Results of Operations for the First Quarter of FY2017

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FUJI SOFT INCORPORATED

Contents

Results of Operations for the First Quarter of the Fiscal Year Ending December 2017

Consolidated Financial Highlights

Net sales rose due to a strong performance in System Construction.

◇ Consolidated net sales rose 8.6% year on year, to 44,829 million yen, thanks to a strong performance in System Construction, especially machine control system construction and auto-related system construction.

Operating income rose due to the rise in sales

◇ Operating income rose 0.7% year on year, to 2,276 million yen, reflecting the rise in sales, despite the continued upfront investment in the development of the personnel structure and R&D, higher business tax due to tax system reform, and a temporary increase in expense associated with the relocation of the head office of a subsidiary.

◇ Ordinary income increased 4.0% year on year, to 2,318 million yen, due to a rise in the share of profit of entities accounted for using the equity method.

◇ Profit attributable to owners of parent increased 27.3% year on year, to 1,501 million yen, due to gain on the sale of investment securities.

(Million yen)

	FY2016 Q1 results	FY2017 Q1 results	YoY change (Amount)	YoY change (%)	FY2017 Q1 plan	FY2017 Comparison with plan
Net sales	41,261	44,829	+3,568	108.6%	42,400	105.7%
Operating income	2,261	2,276	+15	100.7%	1,880	121.1%
Operating income margin	5.5%	5.1%			4.4%	
Ordinary income	2,228	2,318	+89	104.0%	1,935	119.8%
Ordinary income margin	5.4%	5.2%			4.6%	
Profit attributable to owners of parent	1,179	1,501	+322	127.3%	1,055	142.3%
Profit margin attributable to owners of parent	2.9%	3.3%			2.5%	

Sales/Operating Income by Major Companies of the Group

(Million yen)

	FY2017	Net sales	Operating income	
FUJI SOFT INCORPORATED	Q1 results	27,354	1,543	Sales rose, reflecting a strong performance in the development of software for auto-related and factory automation projects and in the Product and Service sector. Operating income increased due to higher sales, despite the continued upfront investment mainly to hire and train human resources, and higher business tax due to tax system reform.
	YoY change (amount)	+2,232	+10	
	YoY change (%)	108.9%	100.7%	
CYBERNET SYSTEMS Co., Ltd.	Q1 results	3,976	148	Sales decreased in the absence of a large project at an overseas development subsidiary recorded the previous fiscal year, despite solid sales of a mainstay multiphysics analysis tool in Japan and a strong performance in security-related solutions. Operating income declined reflecting the decrease in sales
	YoY change (amount)	-60	-169	
	YoY change (%)	98.5%	46.7%	
CYBER COM Co., Ltd.	Q1 results	2,650	50	Sales rose thanks to strong performances in the development of control software and telecommunication software. Operating income increased due to higher sales, despite an increase in expense due to the purchase of a head office building and head office relocation.
	YoY change (amount)	+221	+3	
	YoY change (%)	109.1%	107.5%	
VINX CORP.	Q1 results	7,352	297	Sales rose mainly due to the successful cultivation of existing customers. Operating income decreased as a result of the continued strengthening of research and development and investments in next-generation products.
	YoY change (amount)	+313	-9	
	YoY change (%)	104.5%	96.8%	
FUJI SOFT SERVICE BUREAU INCORPORATED	Q1 results	2,592	164	Sales increased because sales remained firm in projects for public offices and local governments in the call center services and BPO services fields. Operating income rose due to higher sales despite advance expenses related to orders for large new projects.
	YoY change (amount)	+481	+88	
	YoY change (%)	122.8%	214.9%	

* Results from January to March, 2017 are stated in the FY2017 Q1 results column.

Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2017 Net sales Q1 results	Component ratio	YoY change (Amount)	YoY change (%)	FY2017 Operating income Q1 results	Operating income margin	YoY change (Amount)	YoY change (%)
Consolidated total	44,829	100.0%	+3,568	108.6%	2,276	5.1%	+15	100.7%
SI Business	41,302	92.1%	+3,001	107.8%	1,861	4.5%	-172	91.5%
System Construction	24,950	55.7%	+2,424	110.8%	1,249	5.0%	-192	86.6%
Embedded/Control Software	12,667	28.3%	+1,080	109.3%	639	5.0%	-214	74.9%
Operation Software	12,282	27.4%	+1,344	112.3%	610	5.0%	+21	103.7%
Products and Services	16,352	36.5%	+576	103.7%	612	3.7%	+19	103.4%
Products and Services	12,194	27.2%	+676	105.9%	482	4.0%	+93	123.9%
Outsourcing	4,158	9.3%	-99	97.7%	129	3.1%	-73	63.9%
Facility Business	679	1.5%	-22	96.8%	230	33.9%	+59	135.0%
Other Businesses	2,847	6.4%	+589	126.1%	184	6.5%	+128	325.6%

Highlights of Sales by Segment

- **Embedded/Control Software**

Sales increased 9.3% year on year due to brisk sales of machine control systems in areas such as auto-related and factory automation projects and home appliances (AV equipment) as well as systems in the aerospace sector. Operating income fell, affected by unprofitable projects in some areas.

- **Operation Software**

Sales increased 12.3% year on year, far-exceeding the year-ago level, driven by sales to the distribution and services sectors. Operating income rose due to increased sales, despite higher expenses relating to upfront investment.

- **Products and Services**

Sales increased 5.9% year on year, mainly because license sales, PALRO and robot development business sales exceeded the year-ago level. Operating income rose due to higher sales.

- **Outsourcing**

Sales fell 2.3% year on year, mainly due to a decline in transactions in the distribution sectors. Operating income fell due to higher expenses related to data center renovation.

Consolidated Income Statement

(Million yen)

	FY2016 Q1 results	FY2017 Q1 results	YoY change (Amount)	YoY change (%)	FY2016 Q1 plan	Comparison with the plan
Net sales	41,261	44,829	+3,568	108.6%	42,400	105.7%
Cost of sales	31,775	34,814	+3,038	109.6%	－	－
Cost of sales margin	77.0%	77.7%	(1)			
Gross profit	9,485	10,015	+529	105.6%	－	－
Gross profit margin	23.0%	22.3%				
SG&A expenses	7,223	7,738	+514 (2)	107.1%	－	－
SG&A expense ratio	17.5%	17.3%				
Operating income	2,261	2,276	+15	100.7%	1,880	121.1%
Operating income margin	5.5%	5.1%			4.4%	
Non-operating income	52	82	+29	156.5%	－	－
Non-operating expenses	103	123	+19	119.0%	－	－
Share of (profit) loss of entities accounted for using equity method	17	81	+64 (3)	479.5%	－	－
Ordinary income	2,228	2,318	+89	104.0%	1,935	119.8%
Ordinary income margin	5.4%	5.2%			4.6%	
Extraordinary income	－	296	+296 (4)	－	－	－
Extraordinary loss	132	112	-19	85.3%	－	－
Income before income taxes	2,096	2,501	+405	119.3%	－	－
Total income taxes	798	773	-24	96.9%	－	－
Net income	1,297	1,727	+429	133.1%	－	－
Profit attributable to non-controlling interests	118	226	+107	190.5%	－	－
Profit attributable to owners of parent	1,179	1,501	+322	127.3%	1,055	142.3%
Profit margin attributable to owners of parent	2.9%	3.3%			2.5%	

Points of Income Statement

(1) Cost of sales (77.7%)

Increased mainly due to the absence of large, highly profitable projects recorded the previous fiscal year, and an increase in sales of other companies' products.

(2) SG&A expenses (+514 million yen)

Reflected upfront investment in the development of personnel structures and R&D, higher business tax as a result of tax system reform, and an increase in expense due to the head office relocation of a subsidiary

(3) Share of (profit) loss of entities accounted for using equity method (+64 million yen)

Improvement in the share of profit of entities accounted for using the equity method, which is related to Ace Securities

(4) Extraordinary loss (+296 million yen)

Increase in gain on sale of investment securities

Consolidated Balance Sheet

(Million yen)

	End of FY2016	End of Q1 of FY2017	Change (Amount)	
Current assets	67,350	69,311	1,961	
Cash and deposits	19,134	20,238	1,103	(1)
Notes and accounts receivable - trade	36,727	37,857	1,129	(1)
Short-term investment securities	4,500	4,500	0	
Inventories	2,577	1,862	-715	
Deferred tax assets	2,254	2,814	559	
Other	2,156	2,039	-117	
Non-current assets	96,513	96,099	-413	
Property, plant and equipment	65,796	66,011	214	
Intangible assets	5,949	5,935	-14	
Investments and other assets	24,766	24,152	-613	
Total assets	163,863	165,411	1,547	
Current liabilities	37,461	39,198	1,737	
Accounts payable – trade	9,444	10,543	1,098	(1)
Short-term loans payable	9,410	10,176	766	(2)
Accrued expenses / provision for bonuses	6,826	8,762	1,936	(3)
Income taxes payable	2,153	1,482	-671	
Provision for loss on construction Contracts	267	104	-163	
Other	9,358	8,129	-1,229	(4)
Non-current liabilities	17,400	16,392	-1,007	
Long-term loans payable	6,723	5,429	-1,294	(2)
Other	10,676	10,962	286	
Total liabilities	54,861	55,591	729	
Total net assets	109,001	109,819	817	
Total liabilities and net assets	163,863	165,411	1,547	

Points of the Balance Sheet

(1) Cash and deposits (+1,103 million yen)
Notes and accounts receivable - trade (+1,129 million yen)
Notes and accounts payable - trade (+1,098 million yen)

Increase in sales and purchases, and outsourcing expenses

(2) Short-term loans payable (+766 million yen)
* Current portion of long-term loans payable
Long-term loans payable (-1,294 million yen)

Fell due to scheduled repayments.

(3) Accrued expenses / provision for bonuses (+1,936 million yen)

Rose due to an increase in personnel and an improvement in their treatment and seasonal factors

(4) Other current liabilities (-1,229 million yen)

Decrease in income taxes payable due to payment of consumption tax

Consolidated Cash Flow Statement

(Million yen)

	FY2016 Q1 results	FY2017 Q1 results	Component ratio
Cash flows from operating activities	2,303	2,654	+351
Cash flows from investing activities	-553	-823	-270
Cash flows from financing activities	3,667	-659	-4,326
Effect of exchange rate change on cash and cash equivalents	-84	-3	
Net increase (decrease) in cash and cash equivalents	5,333	1,167	
Cash and cash equivalents at beginning of period	15,688	21,790	
Cash and cash equivalents at end of period	21,021	22,958	

Highlights of Cash Flows

- Cash flows from operating activities

  Net cash provided by operating activities stood at 2,654 million yen.

- Cash flows from investing activities

  Net cash used in investing activities came to 823 million yen, reflecting investment in the Company’s own products (software) and equipment.

- Cash flows from financing activities

  Net cash used in financing activities was 659 million yen, mainly due to scheduled loan repayments. This compares to net cash provided by financing activities of 3,667 million the previous fiscal year, chiefly reflecting loans related to capital expenditure and sales of shares of subsidiaries in connection with IPO.

Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2017 Q1 results						
	Order backlog at beginning of term	Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
SI Business Total	34,976	43,543	112.4%	41,302	107.8%	37,217	119.5%
System Construction	23,803	24,748	112.9%	24,950	110.8%	23,602	117.6%
Embedded/Control Software	9,981	12,998	110.0%	12,667	109.3%	10,311	111.9%
Operation Software	13,822	11,749	116.3%	12,282	112.3%	13,290	122.4%
Products and Services	11,172	18,795	111.7%	16,352	103.7%	13,615	123.1%
Products and Services	8,168	14,747	118.5%	12,194	105.9%	10,721	122.2%
Outsourcing	3,004	4,047	92.4%	4,158	97.7%	2,894	126.7%

Highlights of Orders and Order Backlogs

Highlights in System Construction

- Embedded/Control Software
  The order backlog at the end of the term increased 11.9% year on year due to strong orders in the machine control business in areas such as automobiles and factory automation.

- Operation Software
  The order backlog at the end of the term increased 22.4% year on year due to strong orders from the distribution and services sectors as well as in the financial sector, and orders for large projects from public offices the previous fiscal year.

Highlights in Products and Services

- Products and Services
  The order backlog at the end of the term increased 22.2% year on year, reflecting strong license sales.

- Outsourcing
  The order backlog at the end of the term increased 26.7% year on year, as orders received for large projects for public offices the previous fiscal year offset a decline in orders for the distribution and services sectors.

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