



# Results of Operations for the First Quarter of FY2018

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FUJI SOFT INCORPORATED





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## Results of Operations for the First Quarter of the Fiscal Year Ending December 2018

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# Consolidated Financial Highlights

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

- ◇ Consolidated net sales rose 10.3% year on year, to 49,466 million yen, thanks to the strong performance of overall System Integration business, especially sales of other companies' products, machine control system construction and auto-related system construction.

## Operating income rose due to higher sales and an improvement in the cost rate.

- ◇ Operating income rose 28.1% year on year, to 2,917 million yen, reflecting higher sales and an improvement in the cost rate, despite active upfront investments in research and development and for strengthening the production and sales systems.
- ◇ Ordinary income increased 30.5% year on year, to 3,024 million yen, due to the rise in operating income and an increase in the share of profit of entities accounted for using the equity method related to Ace Securities.
- ◇ Profit attributable to owners of parent rose 17.8% year on year, to 1,768 million yen.

(Million yen)

|  | FY2017<br>1Q results | FY2018<br>1Q results | YoY change<br>(Amount) | YoY change<br>(%) | FY2018<br>1Q plan | Comparison<br>with the plan |
|--|----------------------|----------------------|------------------------|-------------------|-------------------|-----------------------------|
| <b>Net sales</b>                               | 44,830               | 49,466               | +4,636                 | 110.3%            | 46,000            | 107.5%                      |
| <b>Operating income</b>                        | 2,277                | 2,917                | +640                   | 128.1%            | 2,460             | 118.6%                      |
| Operating income margin                        | 5.1%                 | 5.9%                 |                        |                   | 5.3%              |                             |
| <b>Ordinary income</b>                         | 2,318                | 3,024                | +705                   | 130.5%            | 2,520             | 120.0%                      |
| Ordinary income margin                         | 5.2%                 | 6.1%                 |                        |                   | 5.5%              |                             |
| <b>Profit attributable to owners of parent</b> | 1,501                | 1,768                | +266                   | 117.8%            | 1,512             | 116.9%                      |
| Profit margin attributable to owners of parent | 3.3%                 | 3.6%                 |                        |                   | 3.3%              |                             |



# Sales/Operating Income by Major Companies of the Group

(Million yen)

|  | FY2018              | Net sales | Operating income |  |
|--|---------------------|-----------|------------------|--|
| <b>FUJI SOFT INCORPORATED</b>                | 1Q results          | 31,593    | 1,822            | Sales rose, thanks to the strong performance of System Integration business, especially sales of other companies' products, system control system construction and auto-related system construction. Operating income increased, due to higher sales and an improvement in the cost rate, despite active upfront investments for strengthening the production and sales systems.   |
|  | YoY change (amount) | +4,238    | +278             |  |
|  | YoY change (%)      | 115.5%    | 118.1%           |  |
| <b>CYBERNET SYSTEMS Co., Ltd.</b>            | 1Q results          | 4,612     | 181              | Sales increased, given strong sales in the mainstay MCAE field, optical design field and model-based development engineering services in Japan, as well as the solid performance of development subsidiaries in the United States and sales subsidiaries in Taiwan. Operating income rose due to higher sales, despite a rise in personnel expenses due to a systematic increase in the workforce.                       |
|  | YoY change (amount) | +636      | +32              |  |
|  | YoY change (%)      | 116.0%    | 121.7%           |  |
| <b>VINX CORP.</b>                            | 1Q results          | 6,109     | 411              | Sales declined, due mainly to the effects of the prolonged period from orders to the posting of sales associated with the shift to stock-type business (service business) and the postponement of equipment sales incidental to system provision to the next fiscal year or thereafter. Operating income increased due to improved productivity and the reduction of expenses.   |
|  | YoY change (amount) | -1,243    | +113             |  |
|  | YoY change (%)      | 83.1%     | 138.2%           |  |
| <b>CYBER COM Co., Ltd.</b>                   | 1Q results          | 2,932     | 239              | Sales increased, thanks to the expansion of control software development in the software development business and the solid performance of the service business. Operating income rose significantly due to a decline in expenses for the head office relocation that were incurred in the previous fiscal year, in addition to higher sales and an improvement in the cost rate associated with better work efficiency. |
|  | YoY change (amount) | +278      | +185             |  |
|  | YoY change (%)      | 110.5%    | 440.8%           |  |
| <b>FUJI SOFT SERVICE BUREAU INCORPORATED</b> | 1Q results          | 2,802     | 148              | Sales rose, reflecting continued growth in projects for public offices in call center services and BPO services. Operating income declined slightly on upfront investments in infrastructure development such as IT equipment and fixtures and fittings.   |
|  | YoY change (amount) | +209      | -15              |  |
|  | YoY change (%)      | 108.1%    | 90.5%            |  |

\* Results from January to March, 2018 are stated in the FY2018 1Q results column.



# Consolidated Sales/Operating Income by Segment

(Million yen)

|                              | FY2018 Net sales |                 | YoY change (Amount) | YoY change (%) | FY2018 Operating income |                         | YoY change (Amount) | YoY change (%) |
|------------------------------|------------------|-----------------|---------------------|----------------|-------------------------|-------------------------|---------------------|----------------|
|                              | 1Q results       | Component ratio |                     |                | 1Q results              | Operating income margin |                     |                |
| <b>Consolidated total</b>    | 49,466           | 100.0%          | +4,636              | 110.3%         | 2,917                   | 5.9%                    | +640                | 128.1%         |
| <b>SI Business</b>           | 45,568           | 92.1%           | +4,265              | 110.3%         | 2,504                   | 5.5%                    | +643                | 134.6%         |
| <b>System Construction</b>   | 27,920           | 56.4%           | +2,970              | 111.9%         | 1,635                   | 5.9%                    | +387                | 131.0%         |
| Embedded/Control Software    | 14,425           | 29.2%           | +1,757              | 113.9%         | 948                     | 6.6%                    | +310                | 148.7%         |
| Operation Software           | 13,495           | 27.3%           | +1,213              | 109.9%         | 686                     | 5.1%                    | +76                 | 112.6%         |
| <b>Products and Services</b> | 17,647           | 35.7%           | +1,295              | 107.9%         | 868                     | 4.9%                    | +256                | 141.9%         |
| Products and Services        | 13,766           | 27.8%           | +1,572              | 112.9%         | 643                     | 4.7%                    | +160                | 133.3%         |
| Outsourcing                  | 3,881            | 7.8%            | -277                | 93.3%          | 225                     | 5.8%                    | +95                 | 173.9%         |
| <b>Facility Business</b>     | 749              | 1.5%            | +69                 | 110.2%         | 226                     | 30.1%                   | -5                  | 97.4%          |
| <b>Other Businesses</b>      | 3,148            | 6.4%            | +300                | 110.6%         | 187                     | 6.0%                    | +2                  | 101.4%         |

## Highlights of Sales/Operating Income by Segment

### ● Embedded/Control Software

Sales increased 13.9% year on year mainly due to the continued strength in the performance of auto-related and machine control system construction. Operating income rose with an improvement in the cost rate, despite continued upfront investments in the development of production and sales systems.

### ● Operation Software

Sales increased 9.9% year on year, thanks to solid sales to the distribution and service sectors and internet businesses, etc. Operating income rose, reflecting higher sales.

### ● Products and Services

Sales increased 12.9% year on year as other companies' license and PC sales and related services associated with product sales remained firm. Operating income rose due to higher sales.

### ● Outsourcing

Sales declined 6.7% year on year mainly due to a fall in transactions in the distribution and service sectors. Operating income increased, reflecting the absence of expenses for data center renovation posted in the previous fiscal year.



# Consolidated Income Statement

(Million yen)

|   | FY2017     | FY2018     | YoY<br>change<br>(Amount) | YoY<br>change<br>(%) | FY2018  |                             |
|---|------------|------------|---------------------------|----------------------|---------|-----------------------------|
|   | 1Q results | 1Q results |                           |                      | 1Q plan | Comparison<br>with the plan |
| <b>Net sales</b>  | 44,830     | 49,466     | +4,636                    | 110.3%               | 46,000  | 107.5%                      |
| <b>Cost of sales</b>  | 34,816     | 37,990     | +3,173                    | 109.1%               | —       | —                           |
| Cost of sales margin  | 77.7%      | 76.8%      | (1)                       |                      |         |                             |
| <b>Gross profit</b>   | 10,013     | 11,476     | +1,462                    | 114.6%               | —       | —                           |
| Gross profit margin   | 22.3%      | 23.2%      |                           |                      |         |                             |
| <b>SG&amp;A expenses</b>  | 7,736      | 8,558      | +822 (2)                  | 110.6%               | —       | —                           |
| SG&A expense ratio  | 17.3%      | 17.3%      |                           |                      |         |                             |
| <b>Operating income</b>   | 2,277      | 2,917      | +640                      | 128.1%               | 2,460   | 118.6%                      |
| Operating income margin   | 5.1%       | 5.9%       |                           |                      | 5.3%    |                             |
| <b>Non-operating income</b>   | 82         | 115        | +32                       | 139.9%               | —       | —                           |
| <b>Non-operating expenses</b>   | 123        | 150        | +27                       | 122.6%               | —       | —                           |
| <b>Share of (profit) loss of entities<br/>accounted for using equity<br/>method</b> | 81         | 142        | +60                       | 174.2%               | —       | —                           |
| <b>Ordinary income</b>  | 2,318      | 3,024      | +705                      | 130.5%               | 2,520   | 120.0%                      |
| Ordinary income margin  | 5.2%       | 6.1%       |                           |                      | 5.5%    |                             |
| <b>Extraordinary income</b>   | 296        | -          | -296                      | -                    | —       | —                           |
| <b>Extraordinary loss</b>   | 112        | 18         | -94                       | 16.3%                | —       | —                           |
| <b>Income before income taxes</b>   | 2,501      | 3,005      | +504                      | 120.2%               | —       | —                           |
| <b>Total income taxes</b>   | 773        | 876        | +103                      | 113.3%               | —       | —                           |
| <b>Net income</b>   | 1,727      | 2,129      | +401                      | 123.2%               | —       | —                           |
| <b>Profit attributable to non-<br/>controlling interests</b>                        | 226        | 361        | +134                      | 159.5%               | —       | —                           |
| <b>Profit attributable to owners of<br/>parent</b>                                  | 1,501      | 1,768      | +266                      | 117.8%               | 1,512   | 116.9%                      |
| Profit margin attributable to<br>owners of parent                                   | 3.3%       | 3.6%       |                           |                      | 3.3%    |                             |

## Points of Income Statement

### (1) Cost of sales (76.8%)

Improved due to the elimination of temporary factors such as sales of other companies' products with a high cost rate and unprofitable projects in the previous fiscal year.

### (2) SG&A expenses (+822 million yen)

Reflected an increase in expenses for strengthening the production and sales systems to actively respond to the booming market.



# Consolidated Balance Sheet

|  | End of<br>FY2017 | End of<br>Q1 of<br>FY2018 | Change<br>(Amount) |
|--|------------------|---------------------------|--------------------|
| (Million yen)                                |                  |                           |                    |
| <b>Current assets</b>                        | 72,457           | 75,907                    | +3,450             |
| Cash and deposits                            | 18,851           | 18,104                    | -746               |
| Notes and accounts receivable - trade        | 40,288           | 44,220                    | +3,932 (1)         |
| Short-term investment securities             | 5,200            | 4,500                     | -700               |
| Inventories                                  | 3,248            | 3,557                     | +309               |
| Deferred tax assets                          | 2,435            | 3,022                     | +586               |
| Other  | 2,434            | 2,503                     | +69                |
| <b>Non-current assets</b>                    | 102,110          | 119,806                   | +17,696            |
| Property, plant and equipment                | 65,220           | 82,590                    | +17,370 (2)        |
| Intangible assets                            | 6,821            | 6,971                     | +150               |
| Investments and other assets                 | 30,068           | 30,244                    | +175               |
| <b>Total assets</b>                          | 174,568          | 195,714                   | +21,146            |
| <b>Current liabilities</b>                   | 39,197           | 59,729                    | +20,531            |
| Accounts and notes payable - trade           | 9,977            | 11,938                    | +1,961 (3)         |
| Short-term loans payable                     | 6,964            | 18,141                    | +11,177 (4)        |
| Commercial papers                            | 1,500            | 8,500                     | +7,000 (4)         |
| Accrued expenses / provision for bonus       | 7,751            | 9,996                     | +2,245 (5)         |
| Income taxes payable                         | 2,102            | 1,743                     | -359               |
| Provision for loss on construction contracts | 173              | 194                       | +21                |
| Other  | 10,728           | 9,214                     | -1,514 (6)         |
| <b>Non-current liabilities</b>               | 16,959           | 16,745                    | -213               |
| Long-term loans payable                      | 4,182            | 4,069                     | -112               |
| Other  | 12,776           | 12,675                    | -101               |
| <b>Total liabilities</b>                     | 56,156           | 76,474                    | +20,317            |
| <b>Total net assets</b>                      | 118,411          | 119,240                   | + 828              |
| <b>Total liabilities and net assets</b>      | 174,568          | 195,714                   | +21,146            |

## Points of the Balance Sheet

### (1) Notes and accounts receivable - trade (+ 3,932 million yen)

Increase in notes and accounts receivable - trade due to higher sales

### (2) Property, plant and equipment (+17,370 million yen)

Acquisition of land and buildings, etc. to secure office space as a result of strengthening systems.

### (3) Notes and accounts payable – trade (+1,961 million yen)

Increase in transactions with business partners due to the strong environment for orders

### (4) Short-term loans payable (+11,177 million yen)

#### Commercial papers (+7,000 million yen)

Borrowing as funds to acquire land and buildings, etc.

### (5) Accrued expenses / provision for bonus (+2,245 million yen)

Rose due to an increase in personnel and an improvement in their treatment.

### (6) Other current liabilities (-1,514 million yen)

Decline in consumption taxes payable due to seasonal factors



# Consolidated Cash Flow Statement

(Million yen)

|   | FY2017<br>1Q results | FY2018<br>1Q results | YoY change<br>(Amount) |
|---|----------------------|----------------------|------------------------|
| Cash flows from operating activities                        | 2,654                | 215                  | -2,439                 |
| Cash flows from investing activities                        | -823                 | -19,119              | -18,295                |
| Cash flows from financing activities                        | -659                 | 17,399               | +18,058                |
| Effect of exchange rate change on cash and cash equivalents | -3                   | -50                  |                        |
| Net increase (decrease) in cash and cash equivalents        | 1,167                | -1,555               |                        |
| Cash and cash equivalents at beginning of period            | 21,790               | 22,819               |                        |
| Cash and cash equivalents at end of period                  | 22,958               | 21,264               |                        |

## Highlights of Cash Flows

### ● [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 215 million yen, with a year-on-year decrease of 2,439 million yen due mainly to increases in notes and accounts receivable - trade, inventories and notes and accounts payable - trade, reflecting the strong order environment.

### ● [Cash flows from investing activities](#)

Net cash used in investing activities came to 19,119 million yen, mainly due to the purchase of land and buildings to secure office space to strengthen systems.

### ● [Cash flows from financing activities](#)

Net cash provided by financing activities was 17,399 million yen due to the issuance of commercial paper and an increase in loans payable.



# Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

|                              | Order backlog at beginning of term | YoY change (%) | FY2018 1Q results |                |           |                | Order backlog at end of term | YoY change (%) |
|------------------------------|------------------------------------|----------------|-------------------|----------------|-----------|----------------|------------------------------|----------------|
|                              |                                    |                | Orders            | YoY change (%) | Net sales | YoY change (%) |                              |                |
| <b>SI Business Total</b>     | 40,094                             | 114.6%         | 48,143            | 110.6%         | 45,568    | 110.3%         | 42,669                       | 114.6%         |
| <b>System Construction</b>   | 27,450                             | 115.3%         | 27,711            | 112.0%         | 27,920    | 111.9%         | 27,241                       | 115.4%         |
| Embedded/Control Software    | 11,436                             | 114.6%         | 14,469            | 111.3%         | 14,425    | 113.9%         | 11,480                       | 111.3%         |
| Operation Software           | 16,014                             | 115.9%         | 13,241            | 112.7%         | 13,495    | 109.9%         | 15,760                       | 118.6%         |
| <b>Products and Services</b> | 12,644                             | 113.2%         | 20,431            | 108.7%         | 17,647    | 107.9%         | 15,428                       | 113.3%         |
| Products and Services        | 9,718                              | 119.0%         | 16,531            | 112.1%         | 13,766    | 112.9%         | 12,483                       | 116.4%         |
| Outsourcing                  | 2,926                              | 97.4%          | 3,900             | 96.4%          | 3,881     | 93.3%          | 2,945                        | 101.8%         |

## Highlights of Orders and Order Backlogs

### • Highlights in System Construction

- Embedded/Control Software  
The order backlog at the end of the term increased 11.3% year on year due to strong orders, particularly from auto-related sectors.
- Operation Software  
The order backlog at the end of the term increased 18.6% year on year due to strong orders, particularly from public offices and the information and communication sector.

### • Highlights in Products and Services

- Products and Services  
The order backlog at the end of the term increased 16.4% year on year due to strong sales of other companies' products.
- Outsourcing  
The order backlog at the end of the term increased 1.8% year on year due to an increase in the number of ongoing projects, while orders from the distribution and service sectors declined.



## Advanced BYOD company



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