

Summary of Consolidated Financial Results for the First Three Quarters of Fiscal Year ending December 31, 2017 (Japanese Accounting Standards)



November 9, 2017

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): November 10, 2017
 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 Nine Months Ended September 30, 2017 (January 1, 2017 – September 30, 2017)

(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	%
Nine months ended 9/17	134,808	10.1	6,784	5.9	7,133	9.9	3,916	8.7
Nine months ended 9/16	122,456	5.3	6,407	4.0	6,489	-2.5	3,604	1.2

(Note) Comprehensive income (million yen) Nine months ended 9/17: 5,428 (147.6%)
 Nine months ended 9/16: 2,192 (-30.0%)

	Net income per share	Net income per share/diluted
	Yen	Yen
Nine months ended 9/17	125.21	125.03
Nine months ended 9/16	115.56	115.51

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Nine months ended 9/17	167,520	114,025	59.9
Year ended 12/16	163,863	109,001	59.0

Reference: Shareholders' equity (million yen) Nine months ended 9/17: 100,422 Year ended 12/16: 96,603

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 12/16	–	14.00	–	15.00	29.00
Year ending 12/17	–	15.00	–	–	–
Year ending 12/17 (forecast)	–	–	–	15.00	30.00

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

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2017

(Jan. 1, 2017 – Dec. 31, 2017)

(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	168,000	2.3	9,000	2.3	9,300	1.5	5,100	1.1	163.25

(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 (3) Notes to consolidated financial statements” on page 9 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.: Yes
 (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 (3) Notes to consolidated financial statements” on page 9 of the accompanying materials.

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury shares):

9/17:	33,700,000 shares	Year ended 12/16:	33,700,000 shares
9/17:	2,405,197 shares	Year ended 12/16:	2,458,914 shares
9/17:	31,278,151 shares	9/16:	31,188,822 shares

2) Number of treasury shares at the end of period

3) Average number of shares during the period (quarterly consolidated cumulative period)

* This financial summary does not need to undergo a quarterly review.

* 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 Three Quarters Ended September 30, 2017, (3) Information on the future outlook, including forecast for consolidated business results on page 4 of the accompanying materials.

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1. Qualitative Information on Consolidated Results for the First Three Quarters Ended September 30, 2017

(1) Details of consolidated results

During the first three quarters of the consolidated fiscal year under review (from January 1, 2017 to September 30, 2017), the Japanese economy remained on a modest recovery track with signs of improvement in corporate earnings as well as in employment and income conditions. However, the outlook for emerging economies and changes in financial markets continued to need to be watched.

In the information services industry, the Japanese government's growth strategy, the Investments for the Future Strategy 2017 to realize Society 5.0 (*1), sets high expectations for the realization of a super smart society using artificial intelligence (AI), such as automated driving, as well as Fintech, the Internet of Things (IoT), big data collection and analysis, and cloud computing technology. Meanwhile, the importance of creating new services to support corporate growth, including security services to counter increasingly sophisticated and complex cyberattacks, and the importance of hiring and training engineers continued to increase.

In this business environment, the FUJISOFT Group focused on hiring more human resources, training engineers within short timeframes and developing systems including those for strengthening cooperation with its business partners. The Group also sought to reduce overtime work by improving productivity under its basic corporate slogan "relaxed atmosphere and rewarding work," and aimed to achieve its medium-term goal of becoming an innovative corporate group that links ICT development to greater value for customers by making efforts for the key technology AIS CRM (*2).

In System Construction, the Group expanded orders in auto-related and factory automation (tool machine) projects and other machine control systems against a backdrop of rising demand for the development of cutting-edge technologies. In the automotive sector, with demand for development related to automated driving and electronic operation growing, the development of in-vehicle control software continued to show a strong performance in technical fields such as electric control, image recognition and connectivity. In factory automation, development related to equipment control using IoT technology and automation using AI remained firm. The Group also conducted aggressive marketing activities in connection with development related to advanced imaging technology (4K, 8K, etc.) in the video distribution field, as well as development related to infrastructure investment in the aerospace and defense fields. In operation system development, orders remained strong in the financial industry, reflecting increasing needs for the renewal of core systems associated with the management integration of regional banks and the renovation of systems in the non-life industry, as well as demand in response to new technologies such as improvements in operating efficiency using Fintech. The Group opened new offices—Ota office (Ota, Gunma), Ueno office (Taito-ku, Tokyo), Tachikawa office (Tachikawa, Tokyo), and Higashi Kanagawa office (Yokohama, Kanagawa)—to expand its business. Aiming to become a leading global security SI vendor, the Group supported the use of safe and reliable systems, providing security references using the public cloud service for government entities. The Group conducted research and development into advanced technology, such as AI and the IoT, through business-academia collaboration.

In the Product and Service sector, sales remained strong in CAE solution services (*3) for the optical design field and the leading-edge cloud and software product businesses in collaboration with software vendors overseas. With widespread needs in the mobile device market as a backdrop, the Group worked on developing high value-added products such as the mobile router +F FS030W (*4) and the +F MDM (*5), a service to collectively manage mobile routers remotely. The Group supplied technology related to the communication robot PALRO, which mobilizes the AI and robotics technology of the Company, to the ATOM Project (*6) launched by Kodansha Ltd. With its participation in this project, which allows purchasers to build "Japan's first real character-based communication robot" that can speak and move and will grow in the cloud, the Group expanded its business activities in this area. The Group proposed the paperless systems moreNOTE and SYNCNEL (*7), which help improve operational efficiency and make flexible work styles possible, and moreReception (*8), an unmanned reception system that received a 2017 Good Design Award.

In the area of corporate social responsibility (CSR) activities, the Group was included in the Top Hundred Telework Pioneers announced by the Ministry of Internal Affairs and Communications in recognition of its efforts to create diverse work styles using teleworking (*9) and its commitment to regional revitalization through the creation of local industry and the creation of local employment.

As a result of these initiatives, in the first three quarters under review, net sales stood at 134,808 million yen, up 10.1% year on year. SG&A expenses came to 24,211 million yen, up 9.7%, owing to prior investment in the improvement of the production and sales structures and research and development, etc. Operating income rose 5.9% from a year earlier, to 6,784 million yen. Ordinary income climbed 9.9%, to 7,133 million yen, due to an increase in equity in the earnings of the securities-oriented affiliates from a year earlier. Profit attributable to owners of parent was 3,916 million yen, up 8.7% 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: CAE (Computer Aided Engineering)

The technology for simulation and analysis of prototypes on computers in research and development processes in manufacturing, which replaces the conventional tests and experiments using actual prototypes.

*4: +F FS030W

A data communication terminal that supports LTE, etc. for the consumer market and IoT/M2M market in the mobile communication market

*5: +F MDM

By utilizing the user console on web browser, the service that enables the suspension/resume of data communication, control of communication speed/volume, the remote change/operation of device setting, monitoring active/inactive connection devices, and also provides security functions such as monitoring communication status and irregular use.

*6: ATOM Project

Japanese corporations Kodansha Ltd., Tezuka Productions Co., Ltd., NTT DOCOMO, Inc., VAIO Corporation, and Fuji Soft Inc. are all joining forces for the "Atom Project," that allows purchasers to build a robot based on the character *Astro Boy* (known as *Tetsuwan Atom* in Japan).

*7: moreNOTE, SYNCNEL

Smart document service boasting the top share of the mobile content management market, service for sharing, viewing, and editing documents, videos and images easily using tablets, smartphones, and personal computers

*8: moreReception

A reception system whose concept is to improve efficiency in welcoming visitors and other operations at reception using ICT. The system simplifies the inconvenient procedure and reduces the time and effort involved in dealing with visitors and waiting time.

*9: Teleworking

Term used to describe flexible work styles that enable employees to work anytime anyplace using ICT

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, sales of embedded/control software increased, reflecting brisk sales of machine control systems, including factory automation projects and home appliances (AV equipment), and firm sales of software for social infrastructure, particularly in the automobile and aerospace industries. However, income declined due to prior investment in the improvement of the production and sales structures and the expansion of the production base, etc. and the effect of unprofitable projects. Sales of and income from operation software rose, exceeding the year-ago level in a range of fields, particularly in the distribution and services sectors. In Products and Services, both sales and income increased given a significant year-on-year rise in the licensing business and the PALRO and robot development business. In the outsourcing business, both sales and income decreased, following a decline in transactions with the distribution sector as well as data center renovations

As a result, net sales stood at 124,900 million yen, up 9.4% year on year. Operating income amounted to 5,573 million yen, down 0.2%.

* 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	124,900	109.4	5,574	99.8
System construction	75,262	111.6	3,540	93.5
Embedded/control software	39,084	111.5	2,094	89.2
Operation software	36,178	111.7	1,445	100.5
Products and services	49,637	106.3	2,034	113.1
Products and services	38,382	112.4	1,545	145.4
Outsourcing	11,254	89.5	488	66.4

(Note) Operating income includes the elimination of intersegment transactions of ¥767 thousand.

(ii) Facility business

Net sales stood at 2,013 million yen, down 0.7% year on year, and operating income grew 21.9% year on year, to 838 million yen, mainly reflecting rental income from office buildings owned by the Company and certain consolidated subsidiaries.

(iii) Other businesses

Net sales from other businesses amounted to 7,895 million yen, up 25.7% year on year, and operating income grew 176.8%, to 371 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 167,520 million yen at the end of the consolidated first three quarters under review, up 3,656 million yen from the end of the preceding consolidated fiscal year. Current assets were 69,392 million yen (up 2,041 million yen from the end of the previous fiscal year), and non-current assets were 98,127 million yen (up 1,614 million yen).

Important factors for the change in current assets included an increase in notes and accounts receivable—trade of 1,887 million yen from the end of the previous fiscal year, to 38,615 million yen.

The main factors for the change in non-current assets included a rise in goodwill of 170 million yen from the end of the previous fiscal year, to 2,320 million yen, and a climb in investment securities of 930 million yen from the end of the previous fiscal year, to 18,179 million yen, mainly due to changes in the market values of shares held.

(Liabilities)

At the end of the consolidated first three quarters under review, total liabilities amounted to 53,495 million yen, down 1,366 million yen from the end of the previous fiscal year. Current liabilities were 37,671 million yen (rising 209 million yen from the end of the previous fiscal year), and non-current liabilities were 15,823 million yen (declining 1,576 million yen).

Primary factors for the change in current liabilities included a decrease in short-term loans payable of 2,421 million yen from the end of the previous fiscal year, to 1,428 million yen, and an increase in provision for bonuses of 2,707 million yen, to 5,801 million yen.

The main factor in the change in non-current liabilities included a 2,560 million yen decline in long-term loans payable, to 4,163 million yen.

(Net assets)

Net assets rose 5,023 million yen from the end of the preceding fiscal year, to 114,025 million yen at the end of the consolidated first three quarters under review. As a result, the equity ratio rose to 59.9% from 59.0% at the end of the previous fiscal year.

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

The results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2016 announced on February 14, 2017.

2. Consolidated Financial Statements

(1) Consolidated balance sheet

	(Thousand yen)	
	FY2016 (As of December 31, 2016)	3Q FY2017 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	19,134,369	17,817,677
Notes and accounts receivable - trade	36,727,703	38,615,578
Short-term investment securities	4,500,000	5,200,000
Merchandise	613,984	644,908
Work in process	1,932,495	1,728,701
Raw materials and supplies	30,717	27,263
Other	4,469,592	5,407,122
Allowance for doubtful accounts	-58,129	-48,980
Total current assets	67,350,733	69,392,272
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,904,450	57,154,031
Accumulated depreciation	-25,768,766	-25,999,404
Buildings and structures, net	32,135,683	31,154,626
Land	30,415,744	30,332,356
Construction in progress	119,370	115,756
Other	15,303,788	15,545,784
Accumulated depreciation	-12,177,768	-12,446,508
Other, net	3,126,019	3,099,276
Total property, plant and equipment	65,796,819	64,702,016
Intangible assets		
Goodwill	2,150,891	2,320,965
Software	3,557,797	4,317,005
Other	241,191	234,818
Total intangible assets	5,949,880	6,872,789
Investments and other assets		
Investment securities	17,249,259	18,179,291
Net defined benefit asset	4,481,130	4,960,601
Other	3,060,881	3,422,326
Allowance for doubtful accounts	-24,818	-9,180
Total investments and other assets	24,766,451	26,553,037
Total non-current assets	96,513,152	98,127,842
Total assets	163,863,886	167,520,115

	(Thousand yen)	
	FY2016 (As of December 31, 2016)	3Q FY2017 (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,444,963	9,438,055
Short-term loans payable	3,850,000	1,428,338
Current portion of long-term loans payable	5,560,360	6,118,760
Accrued expenses	3,731,997	3,474,414
Income taxes payable	2,153,573	2,290,306
Provision for bonuses	3,094,223	5,801,997
Provision for directors' bonuses	169,301	173,916
Provision for loss on construction contracts	267,915	94,691
Other	9,189,095	8,850,778
Total current liabilities	37,461,430	37,671,259
Non-current liabilities		
Long-term loans payable	6,723,996	4,163,407
Provision for directors' retirement benefits	386,591	425,055
Net defined benefit liability	5,459,667	5,757,067
Other	4,830,259	5,478,263
Total non-current liabilities	17,400,514	15,823,794
Total liabilities	54,861,945	53,495,054
Net assets		
Shareholders' equity		
Capital stock	26,200,289	26,200,289
Capital surplus	28,876,632	28,902,622
Retained earnings	51,738,722	54,153,825
Treasury shares	-4,971,430	-4,863,184
Total shareholders' equity	101,844,214	104,393,552
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,022,748	4,757,876
Revaluation reserve for land	-8,797,660	-8,228,200
Foreign currency translation adjustment	87,276	191,438
Remeasurements of defined benefit plans	-553,440	-691,961
Total accumulated other comprehensive income	-5,241,076	-3,970,847
Subscription rights to shares	30,676	42,209
Non-controlling interests	12,368,126	13,560,146
Total net assets	109,001,940	114,025,060
Total liabilities and net assets	163,863,886	167,520,115

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

Consolidated statements of income

Consolidated first three quarters results

(Thousand yen)

	3Q FY2016 (From January 1, 2016 to September 30, 2016)	3Q FY2017 (From January 1, 2017 to September 30, 2017)
Net sales	122,456,124	134,808,990
Cost of sales	93,985,684	103,813,383
Gross profit	28,470,439	30,995,607
Selling, general and administrative expenses	22,062,984	24,211,216
Operating income	6,407,455	6,784,391
Non-operating income		
Interest income	24,299	18,224
Dividends income	84,845	86,837
Share of profit of entities accounted for using equity method	86,004	191,692
Subsidy income	83,867	103,352
Other	124,322	125,588
Total non-operating income	403,339	525,696
Non-operating expenses		
Interest expenses	58,615	67,792
Foreign exchange losses	209,261	35,363
Loss on retirement of non-current assets	28,126	49,546
Other	25,539	23,973
Total non-operating expenses	321,542	176,675
Ordinary income	6,489,251	7,133,411
Extraordinary income		
Gain on sales of investment securities	38,235	672,036
Gain on sales of subsidiaries and affiliates' stocks	14,722	—
Total extraordinary income	52,958	672,036
Extraordinary loss		
Loss on retirement of non-current assets	—	29,130
Impairment loss	67,734	636,419
Loss on sales of shares of subsidiaries and associates	60,463	—
Office transfer expenses	36,454	138,264
Loss on disaster	6,925	—
Total extraordinary loss	171,578	803,815
Income before income taxes	6,370,631	7,001,632
Income taxes-current	3,024,937	2,929,556
Income taxes-deferred	-852,097	-706,370
Total income taxes	2,172,840	2,223,185
Net income	4,197,790	4,778,447
Profit attributable to non-controlling interests	593,652	862,116
Profit attributable to owners of parent	3,604,138	3,916,331

Consolidated statements of comprehensive income
 Consolidated first three quarters results

	(Thousand yen)	
	3Q FY2016 (From January 1, 2016 to September 30, 2016)	3Q FY2017 (From January 1, 2017 to September 30, 2017)
Net income	4,197,790	4,778,447
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,333,488	657,936
Deferred gains or losses on hedges	-24,875	-
Foreign currency translation adjustment	-547,937	185,920
Remeasurements of defined benefit plans, net of tax	13,466	-298,657
Share of other comprehensive income of entities accounted for using equity method	-112,300	104,354
Total other comprehensive income	-2,005,135	649,553
Comprehensive income	2,192,654	5,428,001
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,799,031	4,617,260
Comprehensive income attributable to non-controlling interests	393,623	810,740

(3) 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 the first half under review)

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)

(Changes in accounting principles)

Starting from the first quarter of this consolidated fiscal year, the Company is applying the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016; hereinafter Guidance on Recoverability of Deferred Tax Assets). Accordingly, certain accounting practices related to the recoverability of deferred tax assets have been revised.

With respect to the adoption of the Guidance on Recoverability of Deferred Tax Assets, the Company has applied a transitional treatment pursuant to Article 49 (4) of the guidance. As a result, the difference between the deferred tax assets and deferred tax liabilities that would have been recorded on January 1, 2017, if the provisions in items 1. to 3. under Article 49 (3) of the guidance were applied at that time and the amount of deferred tax assets and deferred tax liabilities recorded on December 31, 2016, was added to retained earnings and accumulated other comprehensive income on January 1, 2017.

The impact of this change on the quarterly financial statements as of January 1, 2017 is insignificant.

(Segment information)

[Segment information]

I. 3Q FY2016 (From January 1, 2016 to September 30, 2016)

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

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on third-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	114,145,976	2,028,604	116,174,581	6,281,542	122,456,124	–	122,456,124
Inter-segment sales or transfers	89,882	484,666	574,549	656,101	1,230,650	-1,230,650	–
Total	114,235,859	2,513,271	116,749,130	6,937,644	123,686,775	-1,230,650	122,456,124
Segment profit	5,586,004	687,848	6,273,852	134,373	6,408,226	-771	6,407,455

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 -771 thousand yen includes an elimination of inter-segment transactions of -771 thousand 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. 3Q FY2017 (From January 1, 2017 to September 30, 2017)

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

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on third-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	124,900,239	2,013,607	126,913,846	7,895,144	134,808,990	–	134,808,990
Inter-segment sales or transfers	70,407	461,188	531,596	592,771	1,124,368	-1,124,368	–
Total	124,970,647	2,474,796	127,445,443	8,487,916	135,933,359	-1,124,368	134,808,990
Segment profit	5,573,248	838,404	6,411,652	371,971	6,783,623	767	6,784,391

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 767 thousand yen includes an elimination of inter-segment transactions of 767 thousand 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

(Significant impairment loss in non-current assets)

An impairment loss in non-current assets is posted in the SI business. The impairment loss amount posted in the first three quarters under review is 625 million yen.