

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



May 9, 2019

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 10, 2019

Scheduled date of dividend payment: -

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Three Months Ended March 31, 2019 (January 1, 2019 – March 31, 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	%
Three months ended 3/19	55,213	11.6	3,944	35.2	3,995	32.1	2,257	27.7
Three months ended 3/18	49,466	10.3	2,917	28.1	3,024	30.5	1,768	17.8

(Note) Comprehensive income (million yen) Three months ended 3/19: 2,934 (82.7%) Three months ended 3/18: 1,606 (62.4%)

	Net income per share	Net income per share/diluted
	Yen	Yen
Three months ended 3/19	72.14	71.85
Three months ended 3/18	56.50	56.39

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended 3/19	200,162	121,767	53.9
Year ended 12/18	192,625	119,670	55.1

Reference: Shareholders' equity (million yen) Three months ended 3/19: 107,931 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	-				
Year ending 12/19 (forecast)		19.00	-	19.00	38.00

(Note) Revisions to dividend forecasts published most recently: No

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
Second consolidated quarter (cumulative)	103,650	2.9	5,350	1.3	5,600	-2.0	3,150	-5.1	100.66
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): Not applicable

(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):

3/19:	33,700,000 shares	Year ended 12/18:	33,700,000 shares
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2) Number of treasury shares at the end of period

3/19:	2,405,901 shares	Year ended 12/18:	2,405,901 shares
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3) Average number of shares during the period (quarterly consolidated cumulative period)

3/19:	31,294,098 shares	3/18:	31,294,641 shares
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* 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 Quarter Ended March 31, 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.

Beginning the cumulative first quarter of the fiscal year under review, the Company began preparing quarterly consolidated statements of cash flows.

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1. Qualitative Information on Consolidated Results for the First Quarter Ended March 31, 2019

(1) Details of consolidated results

During the first quarter of the consolidated fiscal year under review (from January 1, 2019 to March 31, 2019), the Japanese economy remained on a moderate recovery track driven by improving corporate earnings and employment and income conditions, despite continued uncertainty over the outlook due to downside risk for the economy arising from the direction of U.S. trade policy, economic slowdown in China and Brexit.

The information services industry is facing the challenge of achieving transition to new societal systems worthy of the Japanese government's digital transformation plan "Society 5.0" (*1), and public and private sectors are in the process of adapting to the digital era, with the development of 5G to support the creation of an AI-ready society and regional innovation, and the enhancement of standard/architecture development functions. Meanwhile, given that the shortage of ICT engineers to respond to the sophistication and diversification of these new technologies and measures to strengthen cyber security to counter increasingly sophisticated and complex cyberattacks have become challenges, demand for ICT services is expected 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, demand for the development of advanced technologies such as electronic operation or automated driving, increased further in the automobile industry, which is said to be undergoing a major transformation on a once-in-a-century scale. Besides existing fields such as ECU development, development of in-vehicle control software in the CASE field (*3), which includes electric vehicles, automated driving, accident prevention and connectivity, remained robust and the Group continued to strive to strengthen its production system. Similarly, in the area of machine control systems, the development of control software mainly for factory automation continued to be strong. 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 expanded orders on the back of rising needs for investment in fintech on the theme of greater operational efficiency and utilization of RPA (Robotics Process Automation) (*4) in the financial sector. The Group also focused on proof of concept projects and workstyle reform utilizing AI and, with a willingness to invest in online business also remaining high thanks to the steady growth of the e-commerce market, the Group expanded total orders for operation system development. In the cloud systems integration business and infrastructure development, the Group sought to provide high value-added services by combining its technological capability with the products of global vendors.

In the Product and Service sector, sales in areas such as the license business and mobile router + F FS030W (*5) were strong. The Group also focussed on expanding sales of products including the launch of Pocket GPS (*6), a GPS tracker, and moreReception, an unmanned reception system that welcomes guests efficiently and with style.

As a result of these initiatives, in the first quarter under review, net sales stood at 55,213 million yen, up 11.6% year on year, thanks to the strong performance of the System Integration business. SG&A expenses came to 9,522 million yen, up 11.3% 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 35.2% year on year, to 3,944 million yen, thanks to the increase of net sales, and ordinary income climbed 32.1%, to 3,995 million yen. Profit attributable to owners of parent was 2,257 million yen, up 27.7% 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 & 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.

*4: RPA (Robotic Process Automation)

Automation of operations utilizing AI and Robot technologies, which replace human workers

*5: +F FS030W

LTE data communication terminal for consumers in mobile communication market and IoT/M2M market

*6: Pocket GPS

Tracker that allows parents to pinpoint the exact position of their children using a map on their smartphones

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 and machine control projects mainly for factory automation. In operating software, sales increased primarily to the financial and manufacturing sectors and internet service providers, and income grew, reflecting improvement in the cost-of-sales ratio in business with the financial sector and in business at group companies with the distribution and services sectors. In Products and Services, sales and income increased due to the strong performance of license sales and sales of profitable products of Group companies. In the outsourcing business, sales fell, reflecting a fall in projects for the distribution and service sectors, but income increased due to a rise in profitable operation and maintenance projects.

As a result, net sales stood at 50,953 million yen, up 11.8% year on year. Operating income amounted to 3,421 million yen, up 36.7%.

* 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	50,953	111.8	3,417	136.5
System construction	32,629	116.9	2,122	129.8
Embedded/control software	15,857	109.9	1,076	113.4
Operation software	16,771	124.3	1,045	152.3
Products and services	18,323	103.8	1,295	149.2
Products and services	14,752	107.2	991	154.1
Outsourcing	3,571	92.0	304	135.2

(Note) Operating income includes the elimination of intersegment transactions of -3 million yen.

(ii) Facility business

Net sales stood at 739 million yen, down 1.3% year on year, reflecting a slight decline in rental income from office buildings owned by the Company and certain consolidated subsidiaries. However, operating income rose 42.7% year on year, to 322 million yen due to a decrease in repair work.

(iii) Other businesses

Net sales from other businesses amounted to 3,520 million yen, up 11.8% year on year, and operating income grew 8.7%, to 203 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 200,162 million yen at the end of the consolidated first quarter under review, up 7,536 million yen from the end of the preceding consolidated fiscal year. Current assets were 84,117 million yen (up 6,801 million yen from the end of the previous fiscal year), and non-current assets were 116,045 million yen (up 734 million yen).

The main factors for the change in current assets was an increase in notes and accounts receivable-trade by 4,255 million yen from the end of the previous fiscal year, to 48,711 million yen as a result of growth in net sales.

Liabilities

At the end of the consolidated first quarter under review, total liabilities amounted to 78,395 million yen, up 5,440 million yen from the end of the previous fiscal year. Current liabilities were 46,604 million yen (down 2,823 million yen from the end of the previous fiscal year), and non-current liabilities were 31,791 million yen (up 8,264 million yen).

Primary factors in the change of current liabilities included an increase in notes and accounts payable-trade by 3,769 million yen from the end of the previous fiscal year, to 13,296 million yen and a decrease in short-term loans payable, commercial paper and current portion of long-term loans payable by 6,409 million yen from the end of the previous fiscal year, to 9,798 million yen.

The main factors in the change in non-current liabilities included a 8,897 million yen increase in long-term loans payable from the end of the previous fiscal year, to 22,217 million yen.

Net assets

Net assets rose 2,096 million yen from the end of the preceding fiscal year, to 121,767 million yen at the end of the consolidated first quarter under review. As a result, the equity ratio fell to 53.9% 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 quarter of the fiscal year under review were 26,950 million yen, an increase of 2,362 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities in the cumulative first quarter of the fiscal year under review stood at 2,232 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 quarter of the fiscal year under review came to 1,545 million yen.

This was primarily due to the acquisition of noncurrent assets associated with investment in equipment.

(Cash flows from financing activities)

Net cash provided by financing activities in the cumulative first quarter of the fiscal year under review was 1,695 million yen.

This was largely due to the issuance of commercial paper.

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

The first-half and 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)	Q1 FY2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	22,554	23,736
Notes and accounts receivable - trade	44,456	48,711
Short-term investment securities	4,000	5,000
Merchandise	652	1,666
Work in process	2,678	2,369
Raw materials and supplies	22	23
Other	3,019	2,669
Allowance for doubtful accounts	-68	-58
Total current assets	77,315	84,117
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,298	58,374
Accumulated depreciation	-27,699	-28,096
Buildings and structures, net	30,598	30,278
Land	47,959	47,959
Construction in progress	558	619
Other	13,836	13,977
Accumulated depreciation	-10,596	-10,778
Other, net	3,239	3,199
Total property, plant and equipment	82,356	82,056
Intangible assets		
Goodwill	321	308
Software	4,198	4,311
Other	218	216
Total intangible assets	4,738	4,836
Investments and other assets		
Investment securities	17,990	18,351
Net defined benefit asset	4,633	4,786
Deferred tax assets	3,004	2,812
Other	2,639	3,246
Allowance for doubtful accounts	-52	-45
Total investments and other assets	28,214	29,152
Total non-current assets	115,310	116,045
Total assets	192,625	200,162

(Million yen)

	FY2018 (As of December 31, 2018)	Q1 FY2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,526	13,296
Short-term loans payable	13,968	4,066
Commercial paper	-	3,000
Current portion of long-term loans payable	2,239	2,732
Accrued expenses	4,228	4,195
Income taxes payable	2,492	1,921
Provision for bonuses	4,926	7,036
Provision for directors' bonuses	205	177
Provision for loss on construction contracts	252	242
Other	11,588	9,935
Total current liabilities	49,428	46,604
Non-current liabilities		
Long-term loans payable	13,319	22,217
Deferred tax liabilities	1,643	1,117
Provision for directors' retirement benefits	461	446
Net defined benefit liability	5,912	5,844
Other	2,190	2,166
Total non-current liabilities	23,526	31,791
Total liabilities	72,955	78,395
Net assets		
Shareholders' equity		
Capital stock	26,200	26,200
Capital surplus	28,796	28,795
Retained earnings	61,424	63,087
Treasury shares	-4,866	-4,866
Total shareholders' equity	111,555	113,217
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,345	4,443
Revaluation reserve for land	-8,228	-8,208
Foreign currency translation adjustment	22	39
Remeasurements of defined benefit plans	-1,571	-1,560
Total accumulated other comprehensive income	-5,432	-5,285
Subscription rights to shares	85	86
Non-controlling interests	13,462	13,749
Total net assets	119,670	121,767
Total liabilities and net assets	192,625	200,162

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

Consolidated statements of income

Consolidated first quarter results

(Million yen)

	Q1 FY2018 (From January 1, 2018 to March 31, 2018)	Q1 FY2019 (From January 1, 2019 to March 31, 2019)
Net sales	49,466	55,213
Cost of sales	37,990	41,746
Gross profit	11,476	13,467
Selling, general and administrative expenses	8,558	9,522
Operating income	2,917	3,944
Non-operating income		
Interest income	7	17
Share of profit of entities accounted for using equity method	142	27
Foreign exchange gains	–	19
Subsidy income	45	10
Other	62	41
Total non-operating income	257	116
Non-operating expenses		
Interest expenses	14	37
Foreign exchange losses	120	–
Loss on retirement of non-current assets	11	5
Expenses for dealing with system failure	0	20
Other	4	1
Total non-operating expenses	150	64
Ordinary income	3,024	3,995
Extraordinary loss		
Impairment loss	18	3
Office transfer expenses	–	14
Total extraordinary loss	18	17
Income before income taxes	3,005	3,977
Income taxes-current	1,430	1,581
Income taxes-deferred	-553	-396
Total income taxes	876	1,185
Net income	2,129	2,792
Profit attributable to non-controlling interests	361	534
Profit attributable to owners of parent	1,768	2,257

Consolidated statements of comprehensive income
 Consolidated first quarter results

(Million yen)

	Q1 FY2018 (From January 1, 2018 to March 31, 2018)	Q1 FY2019 (From January 1, 2019 to March 31, 2019)
Net income	2,129	2,792
Other comprehensive income		
Valuation difference on available-for-sale securities	-280	83
Foreign currency translation adjustment	-225	22
Remeasurements of defined benefit plans, net of tax	-8	53
Share of other comprehensive income of entities accounted for using equity method	-8	-17
Total other comprehensive income	-522	141
Comprehensive income	1,606	2,934
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,342	2,383
Comprehensive income attributable to non-controlling interests	263	551

(3) Consolidated cash flow statement

	(Million yen)	
	Q1 FY2018 (From January 1, 2018 to March 31, 2018)	Q1 FY2019 (From January 1, 2019 to March 31, 2019)
Net cash from operating activities		
Income before income taxes	3,005	3,977
Depreciation	1,103	1,242
Impairment loss	18	3
Amortization of goodwill	105	13
Increase (decrease) in provision for loss on construction contracts	21	-10
Increase (decrease) in net defined benefit liability	22	-81
Decrease (increase) in net defined benefit asset	-165	-104
Equity in (earnings) losses of affiliates	-142	-27
Interest expenses	14	37
Office transfer expenses	-	14
Decrease (increase) in notes and accounts receivable-trade	-4,028	-4,325
Decrease (increase) in inventories	-302	-704
Increase (decrease) in notes and accounts payable - trade	1,969	3,762
Increase (decrease) in accounts payable - labor cost	2,700	2,234
Increase (decrease) in accrued consumption taxes	-1,538	-1,753
Increase (decrease) in accounts payable-other	526	314
Decrease (increase) in long-term prepaid expenses	-5	-24
Other	-1,066	-440
Subtotal	2,236	4,125
Interest and dividends income received	11	19
Interest expenses paid	-22	-43
Income taxes paid	-1,602	-1,868
Net cash provided by (used in) operating activities	623	2,232
Net cash from investing activities		
Payments into time deposits	-	-506
Proceeds from withdrawal of time deposits	454	682
Purchase of property, plant and equipment	-18,405	-276
Purchase of intangible assets	-894	-716
Purchase of investment securities	-68	-202
Other	-17	-526
Net cash provided by (used in) investing activities	-18,931	-1,545

(Million yen)

	Q1 FY2018 (From January 1, 2018 to March 31, 2018)	Q1 FY2019 (From January 1, 2019 to March 31, 2019)
Net cash from financing activities		
Increase in short-term loans payable	15,120	3,354
Decrease in short-term loans payable	-1,748	-13,256
Proceeds from long-term loans payable	14	9,500
Repayment of long-term loans payable	-2,314	-119
Net increase (decrease) in commercial papers	7,000	3,000
Cash dividends paid	-563	-553
Dividends paid to non-controlling interests	-183	-213
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-4	-4
Repayments of lease obligations	-14	-12
Other	-0	2
Net cash provided by (used in) financing activities	17,304	1,695
Effect of exchange rate change on cash and cash equivalents	-89	-21
Net increase (decrease) in cash and cash equivalents	-1,092	2,362
Cash and cash equivalents at beginning of period	22,157	24,587
Cash and cash equivalents at end of period	21,064	26,950

(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)

Not applicable.

(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 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 under review. 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. Q1 FY2018 (From January 1, 2018 to March 31, 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- quarter consolidate d statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	45,568	749	46,318	3,148	49,466	—	49,466
Inter-segment sales or transfers	38	170	208	197	406	-406	—
Total	45,607	919	46,527	3,345	49,873	-406	49,466
Segment profit	2,502	226	2,728	187	2,916	1	2,917

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. Q1 FY2019 (From January 1, 2019 to March 31, 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- quarter consolidate d statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	50,953	739	51,693	3,520	55,213	—	55,213
Inter-segment sales or transfers	36	153	190	195	386	-386	—
Total	50,990	893	51,883	3,716	55,599	-386	55,213
Segment profit	3,421	322	3,743	203	3,947	-3	3,944

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 -3 million yen includes an elimination of inter-segment transactions of -3 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.

(Post-balance sheet events)

(Company submitting this document) Issuance of stock compensation-type stock options

At a meeting of the Board of Directors held on February 14, 2019, the Company resolved to submit a proposal on the amount of compensation and the details of subscription rights to shares to be issued to its directors (excluding outside directors) as stock options to the 49th annual general meeting of shareholders held on March 15, 2019 pursuant to the provisions of Article 361 of the Companies Act. The proposal was approved at the 49th annual general meeting of shareholders held on March 15, 2019 as originally proposed, and at a meeting of the Board of Directors held on March 26, 2019, the Company resolved to issue subscription rights to shares as described below.

In addition, on April 15, 2019, the total issue price, the value of the property to be contributed when subscription rights to shares are exercised, and the persons to whom subscription rights to shares will be allotted and their number were fixed.

1. Name of subscription rights to shares

FUJI SOFT INCORPORATED Fourth Series of Subscription Rights to Shares

2. Number of subscription rights to shares

1,800 rights

The total number of shares that can be delivered by exercising the subscription rights to shares is 180,000 shares of the Company's common stock. If the number of shares to be granted pertaining to the subscription rights to shares is adjusted based on 5 (1) below, the total number of shares that can be delivered will be the number obtained by multiplying the number of shares to be granted after adjustment by the number of the subscription rights to shares.

3. Issue price

The payment of money in exchange for the subscription rights to shares is not required.

4. Total issue price

807,300,000 yen

5. Details of subscription rights to shares

(1) Class and number of shares for subscription rights to shares

The number of shares for one subscription right to shares (hereinafter the "Number of Shares to be Granted") will be 100 shares of the Company's common stock.

The Number of Shares to Be Granted will be adjusted based on the formula below if the Company conducts a share split (including the allotment of shares of the Company's stock without contribution. The same applies hereinafter) or a consolidation of shares after the date of allotment of the subscription rights to shares. However, the adjustment will be made only to the number of shares for subscription rights to shares that are not yet exercised at the relevant time among the subscription rights to shares, and fractions less than one share arising from the adjustment will be rounded off.

The Number of Shares to Be Granted after adjustment = The Number of Shares to Be Granted before adjustment x The ratio of split (or consolidation)

If the Company conducts a merger or a company split or reduces the amount of capital stock or if the adjustment of the Number of Shares to Be Granted will be required in other similar cases after the date of allotment of the subscription rights to shares, the Number of Shares to Be Granted will be adjusted appropriately to the extent reasonable.

- (2) The value of the property to be contributed when subscription rights to shares are exercised or its calculation method

The value of the property to be contributed when subscription rights to shares are exercised is an amount obtained by multiplying the amount to be paid per share that is determined below (hereinafter the “Exercise Price”) by the Number of Shares to Be Granted.

The Exercise Price is 4,485 yen.

If the Company conducts a share split or the consolidation of shares after the date of allotment of the subscription rights to shares, the Exercise Price will be adjusted based on the formula below, and fractions less than one yen arising from the adjustment will be rounded up.

$$\begin{array}{c} \text{Exercise Price} \\ \text{after} \\ \text{adjustment} \end{array} = \begin{array}{c} \text{Exercise Price} \\ \text{before} \\ \text{adjustment} \end{array} \times \frac{1}{\begin{array}{c} \text{Ratio of split (or} \\ \text{consolidation)} \end{array}}$$

After the date of allotment of the subscription rights to shares, if the Company issues new shares or disposed of treasury shares of its common stock at a price lower than the market value (excluding cases where new shares are issued and treasury shares are disposed of based on the exercise of subscription rights to shares, and where treasury shares are transferred due to share exchange) the Exercise Price will be adjusted based on the formula below, and fractions less than one yen arising from the adjustment will be rounded up.

$$\begin{array}{c} \text{Exercise} \\ \text{Price after} \\ \text{adjustment} \end{array} = \begin{array}{c} \text{Exercise} \\ \text{Price before} \\ \text{adjustment} \end{array} \times \frac{\begin{array}{c} \text{Number of} \\ \text{shares} \\ \text{already} \\ \text{issued} \end{array} + \frac{\begin{array}{c} \text{Number of shares to be} \\ \text{newly issued} \end{array} \times \begin{array}{c} \text{Amount to be paid per} \\ \text{share} \end{array}}{\begin{array}{c} \text{Market value per share before issuance of new} \\ \text{shares} \end{array}}}{\begin{array}{c} \text{Number of shares already issued} + \text{Number of shares to be newly} \\ \text{issued} \end{array}}$$

In the formula above, the “Number of shares already issued” means the number obtained by subtracting the number of treasury shares of the Company’s common stock from the total number of outstanding shares of the Company’s common stock. In addition, if treasury shares of the Company’s common stock are disposed of, the “Number of shares to be newly issued” will be replaced with the “Number of treasury shares to be disposed of.”

In addition to the above, if the Company merges with another company or conducts a company split or if the adjustment of the Exercise Prices is required in other similar cases after the date of allotment of the subscription rights to shares, the Company will be able to adjust the Exercise Price appropriately to the extent reasonable.

- (3) Period when subscription rights to shares can be exercised

The period when the subscription rights to shares can be exercised (hereinafter the “Exercise Period”) will be from March 29, 2021 to March 26, 2024. However, when the last day of the Exercise Period is a non-business day of the Company, the preceding business day will be the last day.

- (4) Matters concerning capital stock and capital reserves to increase

- (i) The amount of capital stock to increase if shares are issued as a result of the exercise of the subscription rights to shares is half of the maximum amount of increase in capital stock that is calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. If fractions less than one yen have arisen from the calculation, the fractions will be rounded up.
- (ii) The amount of capital reserves to increase if shares are issued as a result of the exercise of the subscription rights to shares is an amount obtained by subtracting the amount of capital stock to increase set forth in (i) above from the maximum amount of increase in capital stock stated in (i) above.

- (5) Restrictions on the acquisition of subscription rights to shares through transfer

The acquisition of the subscription rights to shares through transfer needs to be approved by a resolution at a meeting of the Board of Directors of the Company.

(6) Conditions on the exercise of subscription rights to shares

- (i) The persons to whom subscription rights to shares were allotted (hereinafter the “Holders of Subscription Rights to Shares”) are able to exercise the subscription rights to shares only if the closing price of the Company’s common stock exceeds 120% of the Exercise Price even once at a financial instruments exchange during the period until the day when three years have passed from the commencement date of the Exercise Period of the subscription rights to shares.
- (ii) The Holders of Subscription Rights to Shares need to hold a position as either a director (excluding an outside director), an auditor (excluding an outside auditor), an operating officer or an employee (the employee specified in Article 2 of the Employment Regulations of the Company) of the Company at the time of exercising the subscription rights to shares. However, this does not apply when they are transferred to a subsidiary or an associate of the Company and the Board of Directors gives an approval, or when the Board of Directors admits that there is a just cause.
- (iii) If any of the following events applies, the Holders of Subscription Rights to Shares will be unable to exercise the subscription rights to shares after that.
 - a. They are subject to the ruling of commencement of assistance, curatorship or guardianship.
 - b. They received an order commencing bankruptcy proceedings.
 - c. They have assumed office as an officer, an employee or a consultant of a company that is in a competitive relationship with the Company (excluding the subsidiaries and associates of the Company). However, this does not apply when this is approved beforehand by the Board of Directors of the Company.
 - d. It is deemed that there is an act of disloyalty to the Company, such as the violation of laws, regulations or internal regulations of the Company.
 - e. They have violated the agreement on the allotment of subscription rights to shares that is concluded between the Company and the persons to whom subscription rights to shares will be allotted.
- (iv) Other conditions on the exercise of the subscription rights to shares are as provided for in the agreement on the allotment of subscription rights to shares that is concluded between the Company and the Holders of Subscription Rights to Shares.

6. Date of allotment of subscription rights to shares

April 15, 2019

7. Matters concerning the acquisition of subscription rights to shares

- (1) If an approval is given at a shareholder meeting (a resolution is passed at a meeting of the Board of Directors if an approval at a shareholder meeting is unnecessary) to a merger agreement by which the Company will become the disappearing company, a split agreement or a split plan on a company split by which the Company will become the split company or a share exchange agreement or a share transfer plan by which the Company will become a wholly-owned subsidiary, the Company will be able to acquire all the subscription rights to shares without contribution with the arrival of a day to be separately specified by the Board of Directors of the Company.
- (2) If the subscription rights to shares become unable to be exercised pursuant to the provisions of 5 (6) above before the Holders of Subscription Rights to Shares exercise their rights, the Company will be able to acquire the subscription rights to shares without contribution with the arrival of a day to be separately specified by the Board of Directors of the Company.

8. Handling of subscription rights to shares at the time of an organizational restructuring act

If the Company conducts a merger (limited to cases where the Company will disappear as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (hereinafter collectively the “Organizational Restructuring Act”), the subscription rights to shares of stock companies listed in (a) through (e) of Article 236, Paragraph 1, (viii) of the Companies Act (hereinafter the “Companies subject to Restructuring”) will be delivered respectively to the Holders of Subscription Rights to Shares on the effective date of the Organizational Restructuring Act based on the conditions below. However, this will be limited to cases where a provision to the effect

that the subscription rights to shares of the Companies subject to Restructuring will be delivered in line with the conditions below is set forth in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split agreement, the share exchange agreement or the share transfer agreement.

- (1) Number of subscription rights to shares of the Companies subject to Restructuring to be delivered
This same number as the number of subscription rights to shares held by the Holders of Subscription Rights to Shares will be delivered respectively.
 - (2) Class of shares of the Companies subject to Restructuring for subscription rights to shares
Common stock of the Companies subject to Restructuring
 - (3) Number of shares of the Companies subject to Restructuring for subscription rights to shares
It will be determined in accordance with 5 (1) above, taking the conditions of the Organizational Restructuring Act into consideration.
 - (4) The value of the property to be contributed when subscription rights to shares are exercised
The value of the property to be contributed when subscription rights to shares are exercised will be an amount obtained by multiplying the Exercise Price after restructuring that is obtained by adjusting the Exercise Price set forth in 5 (2) above by the number of shares of the Companies subject to Restructuring for the subscription rights to shares that will be determined in accordance with 8 (3) above.
 - (5) Period when subscription rights to shares can be exercised
It is from the first day of the Exercise Period set forth in 5 (3) above or the effective date of the Organizational Restructuring Act, whichever comes later, to the last day of the Exercise Period set forth in 5 (3) above.
 - (6) Matters concerning capital stock and capital reserves to increase in cases where shares are issued as a result of the exercise of subscription rights to shares
They will be determined in accordance with 5 (4) above.
 - (7) Restrictions on the acquisition of subscription rights to shares through transfer
Restrictions on the acquisition of subscription rights to shares through transfer need to be approved by the Companies subject to Restructuring.
 - (8) Other conditions on the exercise of subscription rights to shares
They will be determined in accordance with 5 (6) above.
 - (9) Reasons for and conditions on the acquisition of subscription rights to shares
They will be determined in accordance with 7 above.
 - (10) Other conditions will be determined in accordance with the conditions of Companies subject to Restructuring.
9. Matters concerning to the certificates of subscription rights to shares
The Company will not issue the certificates of subscription rights to shares.
10. Persons to whom subscription rights to shares will be allotted and their number
- | | | | |
|-----------------------------------|------------|--------------|------------------|
| Directors of the Company | 6 persons | 800 rights | (80,000 shares) |
| Operating officers of the Company | 17 persons | 1,000 rights | (100,000 shares) |

(Subsidiary) Waiver of subscription rights to shares

Subscription rights to shares that were issued as stock options to the directors and employees of VINX CORP. (hereinafter the “Consolidated Subsidiary”), a consolidated subsidiary of the Company, have been extinguished because the persons to whom the subscription rights to shares were allotted made an offer to extinguish them.

1. Details of subscription rights to shares that have been extinguished

Company name	VINX CORP.	
Date of resolution	Resolution at the 27th annual general meeting of shareholders held on June 28, 2016 and resolution at a meeting of the Board of Directors held on August 23, 2016	Resolution at a meeting of the Board of Directors held on August 29, 2017
Number of subscription rights to shares (number of shares) issued	3,700 rights (740,000 shares)	3,70 rights (740,000 shares)
Exercise price of subscription rights to shares	64,600 yen per right (323 yen per share)	120,800 yen per right (604 yen per share)
Number of subscription rights to shares (number of shares) to be waived	3,700 rights (740,000 shares)	3,70 rights (740,000 shares)
Number of subscription rights to shares (number of shares) after waive	0 right (0 share)	0 right (0 share)

(Note) The Company conducted a share split at a rate of two shares for every one share on March 1, 2018. Associated with this, the number of shares for subscription rights to shares and the Exercise Price per share are stated, taking the share split into consideration.

2. Reason for extinguishment

All the subscription rights to shares issued by the Consolidated Subsidiary that received an offer of waiver have been extinguished because the offer to waive the rights was made by the persons to whom the subscription rights to shares were allotted in light of the actual result thus far of business growth of the Consolidated Subsidiary.

3. Date of extinguishment of subscription rights to shares

All the Holders of Subscription Rights to Shares made the offer to waive the rights during the period from April 16, 2019 to April 23, 2019, and all the subscription rights to shares were extinguished on April 23, 2019.

4. Impact of the waiver of subscription rights to shares on financial results

As a result of reversing expenses reserved for subscription rights to shares from the time of granting the rights, a gain on reversal of share acquisition rights of 86 million yen is expected to arise as extraordinary income in the consolidated second quarter of the fiscal year ending December 31, 2019.