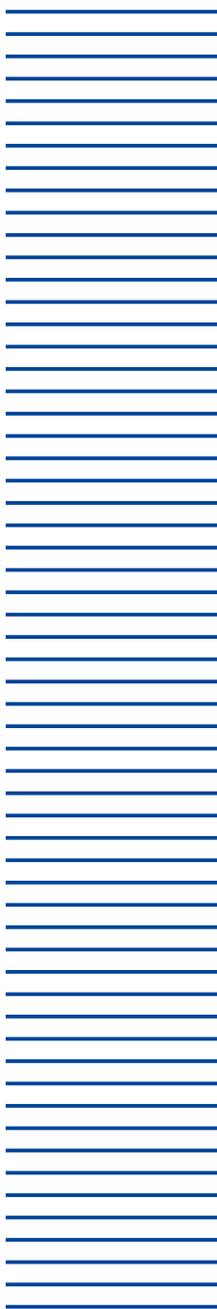




Results of Operations for the First Three Quarters of FY2018

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FUJI SOFT INCORPORATED





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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 3Q results	FY2018 3Q results	YoY change (Amount)	YoY change (%)	FY2018 3Q plan	Comparison with the plan
Net sales	134,809	152,783	+17,973	113.3%	139,200	109.8%
Operating income	6,785	8,660	+1,875	127.6%	6,940	124.8%
Operating income margin	5.0%	5.7%			5.0%	
Ordinary income	7,133	9,315	+2,181	130.6%	7,330	127.1%
Ordinary income margin	5.3%	6.1%			5.3%	
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%	



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 2Q results	YoY change (Amount)	YoY change (%)	FY2018 Q3 results	YoY change (Amount)	YoY change (%)
Net sales	100,688	+10,575	111.7%	52,095	+7,398	116.6%
Cost of sales	76,960	+7,441	110.7%	40,153	+5,857	117.1%
Cost of sales margin	76.4%			77.1%		
Gross profit	23,727	+3,134	115.2%	11,941	+1,540	114.8%
SG&A expenses	18,445	+2,039	112.4%	8,563	+760	109.7%
Operating income	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	
FUJI SOFT INCORPORATED	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%	
CYBERNET SYSTEMS Co., Ltd.	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%	
VINX CORP.	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%	
CYBER COM Co., Ltd.	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%	
FUJI SOFT SERVICE BUREAU INCORPORATED	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 (Amount)	YoY change (%)	FY2018 Operating income		YoY change (Amount)	YoY change (%)
	3Q results	Component ratio			3Q results	Operating income margin		
Consolidated total	152,783	100.0%	+17,973	113.3%	8,660	5.7%	+1,875	127.6%
SI Business	141,836	92.8%	+16,935	113.6%	7,386	5.2%	+1,812	132.5%
System Construction	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%
Products and Services	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%
Facility Business	2,167	1.4%	+153	107.6%	792	36.6%	-46	94.5%
Other Businesses	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 3Q Results	FY2018 3Q Results	YoY change (Amount)	YoY change (%)	FY2018 3Q Plan	Comparison 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 FY2017	End of Q3 of FY2018	Change (Amount)	End of Q3 of FY2017 (Reference)
Current assets	72,457	75,956	3,499 (1)	69,392
Cash and deposits	18,851	20,135	1,284	17,817
Notes and accounts receivable - trade	40,288	41,979	1,691	38,615
Short-term investment 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
Non-current assets	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
Total assets	174,568	194,547	19,978	167,520
Current liabilities	39,197	57,740	18,542 (3)	37,671
Notes and accounts payable - 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 for bonuses	7,751	10,351	2,600	9,276
Income taxes payable	2,102	2,418	315	2,290
Provision for loss on construction contracts	173	100	-72	94
Other	10,728	9,528	-1,200	9,024
Non-current liabilities	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
Total liabilities	56,156	73,403	17,246	53,495
Total net assets	118,411	121,143	2,732	114,025
Total liabilities and net assets	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 3Q results	FY2018 3Q results	YoY change (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 (%)
SI Business Total	40,094	114.6%	145,657	113.1%	141,836	113.6%	43,915	113.1%
System Construction	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%
Products and Services	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.