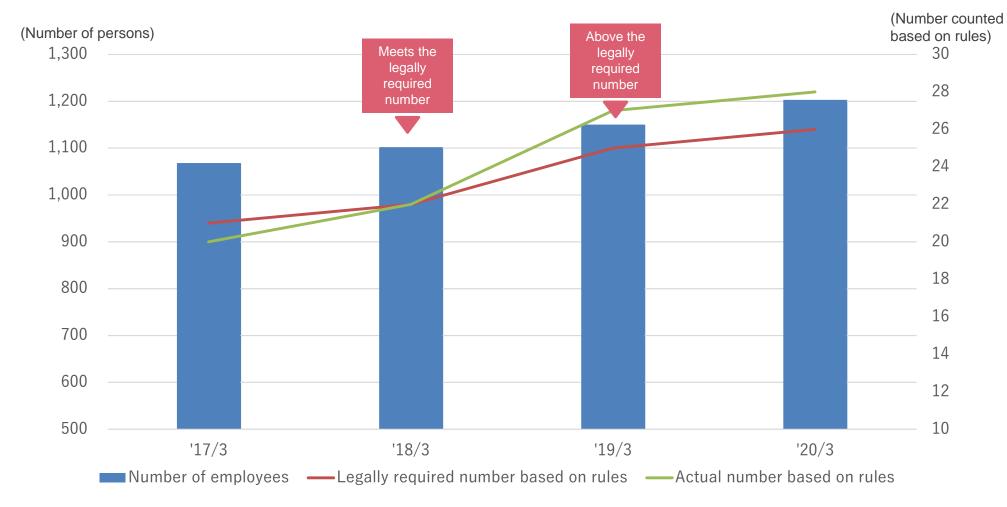
Eruboshi (Female employee career promotion)

We are certified as an "Eruboshi" company for being an outstanding company based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

2

Changes in Responses to the Employment Rate System for Persons with Disabilities

- We created new fields of agricultural and office work, and improved work environments so that a large number of persons with disabilities could find sustained work.
- ✓ We provided employees with internal training programs that help deepen their understanding of working with persons with disabilities, and strengthened systems that embrace them.



Focus Systems



Mascot Character "Fukue-san"

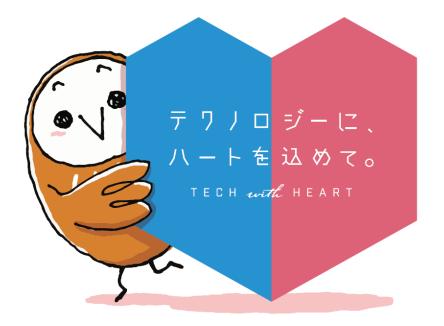
In order to feel closer to the Focus Systems and the world of information systems, we use Fukue-san to send out information about our business, employees and the future.







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



This document is based on information available as of November 13, 2020, 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, Focus Systems Corporation does not guarantee any certainty.