



Results of Operations for the First Three Quarters of FY2022

November 10, 2022

FUJI SOFT INCORPORATED





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1. Consolidated Financial Highlights-1 (3Q Results Jan-Sep)

Net sales increased due to strong results in the system construction business.

- ◇ Net sales rose 7.6% year on year, to 209,660 million yen, because the system construction business remained strong due primarily to the strong results of system infrastructure construction and other sectors in operation software and the continued strong performance of machine control systems in embedded software.

Operating profit rose due to higher sales.

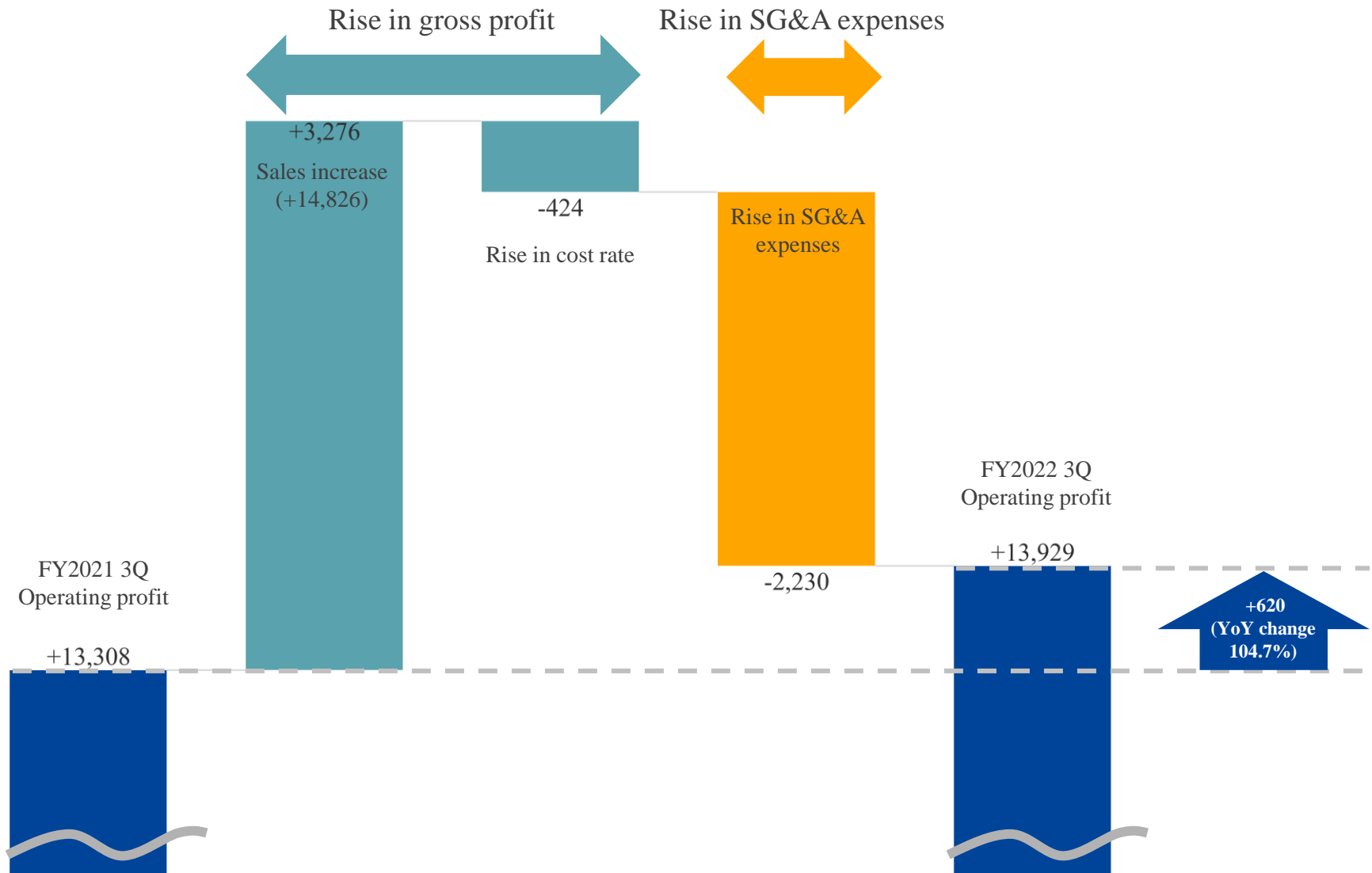
- ◇ Operating profit rose 4.7% year on year, to 13,929 million yen, due to an increase in sales in the system construction business, BPO services, and other businesses, despite the impact of the expiration of sales agency contracts at some Group companies.
- ◇ Ordinary profit rose 6.4% year on year, to 15,044 million yen, in part due to a rise in sales and higher foreign exchange gains.
- ◇ Profit attributable to owners of parent rose 21.8% year on year, to 8,857 million yen, because income taxes increased temporarily in the previous fiscal year due to the sale of shares.

(Million yen)

	FY2021 3Q Results	FY2022 3Q Results	YoY change (Amount)	YoY change (%)	FY2022 3Q Plan	Comparison with the plan
Net sales	194,833	209,660	+14,826	107.6%	197,900	105.9%
Operating profit	13,308	13,929	+620	104.7%	12,400	112.3%
Operating profit margin	6.8%	6.6%			6.3%	
Ordinary profit	14,142	15,044	+901	106.4%	13,500	111.4%
Ordinary profit margin	7.3%	7.2%			6.8%	
Profit attributable to owners of parent	7,274	8,857	+1,582	121.8%	7,200	123.0%
Profit margin attributable to owners of parent	3.7%	4.2%			3.6%	



Trends in Consolidated Operating Profit (3Q)





1. Consolidated Financial Highlights-2 (Q3 Results Jul-Sep)

Net sales rose 9.6% year on year.

Cost-to-sales ratio decreased 22.8% (improved) from that in the first half of the fiscal year.

- ◇ The cost-to-sales ratio decreased (improved) from 78.5% in the first half of the fiscal year to 77.2%, reflecting the expansion of the highly profitable System Construction segment.

SG&A expenses increased 1,077 million yen year on year.

- ◇ SG&A expenses increased 1,077 million yen year on year due to an increase in labor costs and expenses associated with a personnel increase for responding to strong orders and improvement of treatment.
- ◇ Operating profit rose 7.8% year on year, to 4,934 million yen.

(Million yen)

	FY2022 2Q Results	YoY change (Amount)	YoY change (%)	FY2022 Q3 Results	YoY change (Amount)	YoY change (%)
Net sales	141,328	+8,819	106.7%	68,332	+6,006	109.6%
Cost of sales	110,969	+7,402	107.1%	52,779	+4,571	109.5%
Cost of sales margin	78.5%			77.2%		
Gross profit	30,358	+1,416	104.9%	15,552	+1,435	110.2%
SG&A expenses	21,363	+1,153	105.7%	10,618	+1,077	111.3%
Operating profit	8,995	+263	103.0%	4,934	+357	107.8%
Operating profit margin	6.4%			7.2%		



2. Net Sales/Operating Profit by Major Companies of the Group

(Million yen)

	FY2022	Net sales	Operating profit	
FUJI SOFT INCORPORATED	3Q Results	145,410	8,582	Net sales increased due primarily to the strong results of system infrastructure construction and other sectors in operation software and the continued strong performance of machine control systems in embedded software. Operating profit increased, reflecting an increase in sales in operation software and embedded/control software, despite the presence of some unprofitable projects in operation software.
	YoY change (Amount)	+11,675	+1,549	
	YoY change (%)	108.7%	122.0%	
CYBERNET SYSTEMS Co., Ltd.	3Q Results	14,406	1,195	Both sales and profit decreased for the following two reasons. First, the Company began applying the new revenue recognition standard in the fiscal year ending December 2022. As a result, account processing was changed so that revenue from software maintenance services in the agency business that had previously been recognized mostly at the time of the start of the contract is now recognized throughout the contract period. Second, a sales agency contract with Synopsys, Inc. was terminated on October 1, 2021.
	YoY change (Amount)	-3,141	-1,508	
	YoY change (%)	82.1%	44.2%	
VINX CORP.	3Q Results	24,156	2,515	Net sales increased chiefly due to growing needs for DX in the retail industry in Japan and the deepening of relationships with existing customers. Operating profit increased due to higher sales.
	YoY change (Amount)	+2,487	+581	
	YoY change (%)	111.5%	130.0%	
CYBER COM Co., Ltd.	3Q Results	12,394	983	Net sales increased thanks to the strong results of construction projects, evaluation and validation projects, and other projects in SI services in the service business, in addition to the strong performance of control and operation system development projects in the software development business. Operating profit increased due to higher sales.
	YoY change (Amount)	+973	+131	
	YoY change (%)	108.5%	115.4%	
FUJI SOFT SERVICE BUREAU INCORPORATED	3Q Results	8,583	551	Net sales remained strong due to demand for fixed-term outsourcing services related to the COVID-19 measures of local governments. In addition, pension-related operations in call center services, which were launched in the 2nd quarter, also contributed to the increase in net sales. Operating profit increased due to higher sales.
	YoY change (Amount)	+1,890	+98	
	YoY change (%)	128.2%	121.7%	

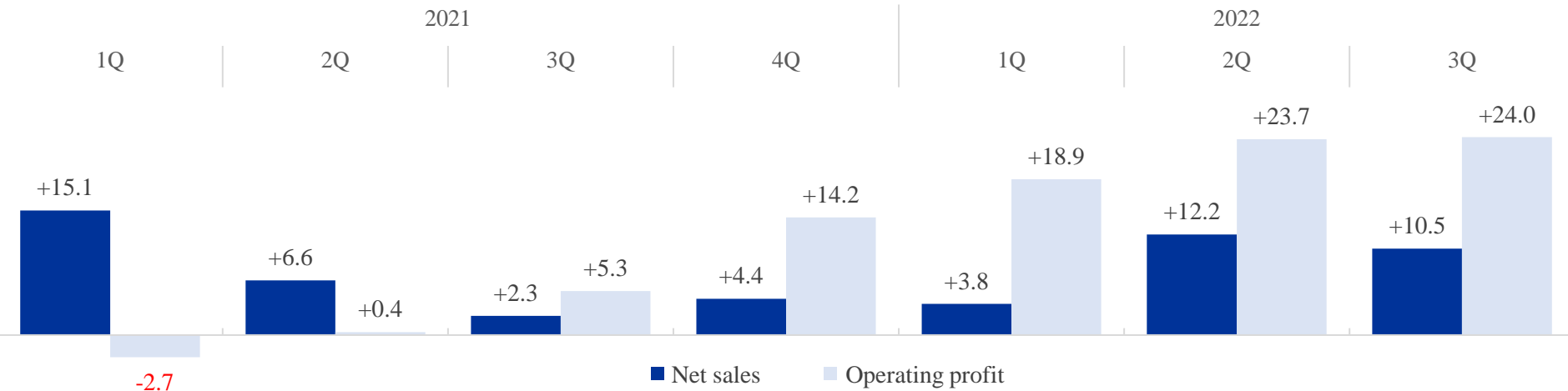
* Results from January to September, 2022 are stated in the FY2022 3Q results column.



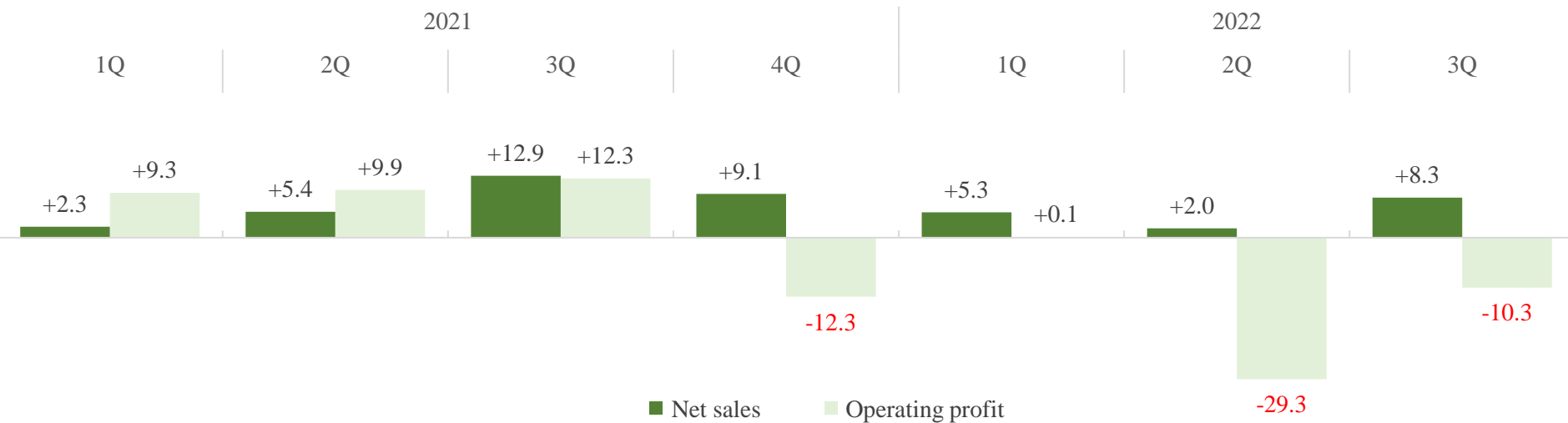
Quarterly Net Sales/Operating Profit of FUJI SOFT INCORPORATED and Group Companies

FUJI SOFT INCORPORATED

Numbers represent year-on-year percentage change (%)



Group companies





3. Consolidated Net Sales/Operating Profit by Segment

(Million yen)

	FY2022 Net sales		YoY change (Amount)	YoY change (%)	FY2022 Operating profit		YoY change (Amount)	YoY change (%)
	3Q Results	Component ratio			3Q Results	Operating profit margin		
Consolidated total	209,660	100.0%	+14,826	107.6%	13,929	6.6%	+620	104.7%
SI Business	198,158	94.5%	+12,768	106.9%	12,718	6.4%	+386	103.1%
System Construction	121,870	58.1%	+13,318	112.3%	8,296	6.8%	+1,164	116.3%
Embedded/Control Software	55,215	26.3%	+4,625	109.1%	4,514	8.2%	+869	123.9%
Operation Software	66,654	31.8%	+8,692	115.0%	3,781	5.7%	+294	108.5%
Products and Services	76,288	36.4%	-549	99.3%	4,422	5.8%	-778	85.0%
Products and Services	65,119	31.1%	-1,576	97.6%	3,612	5.5%	-854	80.9%
Outsourcing	11,168	5.3%	+1,026	110.1%	810	7.3%	+75	110.3%
Facility Business	1,975	0.9%	+15	100.8%	644	32.6%	-52	92.5%
Other Businesses	9,525	4.5%	+2,041	127.3%	566	5.9%	+286	202.3%

Highlights of Net Sales/Operating Profit by Segment

● Embedded/Control Software

Net sales increased 9.1% year on year due to the continued strong results of machine control systems and the steady performance in the automotive-related and other sectors. Operating profit rose 23.9% year on year due to the sales increase and initiatives to limit unprofitable projects.

● Operation Software

Net sales increased 15.0% year on year, reflecting strong performance in system infrastructure construction and other sectors. Operating profit increased 8.5% year on year due to the sales increase, despite the impact of unprofitable projects.

● Products and Services

Net sales decreased 2.4% year on year owing to large PC sales for the GIGA School Program in the previous year and the impact of the expiration of sales agency contracts at some Group companies in the current fiscal year.

Operating profit declined 19.1% year on year due to lower sales and the fluctuation of the sales mix.

● Outsourcing

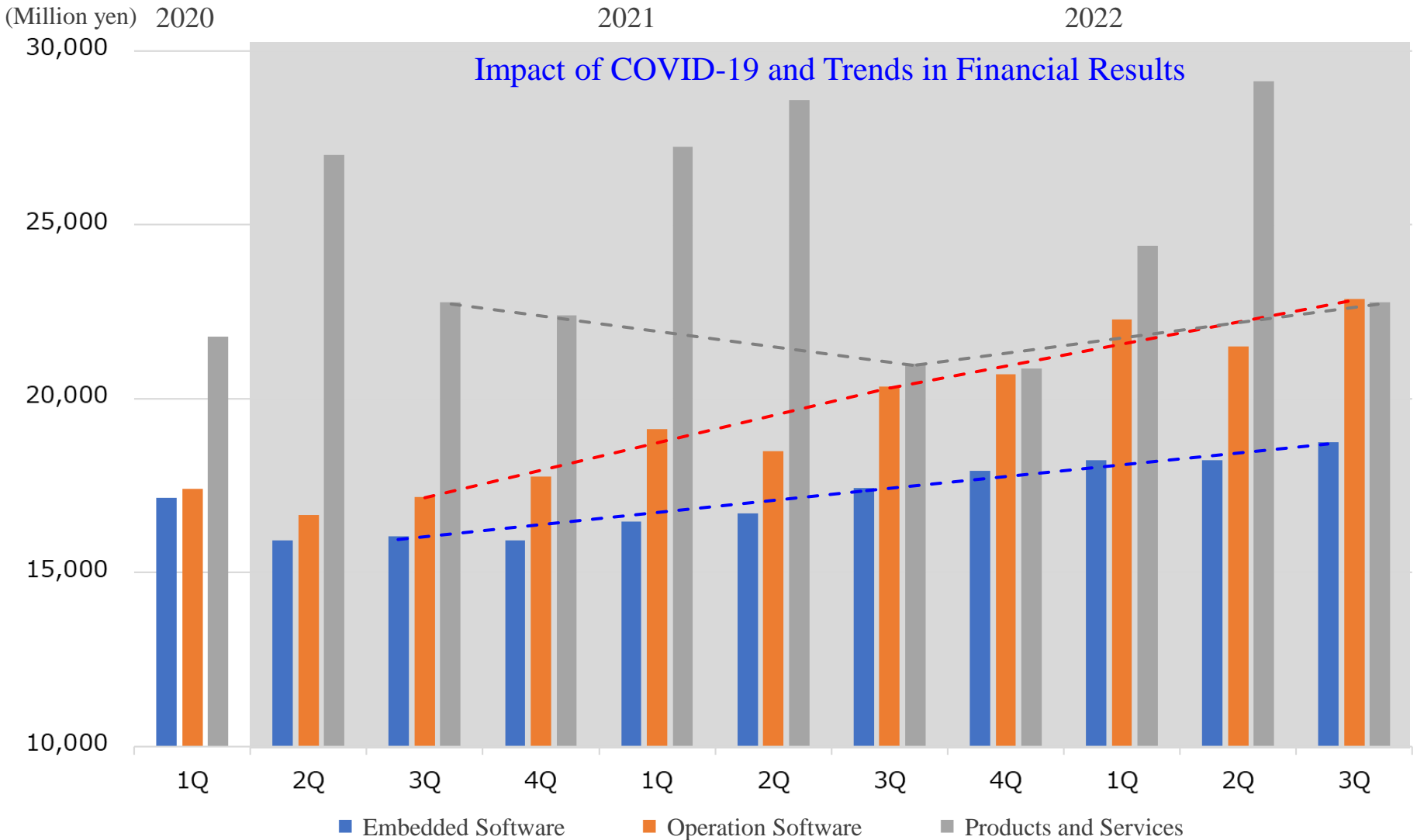
Net sales rose 10.1% year on year, reflecting an increase in operation and maintenance projects.

Operating profit also rose 10.3% year on year following sales growth.



Quarterly Change in Business Results (FY2020 to 3Q FY2022)

Quarterly **Net Sales** by Segment (Consolidated)





4. Consolidated Income Statement

(Million yen)

	Year ended 12/21 3Q Results	FY2022 3Q Results	YoY change (Amount)	YoY change (%)	FY2022 3Q Plan	Comparison with the plan
Net sales	194,833	209,660	+14,826	107.6%	197,900	105.9%
Cost of sales	151,774	163,748	+11,974	107.9%	—	—
Cost of sales margin	77.9%	78.1%	(1)			
Gross profit	43,059	45,911	+2,851	106.6%	—	—
Gross profit margin	22.1%	21.9%				
SG&A expenses	29,750	31,981	+2,230	(2) 107.5%	—	—
SG&A expense ratio	15.3%	15.3%				
Operating profit	13,308	13,929	+620	104.7%	12,400	112.3%
Operating profit margin	6.8%	6.6%			6.3%	
Non-operating income	756	1337	+580	(3) 176.8%	—	—
Non-operating expenses	94	244	+149	257.8%	—	—
Share of (profit) loss of entities accounted for using equity method	172	22	-150	12.9%	—	—
Ordinary profit	14,142	15,044	+901	106.4%	13,500	111.4%
Ordinary profit margin	7.3%	7.2%			6.8%	
Extraordinary income	2,938	190	-2,747	(4) 6.5%	—	—
Extraordinary losses	2,856	408	-2,447	14.3%	—	—
Profit before income taxes	14,224	14,826	+601	104.2%	—	—
Total income taxes	4,965	4,457	-508	89.8%	—	—
Profit	9,259	10,369	+1,109	112.0%	—	—
Profit attributable to non- controlling interests	1,985	1,512	-472	76.2%	—	—
Profit attributable to owners of parent	7,274	8,857	+1,582	121.8%	7,200	123.0%
Profit margin attributable to owners of parent	3.7%	4.2%			3.6%	

Points of Income Statement

(1) Cost of sales margin (78.1%)

Increased due in part to unprofitable projects at some Group companies and the change of the revenue recognition standard

(2) SG&A expenses (+2,230 million yen)

Increased due to an increase in labor costs and expenses associated with a personnel increase for responding to strong orders and improvement of treatment

(3) Non-operating income (+580 million yen)

Increased due to foreign exchange gains

(4) Extraordinary income (-2,747 million yen)

Extraordinary losses (-2,447 million yen)

Extraordinary income decreased due to the presence of gain on sale of investment securities in the previous fiscal year that was a result of the sale of cross shareholdings.

Extraordinary losses decreased due to the presence of loss on sale of shares of subsidiaries and associates as well as property, plant and equipment impairment losses in the previous fiscal year.



5. Consolidated Balance Sheet

	End of FY2021	End of Q3 of FY2022	Change (Amount)	(Million yen) End of Q3 of FY2021 (Reference)
Current assets	111,128	107,715	-3,413	107,758
Cash and deposits	40,351	31,539	-8,811 (1)	39,549
Notes and accounts receivable - trade	57,352	53,605	-3,746	54,137
Securities	5,000	8,000	+ 3,000	5,000
Inventories	4,449	4,972	+ 522	5,043
Other	3,974	9,597	+ 5,622 (2)	4,027
Non-current assets	117,786	126,735	+ 8,948	119,524
Property, plant and equipment	90,344	98,248	+ 7,903 (3)	90,549
Intangible assets	4,547	5,038	+ 491	4,671
Investments and other assets	22,894	23,448	+ 553	24,304
Total assets	228,915	234,450	+ 5,535	227,282
Current liabilities	68,018	68,373	+ 355	59,568
Notes and accounts payable - trade	12,947	13,787	+ 840	12,634
Short-term borrowings	19,462	17,944	-1,517	14,544
Accrued expenses / provision for bonuses	11,971	14,056	+ 2,085	12,248
Income taxes payable	5,247	2,606	-2,640	3,715
Provision for loss on construction contracts	277	258	-18	144
Other	18,111	19,720	+ 1,608	16,280
Non-current liabilities	17,928	16,333	-1,595	26,203
Long-term borrowings	9,366	8,885	-480	17,547
Other	8,562	7,447	-1,115	8,656
Total liabilities	85,946	84,707	-1,239	85,771
Total net assets	142,968	149,743	+ 6,774	141,510
Total liabilities and net assets	228,915	234,450	+ 5,535	227,282

Points of the Balance Sheet

(1) Cash and deposits (-8,811 million yen)

Decreased due to repayments of borrowings and payments of income taxes, consumption taxes, and others

(2) Other current assets (+5,622 million yen)

Increases in prepaid expenses for the procurement of finished goods from other companies and in advance payments to suppliers (cost portion) associated with the change of the revenue recognition standard

(3) Property, plant and equipment (+7,903 million yen)

An increase attributed to the payment of expenses related to a real-estate property to be used by the Company that has been under construction



6. Consolidated Cash Flow Statement

(Million yen)

	Year ended 12/21 3Q Results	FY2022 3Q Results	YoY change (Amount)
Cash flows from operating activities	10,513	9,343	-1,170
Cash flows from investing activities	6,302	-11,894	-18,197
Cash flows from financing activities	-14,458	-5,647	+8,810
Effect of exchange rate change on cash and cash equivalents	351	616	
Net increase (decrease) in cash and cash equivalents	2,710	-7,582	
Cash and cash equivalents at beginning of period	37,450	40,876	
Cash and cash equivalents at end of period	40,160	33,294	

Highlights of Cash Flows

● [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 9,343 million yen due to an increase in money received, attributable to higher sales and profits.

The amount decreased 1,170 million yen year on year due to an increase in payment of income taxes and prepaid expenses for procurement of finished goods from other companies.

● [Cash flows from investing activities](#)

Net cash used in investing activities came to 11,894 million yen mainly due to construction expenses to secure office space.

The amount decreased 18,197 million yen year on year due mainly to the money received in sale of shares in the previous fiscal year.

● [Cash flows from financing activities](#)

Net cash used in financing activities stood at 5,647 million yen.

The amount increased 8,810 million yen year on year due to repayment of working capital in the previous period.



7. Orders and Order Backlogs for the Consolidated SI Business

* A new revenue recognition standard began to be applied in the current fiscal year. (Values for the previous fiscal year are based on the old standard.)

(Million yen)

	FY2022 3Q Results							
	Order backlog at beginning of term	YoY change (%)	Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
SI Business total	61,489	102.0%	205,338	110.5%	198,158	106.9%	68,669	113.2%
System Construction	38,273	107.0%	127,580	111.4%	121,870	112.3%	43,983	105.4%
Embedded/Control Software	13,506	96.0%	56,622	109.2%	55,215	109.1%	14,913	97.4%
Operation Software	24,766	114.2%	70,958	113.2%	66,654	115.0%	29,070	110.1%
Products and Services	23,216	94.8%	77,757	109.1%	76,288	99.3%	24,686	130.3%
Products and Services	1 21,363	95.3%	66,682	109.3%	65,119	97.6%	22,926	136.9%
Outsourcing	1,852	88.9%	11,075	108.0%	11,168	110.1%	1,759	80.0%

1: Order backlog at beginning of term was changed reflecting the application of the new revenue recognition standard. (+3,155 million yen)

2, 3: The timing for the posting of a part of orders received was changed due to a revision of internal rules for posting orders received.

The year-end order backlog in the System Integration business based on the conventional posting method was 115.3% of that in the same period of the previous year (a year-on-year increase of 15.3%) and the year-end order backlog in System Construction was 108.5% of that in the same period of the previous year (a year-on-year increase of 8.5%).

Highlights of Orders and Order Backlogs

● Highlights in System Construction

- Embedded/Control Software

Orders received rose 9.2% year on year due in part to an increase in machine control systems.

The order backlog at the end of the term decreased 2.6% year on year.

4: The year-end order backlog based on the conventional posting method is 105.9% of that in the same period of the previous year (a year-on-year increase of 5.9%).

- Operation Software

Orders received increased 13.2% year on year with growth in projects for the manufacturing sector, together with system infrastructure construction.

The order backlog at the end of the term increased 10.1% year on year.

● Highlights in Products and Services

- Products and Services

Orders increased 9.3% year on year due mainly to an increase in sales of licenses from other companies.

The order backlog at the end of the term increased 36.9% year on year.

- Outsourcing

Orders increased 8.0% year on year due to an increase in operation and maintenance projects.

The order backlog at the end of the term decreased 20.0% year on year.



* This material contains financial forecasts and other information about the future that are deemed reasonable on the basis of currently available information. Please note that actual financial results may differ materially depending on a number of factors, including market trends and economic conditions. Please also note that distribution of this material is not intended for recommending continued ownership or additional purchase of the Company's shares.