

# Summary of Consolidated Financial Results for the First Half of Fiscal Year ending December 31, 2019 (Japanese Accounting Standards)



August 8, 2019

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): August 9, 2019  
 Scheduled date of dividend payment: September 10, 2019  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: Yes

(Figures less than one million yen are omitted)

## 1. Consolidated Business Results for the Six Months Ended June 30, 2019 (January 1, 2019 – June 30, 2019)

(1) Consolidated operating results (cumulative total) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended 6/19	113,556	12.8	6,693	26.7	6,825	19.5	3,736	12.6
Six months ended 6/18	100,688	11.7	5,281	26.1	5,712	29.7	3,317	29.7

(Note) Comprehensive income (million yen) Six months ended 6/19: 4,116 (4.2%) Six months ended 6/18: 3,952 (13.4%)

	Net income per share	Net income per share/diluted
	Yen	Yen
Six months ended 6/19	119.40	—
Six months ended 6/18	106.02	105.70

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended 6/19	199,491	122,737	54.5
Year ended 12/18	192,625	119,670	55.1

Reference: Shareholders' equity (million yen) Six months ended 6/19: 108,809 Year ended 12/18: 106,123

## 2. Dividends

	Dividend per share				
	End of first quarter	End of interim period	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 12/18	—	18.00	—	19.00	37.00
Year ending 12/19	—	20.00	—	—	—
Year ending 12/19 (forecast)	—	—	—	20.00	40.00

(Note) Revisions to dividend forecasts published most recently: Yes

## 3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2019 (Jan. 1, 2019 – Dec. 31, 2019)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	210,500	3.0	11,700	2.6	12,200	1.1	6,700	2.8	214.10

(Note) Revisions to forecast for consolidated business results published most recently: No

\* Notes

- (1) Important changes in subsidiaries during this quarter (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

New Not applicable  
 Excluded Two companies CYBERNET HOLDINGS CANADA,INC.  
 WATERLOO MAPLE INC.

(Note) For details, please refer to “2. Consolidated Financial Statements and Key Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.

- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Yes  
 (Note) For details, please refer to “2. Consolidated Financial Statements and Key Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.

- (3) Changes in accounting principles and changes or restatement of accounting estimates  
 (i) Changes in accounting principles due to amendment of accounting standards, etc.: Not applicable  
 (ii) Changes in accounting principles other than (i): Not applicable  
 (iii) Changes in accounting estimates: Not applicable  
 (iv) Restatement: Not applicable

(Note) For details, please refer to “2. Consolidated Financial Statements and Key Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.

- (4) Number of outstanding shares (common shares)

- 1) Number of shares outstanding at the end of period (including treasury shares):  
 2) Number of treasury shares at the end of period  
 3) Average number of shares during the period (quarterly consolidated cumulative period)

6/19:	33,700,000 shares	Year ended 12/18:	33,700,000 shares
6/19:	2,406,067 shares	Year ended 12/18:	2,405,901 shares
6/19:	31,294,066 shares	6/18:	31,294,539 shares

\* Summaries of quarterly consolidated financial results are not subject to a quarterly review by a certified public accountant or an audit corporation.

\* Cautionary statement with respect to forward-looking statements

The above forecast has been prepared based on data available on the announcement date. Since the data contains uncertainties, actual results may differ materially from the projections above due to changes in business performance and other factors.

For assumptions concerning financial forecasts, please refer to 1. Qualitative Information on Consolidated Results for the First Half Ended June 30, 2019, (3) Information on the future outlook, including forecast for consolidated business results on page 4 of the accompanying materials.

Previously, figures in the Company’s quarterly financial statements and other items were listed in thousand-yen units. However, beginning the first quarter and the cumulative first quarter of the fiscal year under review, figures will be shown in million-yen units.

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## 1. Qualitative Information on Consolidated Results for the First Half Ended June 30, 2019

## (1) Details of consolidated results

During the consolidated first half under review (from January 1, 2019 to June 30, 2019), the Japanese economy continued to remain on a moderate recovery track, driven by improving employment and income conditions. However, uncertainty over the outlook was increasing given deteriorated business indicators and business conditions, mainly in the manufacturing sector, due to the trend of U.S. trade policy.

In the information services industry, growing use of ICT is expected, and measures to strengthen cyber security have become a challenge to realize digitalization in the “Society 5.0 (\*1)” era announced by the Japanese government. In addition, while the shortage of ICT engineers to respond to the sophistication and diversification of these new technologies has also become a challenge, demand for ICT services is expected to continue to increase.

In this business environment, the FUJISOFT Group focused on training global human resources, including the more active hiring of human resources and utilization of non-Japanese employees, and developed systems including those for strengthening cooperation with its business partners. In the area of the latest technologies, in line with its AIS CRM strategy (\*2) which positions technologies such as AI and IoT as priority technical fields, the Group worked on technical research, product development and collaboration with cutting-edge ventures and also on the provision of comprehensive value-added solutions that combine its own products and services with platforms provided by vendors in Japan and overseas. The Group also aimed to achieve its medium-term goal of becoming an innovative corporate group that links ICT development to greater value for customers through its efforts to improve productivity and enhance corporate value.

In System Construction, the development of in-vehicle control software in the CASE field (\*3), which includes electric vehicles, autonomous driving, accident prevention and connectivity, remained robust in embedded/control system development at automakers, in addition to existing fields. Above all, development demand, particularly that for the advanced driver assistance system (ADAS), continued to increase toward the introduction of Level 3 automated driving (conditional driving automation) in 2020. In social infrastructure systems, the development of next-generation systems remained strong at electric power companies, and the Group also worked actively on the industrial robot SI business, a new growth area, and on the utilization of IoT.

In operation system development, the Group worked on proof of concept projects and workstyle reform utilizing AI and, with willingness to invest in the online business also remaining high thanks to the steady growth of the e-commerce market, operation system development remained strong. The Company received a VMware 2018 Regional Partner Innovation Award because its services in the infrastructure building business were valued by VMware, Inc., one of its alliance partners, and services utilizing the cloud provided by global vendors continued to expand. The Group expanded its business by working actively to provide such high value-added services and raise their value to the prime level in operation system development. In the financial sector, demand remained strong, mainly from the credit industry, reflecting increasing needs due to the government-initiated promotion of a cashless society and investment in fintech on the topic of greater operational efficiency. In the Product and Service sector, sales in areas such as the license business were strong. In the area of education, the Group announced the release of Mirai School Platform in October 2019, which will enable the development and provision of digital textbooks and educational materials at low cost, and several textbook publishers and educational material companies have already decided to adopt it. The Company has also distributed a tablet terminal to all its employees to promote workstyle reform through the realization of a mobile workstyle that is able to work at any time and in any location using the Company’s product moreNOTE, and its expertise has been leading to proposals to customers.

As a result of these initiatives, in the first half under review, net sales stood at 113,556 million yen, up 12.8% year on year, thanks to the strong performance of the System Integration business. SG&A expenses came to 20,334 million yen, up 10.2% year on year, due in part to the increase in labor costs that resulted from the enhancement of the structure and expenses associated with development of the Group’s operating network. However, operating income rose 26.7% year on year, to 6,693 million yen, thanks to the increase of net sales, and ordinary income climbed 19.5%, to 6,825 million yen. Profit attributable to owners of parent was 3,736 million yen, up 12.6% year on year.

## \*1: Society 5.0

A super smart society, the fifth new society using AI and IoT, etc., following “hunting and gathering society, “agrarian society,” “industrial society” and “information society.”

## \*2: AIS-CRM (A: AI; I: IoT; S: Security; C: Cloud; R: Robot; M: Mobile &amp; AutoMotive)

Technical field which the Group positions as a priority technology

## \*3: CASE (C:Connected A: Autonomous S:Shared/Service E:Electric)

Acronym that stands for Connected, Autonomous, Shared/Service and Electric.

Results by business segment were as follows:

## (i) SI (system integration) business

In the SI business, sales of and income from embedded/control software increased, reflecting brisk sales of auto-related systems, machine control systems including those for factory automation (FA), and social infrastructure systems. In operation software, sales and income increased because sales to the distribution and services sectors, the manufacturing sector, online businesses, and non-banks were strong. In Products and Services, sales and income rose thanks to strong sales of licenses and the Group companies' products. In the outsourcing business, sales and income decreased mainly due to a fall in sales to the distribution and services sectors.

As a result, net sales stood at 105,367 million yen, up 12.9% year on year. Operating income amounted to 5,540 million yen, up 26.4%.

\* The following table shows a breakdown of net sales and operating income in the SI business.

	(Million yen)			
	Net sales	YoY change (%)	Operating income	YoY change (%)
SI business total	105,367	112.9	5,539	126.4
System construction	64,778	117.8	3,037	136.4
Embedded/control software	31,723	110.3	1,719	118.4
Operation software	33,055	126.0	1,318	170.4
Products and services	40,589	106.0	2,502	116.1
Products and services	33,335	109.1	2,067	124.8
Outsourcing	7,253	93.7	435	87.1

(Note) Operating income includes the elimination of intersegment transactions of -0 million yen.

## (ii) Facility business

Net sales, including rental income from office buildings owned by the Company and certain consolidated subsidiaries, stood at 1,459 million yen, down 2.4% year on year. However, operating income rose 18.0% year on year, to 632 million yen.

## (iii) Other businesses

Net sales from other businesses amounted to 6,728 million yen, up 14.2% year on year, and operating income grew 43.3%, to 520 million yen, reflecting strong performances in the data entry business and the contact center business.

(2) Details of financial position

Total assets

Total assets stood at 199,491 million yen at the end of the consolidated first half under review, up 6,865 million yen from the end of the preceding consolidated fiscal year. Current assets were 84,274 million yen (up 6,959 million yen from the end of the previous fiscal year), and non-current assets were 115,216 million yen (down 94 million yen).

The main factors for the change in current assets were an increase in notes and accounts receivable-trade by 1,395 million yen from the end of the previous fiscal year, to 45,851 million yen, and an increase in securities by 3,000 million yen, to 7,000 million yen.

Liabilities

At the end of the consolidated first half under review, total liabilities amounted to 76,753 million yen, up 3,798 million yen from the end of the previous fiscal year. Current liabilities were 43,750 million yen (down 5,678 million yen from the end of the previous fiscal year), and non-current liabilities were 33,002 million yen (up 9,476 million yen).

Primary factors in the change of current liabilities included an increase in notes and accounts payable-trade by 3,141 million yen from the end of the previous fiscal year, to 12,668 million yen and a decrease in short-term loans payable by 10,761 million yen from the end of the previous fiscal year, to 3,206 million yen.

The main factors in the change in non-current liabilities included 9,777 million yen increase in long-term loans payable from the end of the previous fiscal year, to 23,097 million yen.

Net assets

Net assets rose 3,067 million yen from the end of the preceding fiscal year, to 122,737 million yen at the end of the consolidated first half under review. As a result, the equity ratio fell to 54.5% from 55.1% at the end of the previous fiscal year.

Cash flows

Consolidated cash and cash equivalents ("cash") at the end of the cumulative first half of the fiscal year under review were 28,444 million yen, an increase of 8,241 million yen from the end of the previous fiscal year.

Cash flows in the cumulative first half of the fiscal year under review were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities in the cumulative first half of the fiscal year under review stood at 7,639 million yen. This is was mainly due to increased sales.

(Cash flows from investment activities)

Net cash used in investing activities in the cumulative first half of the fiscal year under review came to 2,576 million yen. This was primarily due to the acquisition of noncurrent assets associated with investment in equipment.

(Cash flows from financing activities)

Net cash used in financing activities in the cumulative first half of the fiscal year under review was 1,116 million yen. This was largely due to the payment of dividends.

(3) Information on the future outlook, including forecast for consolidated business results

The full-year results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2018 announced on February 14, 2019.

## 2. Consolidated Financial Statements and Key Notes

## (1) Consolidated balance sheet

(Million yen)

	FY2018 (As of December 31, 2018)	Q2 FY2019 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	22,554	23,274
Notes and accounts receivable - trade	44,456	45,851
Short-term investment securities	4,000	7,000
Merchandise	652	1,720
Work in process	2,678	2,883
Raw materials and supplies	22	33
Other	3,019	3,569
Allowance for doubtful accounts	-68	-58
Total current assets	77,315	84,274
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,298	58,582
Accumulated depreciation	-27,699	-28,444
Buildings and structures, net	30,598	30,137
Land	47,959	47,959
Construction in progress	558	595
Other	13,836	14,057
Accumulated depreciation	-10,596	-10,877
Other, net	3,239	3,179
Total property, plant and equipment	82,356	81,872
Intangible assets		
Goodwill	321	295
Software	4,198	4,090
Other	218	213
Total intangible assets	4,738	4,599
Investments and other assets		
Investment securities	17,990	17,321
Net defined benefit asset	4,633	4,982
Deferred tax assets	3,004	3,117
Other	2,639	3,366
Allowance for doubtful accounts	-52	-44
Total investments and other assets	28,214	28,744
Total non-current assets	115,310	115,216
Total assets	192,625	199,491

(Million yen)

	FY2018 (As of December 31, 2018)	Q2 FY2019 (As of June 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,526	12,668
Short-term loans payable	13,968	3,206
Current portion of long-term loans payable	2,239	2,965
Accrued expenses	4,228	4,813
Income taxes payable	2,492	2,857
Provision for bonuses	4,926	5,206
Provision for directors' bonuses	205	145
Provision for loss on construction contracts	252	188
Other	11,588	11,698
Total current liabilities	49,428	43,750
Non-current liabilities		
Long-term loans payable	13,319	23,097
Deferred tax liabilities	1,643	1,481
Provision for directors' retirement benefits	461	446
Net defined benefit liability	5,912	5,829
Other	2,190	2,148
Total non-current liabilities	23,526	33,002
Total liabilities	72,955	76,753
<b>Net assets</b>		
Shareholders' equity		
Capital stock	26,200	26,200
Capital surplus	28,796	28,815
Retained earnings	61,424	64,566
Treasury shares	-4,866	-4,867
Total shareholders' equity	111,555	114,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,345	3,679
Revaluation reserve for land	-8,228	-8,047
Foreign currency translation adjustment	22	-40
Remeasurements of defined benefit plans	-1,571	-1,497
Total accumulated other comprehensive income	-5,432	-5,906
Subscription rights to shares	85	64
Non-controlling interests	13,462	13,863
Total net assets	119,670	122,737
Total liabilities and net assets	192,625	199,491

## (2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

Consolidated first half results

(Million yen)

	H1 FY2018 (From January 1, 2018 to June 30, 2018)	H1 FY2019 (From January 1, 2019 to June 30, 2019)
Net sales	100,688	113,556
Cost of sales	76,960	86,529
Gross profit	23,727	27,027
Selling, general and administrative expenses	18,445	20,334
Operating income	5,281	6,693
Non-operating income		
Interest income	27	48
Dividends income	97	112
Share of profit of entities accounted for using equity method	204	60
Foreign exchange gains	1	–
Subsidy income	77	34
Other	75	73
Total non-operating income	483	328
Non-operating expenses		
Interest expenses	32	51
Foreign exchange losses	–	80
Loss on retirement of non-current assets	11	9
Expenses for dealing with system failure	1	25
Other	6	28
Total non-operating expenses	52	196
Ordinary income	5,712	6,825
Extraordinary income		
Gain on reversal of share acquisition rights	–	86
Gain on transfer of business	494	–
Total extraordinary income	494	86
Extraordinary loss		
Impairment loss	18	3
Loss on retirement of non-current assets	225	–
Loss on valuation of investment securities	–	53
Office transfer expenses	–	26
Total extraordinary loss	243	83
Income before income taxes	5,963	6,829
Income taxes-current	1,944	2,056
Income taxes-deferred	-222	-37
Total income taxes	1,722	2,019
Net income	4,241	4,809
Profit attributable to non-controlling interests	923	1,072
Profit attributable to owners of parent	3,317	3,736

Consolidated statements of comprehensive income  
 Consolidated first half results

(Million yen)

	H1 FY2018 (From January 1, 2018 to June 30, 2018)	H1 FY2019 (From January 1, 2019 to June 30, 2019)
Net income	4,241	4,809
Other comprehensive income		
Valuation difference on available-for-sale securities	-44	-673
Foreign currency translation adjustment	-240	-109
Remeasurements of defined benefit plans, net of tax	26	104
Share of other comprehensive income of entities accounted for using equity method	-31	-13
Total other comprehensive income	-288	-692
Comprehensive income	3,952	4,116
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,114	3,079
Comprehensive income attributable to non- controlling interests	838	1,037

## (3) Consolidated cash flow statement

	(Thousand yen)	
	H1 FY2018 (From January 1, 2018 to June 30, 2018)	H1 FY2019 (From January 1, 2019 to June 30, 2019)
Net cash from operating activities		
Income before income taxes	5,963	6,829
Depreciation	2,309	2,615
Impairment loss	18	3
Amortization of goodwill	188	26
Increase (decrease) in provision for loss on construction contracts	-52	-64
Increase (decrease) in net defined benefit liability	29	-62
Decrease (increase) in net defined benefit asset	-389	-246
Equity in (earnings) losses of affiliates	-204	-60
Interest expenses	32	51
Foreign exchange losses (gains)	-9	92
Gain on transfer of business	-494	-
Gain on reversal of share acquisition rights	-	-86
Loss on retirement of non-current assets	225	-
Office transfer expenses	-	14
Decrease (increase) in notes and accounts receivable-trade	-625	-1,091
Decrease (increase) in inventories	-833	-1,284
Increase (decrease) in notes and accounts payable - trade	800	3,158
Increase (decrease) in accounts payable - labor cost	741	498
Increase (decrease) in accrued consumption taxes	-803	-1,183
Increase (decrease) in accounts payable-other	34	17
Decrease (increase) in long-term prepaid expenses	-16	-79
Loss (gain) on valuation of investment securities	-	53
Other	-568	274
Subtotal	6,346	9,476
Interest and dividends income received	126	230
Interest expenses paid	-33	-53
Income taxes paid	-1,979	-2,106
Income taxes refund	-	92
Net cash provided by (used in) operating activities	4,459	7,639
Net cash from investing activities		
Payments into time deposits	-2,509	-2,118
Proceeds from withdrawal of time deposits	1,091	2,161
Purchase of property, plant and equipment	-18,976	-559
Purchase of intangible assets	-1,528	-1,240
Purchase of investment securities	-90	-211
Other	-203	-607
Net cash provided by (used in) investing activities	-22,216	-2,576

(Thousand yen)

	H1 FY2018 (From January 1, 2018 to June 30, 2018)	H1 FY2019 (From January 1, 2019 to June 30, 2019)
Net cash from financing activities		
Increase in short-term loans payable	15,180	3,354
Decrease in short-term loans payable	-3,003	-14,115
Proceeds from long-term loans payable	14	10,767
Repayment of long-term loans payable	-2,487	-251
Net increase (decrease) in commercial papers	7,000	-
Purchase of treasury stock	-1	-0
Cash dividends paid	-563	-594
Dividends paid to non-controlling interests	-250	-244
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-7	-6
Repayments of lease obligations	-28	-26
Other	-	2
Net cash provided by (used in) financing activities	15,854	-1,116
Effect of exchange rate change on cash and cash equivalents	-51	-90
Net increase (decrease) in cash and cash equivalents	-1,954	3,856
Cash and cash equivalents at beginning of period	22,157	24,587
Cash and cash equivalents at end of period	20,202	28,444

(4) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Note when there is a considerable change in the amount of shareholders' equity)

Not applicable.

(Important changes in subsidiaries during this quarter)

Two companies, namely CYBERNET HOLDINGS CANADA, INC. and WATERLOO MAPLE INC., which had been specified subsidiaries of the Company, no longer came under specified subsidiaries of the Company in the second quarter of the current consolidated fiscal year because they disappeared through a consolidation-type merger based on the local law after a capital decrease. However, newly formed companies continue to conduct business activities as consolidated subsidiaries of the Company (indirect ownership ratio of the Company: 100%).

(Application of specific accounting treatment to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year including second quarter under review and multiply quarterly income before income taxes by the estimated effective tax rate.

(Changes in accounting principles and changes or restatement of accounting estimates)

Not applicable.

(Additional information)

(Tax effect accounting)

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 on February 16, 2018) is adopted at the beginning of the consolidated first quarter. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

(Segment information)

[Segment information]

I. H1 FY2018 (From January 1, 2018 to June 30, 2018)

## 1. Information on Sales and Profit and Loss by Reported Segment

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-half consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	93,301	1,496	94,797	5,890	100,688	—	100,688
Inter-segment sales or transfers	51	312	364	405	769	-769	—
Total	93,352	1,808	95,161	6,296	101,457	-769	100,688
Segment profit	4,383	536	4,919	363	5,282	-1	5,281

Notes:

1. “Others” is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.
2. An adjustment of segment profit of -1 million yen includes an elimination of inter-segment transactions of -1 million yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

## 2. Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.

II. H1 FY2019 (From January 1, 2019 to June 30, 2019)

## 1. Information on Sales and Profit and Loss by Reported Segment

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-half consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	105,367	1,459	106,827	6,728	113,556	—	113,556
Inter-segment sales or transfers	72	311	383	367	750	-750	—
Total	105,440	1,770	107,210	7,096	114,307	-750	113,556
Segment profit	5,540	632	6,172	520	6,693	-0	6,693

Notes:

1. “Others” is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.
2. An adjustment of segment profit of -0 million yen includes an elimination of inter-segment transactions of -0 million yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

## 2. Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.