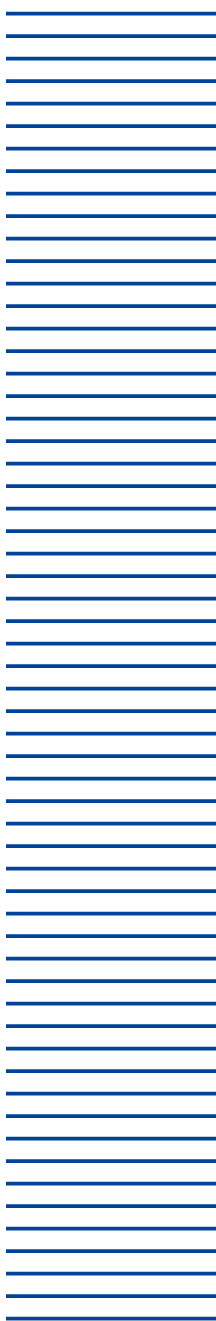




Results of Operations for the First Quarter of FY2018

May 10, 2018

FUJI SOFT INCORPORATED





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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 1Q results	FY2018 1Q results	YoY change (Amount)	YoY change (%)	FY2018 1Q plan	Comparison with the plan
Net sales	44,830	49,466	+4,636	110.3%	46,000	107.5%
Operating income	2,277	2,917	+640	128.1%	2,460	118.6%
Operating income margin	5.1%	5.9%			5.3%	
Ordinary income	2,318	3,024	+705	130.5%	2,520	120.0%
Ordinary income margin	5.2%	6.1%			5.5%	
Profit attributable to owners of parent	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	
FUJI SOFT INCORPORATED	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%	
CYBERNET SYSTEMS Co., Ltd.	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%	
VINX CORP.	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%	
CYBER COM Co., Ltd.	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%	
FUJI SOFT SERVICE BUREAU INCORPORATED	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		
Consolidated total	49,466	100.0%	+4,636	110.3%	2,917	5.9%	+640	128.1%
SI Business	45,568	92.1%	+4,265	110.3%	2,504	5.5%	+643	134.6%
System Construction	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%
Products and Services	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%
Facility Business	749	1.5%	+69	110.2%	226	30.1%	-5	97.4%
Other Businesses	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 change (Amount)	YoY change (%)	FY2018	
	1Q results	1Q results			1Q plan	Comparison with the plan
Net sales	44,830	49,466	+4,636	110.3%	46,000	107.5%
Cost of sales	34,816	37,990	+3,173	109.1%	—	—
Cost of sales margin	77.7%	76.8%	(1)			
Gross profit	10,013	11,476	+1,462	114.6%	—	—
Gross profit margin	22.3%	23.2%				
SG&A expenses	7,736	8,558	+822 (2)	110.6%	—	—
SG&A expense ratio	17.3%	17.3%				
Operating income	2,277	2,917	+640	128.1%	2,460	118.6%
Operating income margin	5.1%	5.9%			5.3%	
Non-operating income	82	115	+32	139.9%	—	—
Non-operating expenses	123	150	+27	122.6%	—	—
Share of (profit) loss of entities accounted for using equity method	81	142	+60	174.2%	—	—
Ordinary income	2,318	3,024	+705	130.5%	2,520	120.0%
Ordinary income margin	5.2%	6.1%			5.5%	
Extraordinary income	296	-	-296	-	—	—
Extraordinary loss	112	18	-94	16.3%	—	—
Income before income taxes	2,501	3,005	+504	120.2%	—	—
Total income taxes	773	876	+103	113.3%	—	—
Net income	1,727	2,129	+401	123.2%	—	—
Profit attributable to non- controlling interests	226	361	+134	159.5%	—	—
Profit attributable to owners of parent	1,501	1,768	+266	117.8%	1,512	116.9%
Profit margin attributable to 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 FY2017	End of Q1 of FY2018	Change (Amount)
(Million yen)			
Current assets	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
Non-current assets	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
Total assets	174,568	195,714	+21,146
Current liabilities	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)
Non-current liabilities	16,959	16,745	-213
Long-term loans payable	4,182	4,069	-112
Other	12,776	12,675	-101
Total liabilities	56,156	76,474	+20,317
Total net assets	118,411	119,240	+ 828
Total liabilities and net assets	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 1Q results	FY2018 1Q results	YoY change (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 (%)		
SI Business Total	40,094	114.6%	48,143	110.6%	45,568	110.3%	42,669	114.6%
System Construction	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%
Products and Services	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.



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