



# Results of Operations for the First Three Quarters of FY2018

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FUJI SOFT INCORPORATED





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

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# 1. Consolidated Financial Highlights-1 (Three Quarters Results)

## Net sales rose due to strong performance in the System Integration business.

- ◇ Net sales rose 13.3% year on year, to 152,783 million yen, thanks to the strong performance of the System Integration business overall, especially products and services, auto-related system construction, machine control systems including FA, and sales to the telecommunications and financial sectors.

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

- ◇ Operating income rose 27.6% year on year, to 8,660 million yen, reflecting higher sales and an improvement in the cost rate through curbing of unprofitable projects and improvements in productivity.
- ◇ Ordinary income increased 30.6% year on year, to 9,315 million yen, mainly due to the rise in operating income, an increase in the share of profit of entities accounted for using the equity method and an increase in foreign exchange profit.
- ◇ Profit attributable to owners of parent rose 17.4% year on year, to 4,597 million yen.

(Million yen)

|  | FY2017<br>3Q results | FY2018<br>3Q results | YoY change<br>(Amount) | YoY change<br>(%) | FY2018<br>3Q plan | Comparison<br>with the plan |
|--|----------------------|----------------------|------------------------|-------------------|-------------------|-----------------------------|
| <b>Net sales</b>                               | 134,809              | 152,783              | +17,973                | 113.3%            | 139,200           | 109.8%                      |
| <b>Operating income</b>                        | 6,785                | 8,660                | +1,875                 | 127.6%            | 6,940             | 124.8%                      |
| Operating income margin                        | 5.0%                 | 5.7%                 |                        |                   | 5.0%              |                             |
| <b>Ordinary income</b>                         | 7,133                | 9,315                | +2,181                 | 130.6%            | 7,330             | 127.1%                      |
| Ordinary income margin                         | 5.3%                 | 6.1%                 |                        |                   | 5.3%              |                             |
| <b>Profit attributable to owners of parent</b> | 3,916                | 4,597                | +680                   | 117.4%            | 4,260             | 107.9%                      |
| Profit margin attributable to owners of parent | 2.9%                 | 3.0%                 |                        |                   | 3.1%              |                             |



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

Net sales rose 16.6% year on year.

Cost of sales was 77.1% due to large-scale sales of other companies' products.

- ◇ Cost of sales increased to 77.1% from the same period a year earlier due to large-scale sales of other companies' products (software license), despite an improvement in the cost rate in contract and development (a year ago: 76.7%).

SG&A expenses increased 760 million yen year on year.

- ◇ SG&A expenses increased by 760 million yen year on year, to 8,563 million yen, due to a rise in personnel expenses because of a systematic increase in the workforce and expenses associated with the establishment of new offices, among other factors.

Operating income increased substantially by 30.0% year on year.

(Million yen)

|                          | FY2018<br>2Q results | YoY change<br>(Amount) | YoY change<br>(%) | FY2018<br>Q3 results | YoY change<br>(Amount) | YoY change<br>(%) |
|--------------------------|----------------------|------------------------|-------------------|----------------------|------------------------|-------------------|
| <b>Net sales</b>         | 100,688              | +10,575                | 111.7%            | 52,095               | +7,398                 | 116.6%            |
| <b>Cost of sales</b>     | 76,960               | +7,441                 | 110.7%            | 40,153               | +5,857                 | 117.1%            |
| Cost of sales margin     | 76.4%                |                        |                   | 77.1%                |                        |                   |
| <b>Gross profit</b>      | 23,727               | +3,134                 | 115.2%            | 11,941               | +1,540                 | 114.8%            |
| <b>SG&amp;A expenses</b> | 18,445               | +2,039                 | 112.4%            | 8,563                | +760                   | 109.7%            |
| <b>Operating income</b>  | 5,281                | +1,094                 | 126.1%            | 3,378                | +780                   | 130.0%            |
| Operating income margin  | 5.2%                 |                        |                   | 6.5%                 |                        |                   |



## 2. Sales/Operating Income by Major Companies of the Group

(Million yen)

|  | FY2018              | Net sales | Operating income |  |
|--|---------------------|-----------|------------------|--|
| <b>FUJI SOFT INCORPORATED</b>                | 3Q results          | 98,426    | 5,064            | Sales rose, reflecting the strong performance of the System Integration business overall, especially products and services, auto-related system construction, machine control systems including FA, and sales to the telecommunications and financial sectors. Operating income rose significantly, reflecting higher sales and an improvement in the cost rate, despite active upfront investments for a systematic increase in the workforce and the establishment of bases.       |
|  | YoY change (amount) | +14,722   | +1,177           |  |
|  | YoY change (%)      | 117.6%    | 130.3%           |  |
| <b>CYBERNET SYSTEMS Co., Ltd.</b>            | 3Q results          | 15,097    | 1,250            | Strong sales were recorded in the mainstay MCAE field and the optical design field in Japan. Moreover, IT solutions and model-based development engineering services resulted in strong sales. Overseas sales increased thanks to the solid performance of sales subsidiaries in Taiwan and Korea. Operating income rose due to higher sales. (However, a loss attributable to owners of parent was recorded due to the impairment loss of goodwill and other extraordinary losses.) |
|  | YoY change (amount) | +1,927    | +243             |  |
|  | YoY change (%)      | 114.6%    | 124.1%           |  |
| <b>VINX CORP.</b>                            | 3Q results          | 19,025    | 1,172            | Sales declined, due mainly to the effects of the prolonged period from orders to the posting of sales associated with the shift to the stock-type business (service business). Operating income increased due to the success of measures to reduce expenses.   |
|  | YoY change (amount) | -1,115    | +151             |  |
|  | YoY change (%)      | 94.5%     | 114.9%           |  |
| <b>CYBER COM Co., Ltd.</b>                   | 3Q results          | 8,847     | 458              | Sales increased thanks to the strong performance of control and operation software development, respectively, for onboard systems, etc. and life insurance systems, etc. Operating income rose thanks to an improvement in costs associated with increased sales and improved productivity and a decrease in the costs that arose in the previous fiscal year for relocating the headquarters.   |
|  | YoY change (amount) | +878      | +118             |  |
|  | YoY change (%)      | 111.0%    | 134.9%           |  |
| <b>FUJI SOFT SERVICE BUREAU INCORPORATED</b> | 3Q results          | 7,917     | 381              | Net sales increased as sales continued to grow in projects for public offices and local governments in the call center services and BPO services fields, while also rising in projects for private corporations. Operating income was higher as an increase in SG&A expenses partly due to the expansion of bases and infrastructure construction was absorbed mainly by higher sales and cost reduction.  |
|  | YoY change (amount) | +709      | +87              |  |
|  | YoY change (%)      | 109.8%    | 129.7%           |  |



### 3. Consolidated Sales/Operating Income by Segment

(Million yen)

|                              | FY2018 Net sales |                 | YoY change<br>(Amount) | YoY change<br>(%) | FY2018 Operating income |                         | YoY change<br>(Amount) | YoY change<br>(%) |
|------------------------------|------------------|-----------------|------------------------|-------------------|-------------------------|-------------------------|------------------------|-------------------|
|                              | 3Q results       | Component ratio |                        |                   | 3Q results              | Operating income margin |                        |                   |
| <b>Consolidated total</b>    | 152,783          | 100.0%          | +17,973                | 113.3%            | 8,660                   | 5.7%                    | +1,875                 | 127.6%            |
| <b>SI Business</b>           | 141,836          | 92.8%           | +16,935                | 113.6%            | 7,386                   | 5.2%                    | +1,812                 | 132.5%            |
| <b>System Construction</b>   | 84,353           | 55.2%           | +9,090                 | 112.1%            | 4,386                   | 5.2%                    | +846                   | 123.9%            |
| Embedded/Control Software    | 43,832           | 28.7%           | +4,748                 | 112.2%            | 2,744                   | 6.3%                    | +649                   | 131.0%            |
| Operation Software           | 40,520           | 26.5%           | +4,341                 | 112.0%            | 1,641                   | 4.1%                    | +196                   | 113.6%            |
| <b>Products and Services</b> | 57,482           | 37.6%           | +7,845                 | 115.8%            | 3,000                   | 5.2%                    | +966                   | 147.5%            |
| Products and Services        | 46,021           | 30.1%           | +7,638                 | 119.9%            | 2,170                   | 4.7%                    | +624                   | 140.4%            |
| Outsourcing                  | 11,461           | 7.5%            | +206                   | 101.8%            | 829                     | 7.2%                    | +341                   | 169.9%            |
| <b>Facility Business</b>     | 2,167            | 1.4%            | +153                   | 107.6%            | 792                     | 36.6%                   | -46                    | 94.5%             |
| <b>Other Businesses</b>      | 8,779            | 5.7%            | +884                   | 111.2%            | 481                     | 5.5%                    | +109                   | 129.3%            |

#### Highlights of Sales by Segment

- **Embedded/Control Software**

Sales increased 12.2% year on year mainly due to the continued strength in the performance of auto-related and machine control system construction. Operating income increased 31.0% year on year due to higher sales and the improved cost of sales.

- **Operation Software**

Sales increased 12.0% year on year thanks to solid sales overall, mainly to the telecommunications, financial and manufacturing sectors. Operating income rose 13.6% year on year due to higher sales.

- **Products and Services**

Sales increased 19.9% year on year as sales of our and other companies' products and related services associated with product sales remained firm. Operating income rose 40.4% due to higher sales.

- **Outsourcing**

Sales increased 1.8% thanks to the strong performances of the operation and maintenance projects and outsourcing projects. Operating income rose 69.9% year on year, reflecting the completion of investment related to the data center in the previous fiscal year and an improvement in the cost rate, among other factors.



## 4. Consolidated Income Statement

(Million yen)

|  | FY2017<br>3Q Results | FY2018<br>3Q Results | YoY<br>change<br>(Amount) | YoY<br>change<br>(%) | FY2018<br>3Q Plan | Comparison<br>with the plan |
|--|----------------------|----------------------|---------------------------|----------------------|-------------------|-----------------------------|
| Net sales  | 134,809              | 152,783              | +17,973                   | 113.3%               | 139,200           | 109.8%                      |
| Cost of sales  | 103,815              | 117,114              | +13,298                   | 112.8%               | —                 | —                           |
| Cost of sales margin   | 77.0%                | 76.7%                |                           |                      |                   |                             |
| Gross profit   | 30,994               | 35,669               | +4,674                    | 115.1%               | —                 | —                           |
| Gross profit margin  | 23.0%                | 23.3%                |                           |                      |                   |                             |
| SG&A expenses  | 24,209               | 27,008               | +2,799 (1)                | 111.6%               | —                 | —                           |
| SG&A expense ratio   | 18.0%                | 17.7%                |                           |                      |                   |                             |
| Operating income   | 6,785                | 8,660                | +1,875                    | 127.6%               | 6,940             | 124.8%                      |
| Operating income margin  | 5.0%                 | 5.7%                 |                           |                      | 5.0%              |                             |
| Non-operating income   | 333                  | 433                  | +99                       | 129.9%               | —                 | —                           |
| Non-operating expenses   | 176                  | 79                   | -97                       | 45.0%                | —                 | —                           |
| Share of (profit) loss of entities accounted for using equity method | 191                  | 301                  | +109                      | 157.3%               | —                 | —                           |
| Ordinary income  | 7,133                | 9,315                | +2,181                    | 130.6%               | 7,330             | 127.1%                      |
| Ordinary income margin   | 5.3%                 | 6.1%                 |                           |                      | 5.3%              |                             |
| Extraordinary income   | 672                  | 1,004 (2)            | +332                      | 149.5%               | —                 | —                           |
| Extraordinary losses   | 803                  | 2,108                | +1,304                    | 262.3%               | —                 | —                           |
| Income before income taxes   | 7,001                | 8,211                | +1,209                    | 117.3%               | —                 | —                           |
| Total income taxes   | 2,223                | 3,364 (3)            | +1,141                    | 151.3%               | —                 | —                           |
| Net income   | 4,778                | 4,846                | +68                       | 101.4%               | —                 | —                           |
| Profit attributable to non-controlling interests                     | 862                  | 249                  | -612                      | 29.0%                | —                 | —                           |
| Profit attributable to owners of parent                              | 3,916                | 4,597                | +680                      | 117.4%               | 4,260             | 107.9%                      |
| Profit margin attributable to owners of parent                       | 2.9%                 | 3.0%                 |                           |                      | 3.1%              |                             |

### Points of Income Statement

#### (1) SG&A expenses (+2,799 million yen)

Reflected an increase in expenses associated with a systematic increase in the workforce and establishing bases to respond actively to the booming market.

#### (2) Extraordinary income (1,004 million yen) Extraordinary losses (2,108 million yen)

Extraordinary income represents the gain on sales of investment securities and the proceeds of a partial business transfer. Extraordinary losses are the impairment loss of goodwill due to the review of the business and other losses.

#### (3) Total income taxes (+1,141 million yen)

Mainly an increase due to the reversal of deferred tax assets arising from the impairment loss of goodwill



## 5. Consolidated Balance Sheet

(Million yen)

|   | End of<br>FY2017 | End of Q3 of<br>FY2018 | Change<br>(Amount) | End of Q3 of<br>FY2017<br>(Reference) |
|---|------------------|------------------------|--------------------|---------------------------------------|
| <b>Current assets</b>                           | 72,457           | 75,956                 | 3,499 (1)          | 69,392                                |
| Cash and deposits                               | 18,851           | 20,135                 | 1,284              | 17,817                                |
| Notes and accounts receivable -<br>trade        | 40,288           | 41,979                 | 1,691              | 38,615                                |
| Short-term investment<br>securities             | 5,200            | 4,000                  | -1,200             | 5,200                                 |
| Inventories                                     | 3,248            | 4,100                  | 852                | 2,400                                 |
| Deferred tax assets                             | 2,435            | 2,649                  | 213                | 2,970                                 |
| Other   | 2,434            | 3,092                  | 658                | 2,388                                 |
| <b>Non-current assets</b>                       | 102,110          | 118,590                | 16,479 (2)         | 98,127                                |
| Property, plant and equipment                   | 65,220           | 82,364                 | 17,144             | 64,702                                |
| Intangible assets                               | 6,821            | 4,959                  | -1,862             | 6,872                                 |
| Investments and other assets                    | 30,068           | 31,266                 | 1,197              | 26,553                                |
| <b>Total assets</b>                             | 174,568          | 194,547                | 19,978             | 167,520                               |
| <b>Current liabilities</b>                      | 39,197           | 57,740                 | 18,542 (3)         | 37,671                                |
| Notes and accounts payable -<br>trade           | 9,977            | 10,456                 | 479                | 9,438                                 |
| Short-term loans payable                        | 6,964            | 19,884                 | 12,919             | 7,547                                 |
| Commercial papers                               | 1,500            | 5,000                  | 3,500              | -                                     |
| Accrued expenses / provision<br>for bonuses     | 7,751            | 10,351                 | 2,600              | 9,276                                 |
| Income taxes payable                            | 2,102            | 2,418                  | 315                | 2,290                                 |
| Provision for loss on<br>construction contracts | 173              | 100                    | -72                | 94                                    |
| Other   | 10,728           | 9,528                  | -1,200             | 9,024                                 |
| <b>Non-current liabilities</b>                  | 16,959           | 15,663                 | -1,295             | 15,823                                |
| Long-term loans payable                         | 4,182            | 2,828                  | -1,353             | 4,163                                 |
| Other   | 12,776           | 12,834                 | 57                 | 11,660                                |
| <b>Total liabilities</b>                        | 56,156           | 73,403                 | 17,246             | 53,495                                |
| <b>Total net assets</b>                         | 118,411          | 121,143                | 2,732              | 114,025                               |
| <b>Total liabilities and net assets</b>         | 174,568          | 194,547                | 19,978             | 167,520                               |

### Points of the Balance Sheet

#### (1) Current assets (+3,499 million yen)

Mainly an increase in notes and accounts receivable - trade and cash and deposits, reflecting the strong order environment.

#### (2) Non-current assets (+16,479 million yen)

Purchase of land and buildings to secure office space for establishing bases.

#### (3) Current liabilities (+18,542 million yen)

Borrowing as funds to acquire land and buildings, etc.





## 6. Consolidated Cash Flow Statement

(Million yen)

|   | FY2017<br>3Q results | FY2018<br>3Q results | YoY change<br>(Amount) |
|---|----------------------|----------------------|------------------------|
| Cash flows from operating activities                        | 7,443                | 7,882                | +438                   |
| Cash flows from investing activities                        | -3,332               | -20,688              | -17,356                |
| Cash flows from financing activities                        | -5,282               | 13,559               | +18,842                |
| Effect of exchange rate change on cash and cash equivalents | 40                   | -83                  |                        |
| Net increase (decrease) in cash and cash equivalents        | -1,130               | 669                  |                        |
| Cash and cash equivalents at beginning of period            | 21,790               | 22,157               |                        |
| Cash and cash equivalents at end of period                  | 20,660               | 22,827               |                        |

### Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 7,882 million yen, with a year-on-year increase of 438 million yen due to an increase in money received, attributable to higher sales.

- [Cash flows from investing activities](#)

Net cash used in investing activities came to 20,688 million yen, mainly due to the purchase of land and buildings to secure office space to strengthen systems and an increase in expenses for software for internal use.

- [Cash flows from financing activities](#)

Net cash provided by financing activities was 13,559 million yen due to the issuance of commercial paper and an increase in loans payable.



## 7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

|                              | FY2018 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 (%) |
| <b>SI Business Total</b>     | 40,094                             | 114.6%         | 145,657 | 113.1%         | 141,836   | 113.6%         | 43,915                       | 113.1%         |
| <b>System Construction</b>   | 27,450                             | 115.3%         | 87,841  | 112.8%         | 84,353    | 112.1%         | 30,938                       | 117.1%         |
| Embedded Control Software    | 11,436                             | 114.6%         | 45,362  | 111.5%         | 43,832    | 112.2%         | 12,966                       | 111.8%         |
| Operation Software           | 16,014                             | 115.9%         | 42,478  | 114.3%         | 40,520    | 112.0%         | 17,972                       | 121.3%         |
| <b>Products and Services</b> | 12,644                             | 113.2%         | 57,815  | 113.6%         | 57,482    | 115.8%         | 12,976                       | 104.5%         |
| Products and Services        | 9,718                              | 119.0%         | 46,387  | 117.8%         | 46,021    | 119.9%         | 10,084                       | 109.9%         |
| Outsourcing                  | 2,926                              | 97.4%          | 11,427  | 99.4%          | 11,461    | 101.8%         | 2,892                        | 89.1%          |

### Highlights of Orders and Order Backlogs

#### ● Highlights in System Construction

##### - Embedded/Control Software

The order backlog at the end of the term increased 11.8% year on year due to strong orders from auto-related sectors.

##### - Operation Software

The order backlog at the end of the term increased 21.3% year on year thanks to solid orders overall, mainly from the financial and manufacturing sectors, despite a decrease in orders from the distribution and services sectors due to the lack of large-scale projects in the previous fiscal year.

#### ● Highlights in Products and Services

##### - Products and Services

Orders from sales of other companies' products were solid. However, due to the conversion of large-scale projects into sales, the order backlog at the end of the term increased only 9.9% year on year.

##### - Outsourcing

The order backlog at the end of the term declined 10.9% year on year mainly due to a decrease in orders from the distribution and services sectors and a drop in the number of ongoing projects.



\* 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.