



Results of Operations for the First Quarter of FY2019

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FUJI SOFT INCORPORATED



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1. Consolidated Financial Highlights (Jan-Mar)

Net sales rose due to strong performance in System Construction and sales of products of group companies.

- ◇ Consolidated net sales rose 11.6% year on year, to 55,213 million yen, thanks to the strong performance in System Construction, especially sales of automotive embedded/control systems, machine control systems including factory automation, and operation systems for the financial sector, manufacturing sector, and internet-related business. It is also attributed to the strong performance of license sales and sales of products of group companies.

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

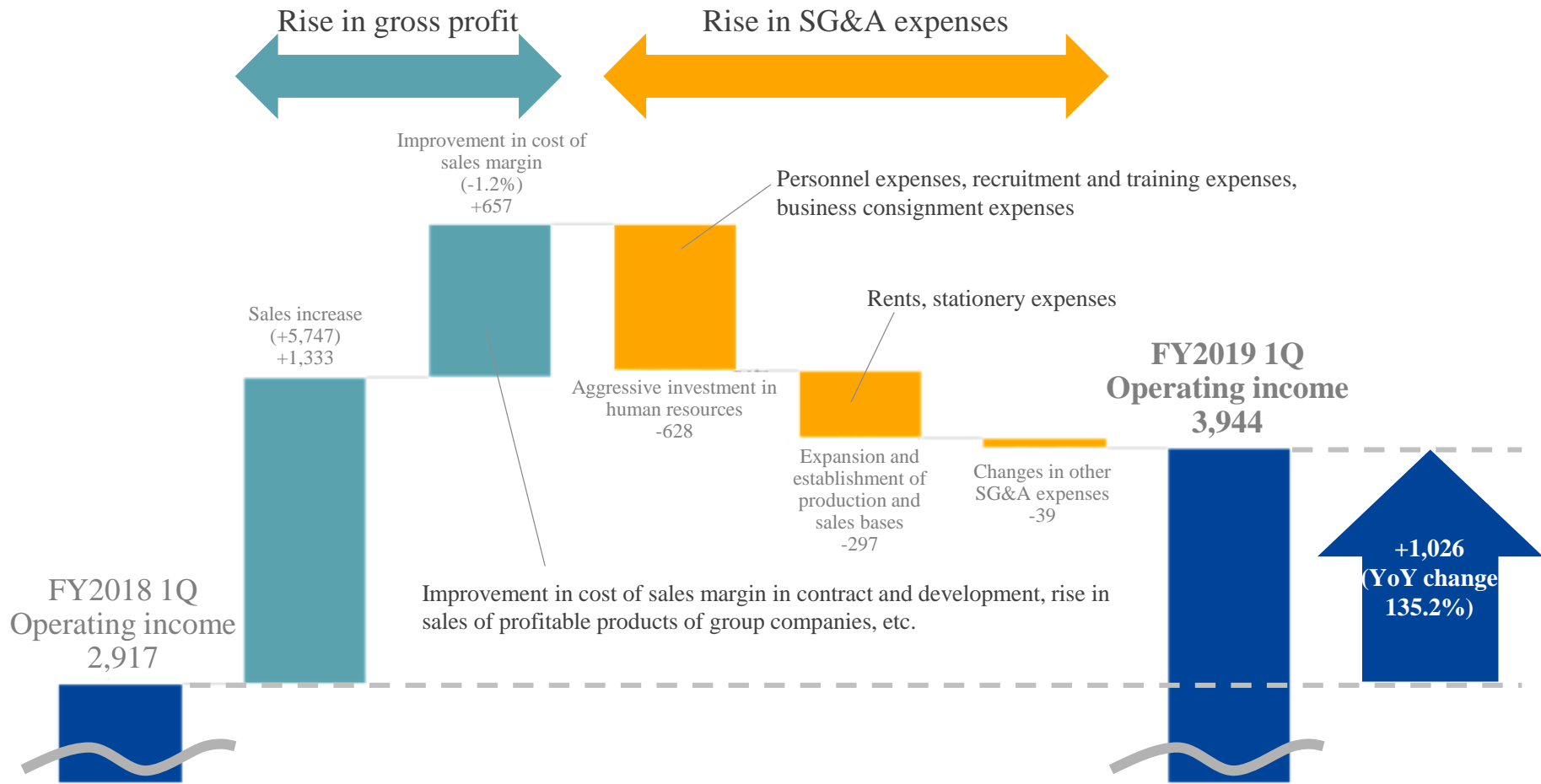
- ◇ Operating income rose 35.2% year on year, to 3,944 million yen, reflecting the rise in sales and an improvement in the cost rate.
- ◇ Ordinary income increased 32.1% year on year, to 3,995 million yen, due to the rise in operating income.
- ◇ Profit attributable to owners of parent stood at 2,257 million yen, up 27.7% year on year.

(Million yen)

	FY2018 1Q Results	FY2019 1Q Results	YoY change (Amount)	YoY change (%)	FY2019 1Q Plan	Comparison with the plan
Net sales	49,466	55,213	+5,747	111.6%	50,750	108.8%
Operating income	2,917	3,944	+1,026	135.2%	2,950	133.7%
Operating income margin	5.9%	7.1%			5.8%	
Ordinary income	3,024	3,995	+971	132.1%	3,080	129.7%
Ordinary income margin	6.1%	7.2%			6.1%	
Profit attributable to owners of parent	1,768	2,257	+489	127.7%	1,795	125.8%
Profit margin attributable to owners of parent	3.6%	4.1%			3.5%	



Trends in Consolidated Operating Income





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

(Million yen)

	FY2019	Net sales	Operating income	
FUJI SOFT INCORPORATED	1Q Results	35,642	2,081	Consolidated net sales increased, thanks to the strong performance in System Construction, especially sales of automotive embedded/control systems, machine control systems including factory automation, and operation systems for the financial sector, manufacturing sector, and internet-related business. Operating income rose thanks to the rise in sales and an improvement in the cost of sales margin in contract and development.
	YoY change (amount)	+4,048	+258	
	YoY change (%)	112.8%	114.2%	
CYBERNET SYSTEMS Co., Ltd.	1Q Results	5,140	664	Sales increased, given strong sales in both CAE solution services and IT solution services in Japan, as well as the solid performance of development subsidiaries in the United States and sales subsidiaries in Asia. Operating income rose due to higher sales.
	YoY change (amount)	+527	+483	
	YoY change (%)	111.4%	366.9%	
VINX CORP.	1Q Results	6,778	643	Sales increased thanks to an increase in temporary projects for responding to the consumption tax hike and the expansion of sales from existing customers. Operating income rose due to higher sales and an improvement in the cost rate.
	YoY change (amount)	+669	+232	
	YoY change (%)	111.0%	156.6%	
CYBER COM Co., Ltd.	1Q Results	3,338	265	Sales increased thanks to the strong performance in software development, including control software projects such as those for in-vehicle systems and semiconductor manufacturing equipment and operation software projects for life insurance systems and medical systems. Operating income rose thanks to increased sales and improved costs, reflecting higher productivity.
	YoY change (amount)	+406	+26	
	YoY change (%)	113.9%	111.0%	
FUJI SOFT SERVICE BUREAU INCORPORATED	1Q Results	3,204	134	Net sales increased as sales remained firm 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 rose because higher sales and cost reductions absorbed an increase in personnel expenses for a systematic increase and a rise in SG&A expenses that is attributed in part to infrastructure construction.
	YoY change (amount)	+469	+52	
	YoY change (%)	117.2%	164.6%	

* Results from January to March, 2019 are stated in the FY2019 1Q results column.



3. Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2019 Net sales		YoY change (Amount)	YoY change (%)	FY2019 Operating income		YoY change (Amount)	YoY change (%)
	1Q Results	Component ratio			1Q Results	Operating income margin		
Consolidated total	55,213	100.0%	+5,747	111.6%	3,944	7.1%	+1,026	135.2%
SI Business	50,953	92.3%	+5,384	111.8%	3,417	6.7%	+913	136.5%
System Construction	32,629	59.1%	+4,708	116.9%	2,122	6.5%	+486	129.8%
Embedded/Control Software	15,857	28.7%	+1,432	109.9%	1,076	6.8%	+127	113.4%
Operation Software	16,771	30.4%	+3,276	124.3%	1,045	6.2%	+359	152.3%
Products and Services	18,323	33.2%	+675	103.8%	1,295	7.1%	+427	149.2%
Products and Services	14,752	26.7%	+985	107.2%	991	6.7%	+347	154.1%
Outsourcing	3,571	6.5%	-309	92.0%	304	8.5%	+79	135.2%
Facility Business	739	1.3%	-10	98.7%	322	43.6%	+96	142.7%
Other Businesses	3,520	6.4%	+372	111.8%	203	5.8%	+16	108.7%

Highlights of Sales by Segment

● Embedded/Control Software

Sales increased 9.9% year on year, mainly due to the continued strength in the performance of auto-related system construction and machine control systems including factory automation. Operating income increased 13.4% year on year due to higher sales and the improved cost rate.

● Operation Software

Sales increased 24.3% year on year thanks to solid sales, mainly to the financial sector, manufacturing sector, and internet-related business. Operating income rose 52.3% year on year, mainly reflecting higher sales as well as improved rates of cost of sales from the financial sector and cost of sales of group companies from the distribution and service sectors.

● Products and Services

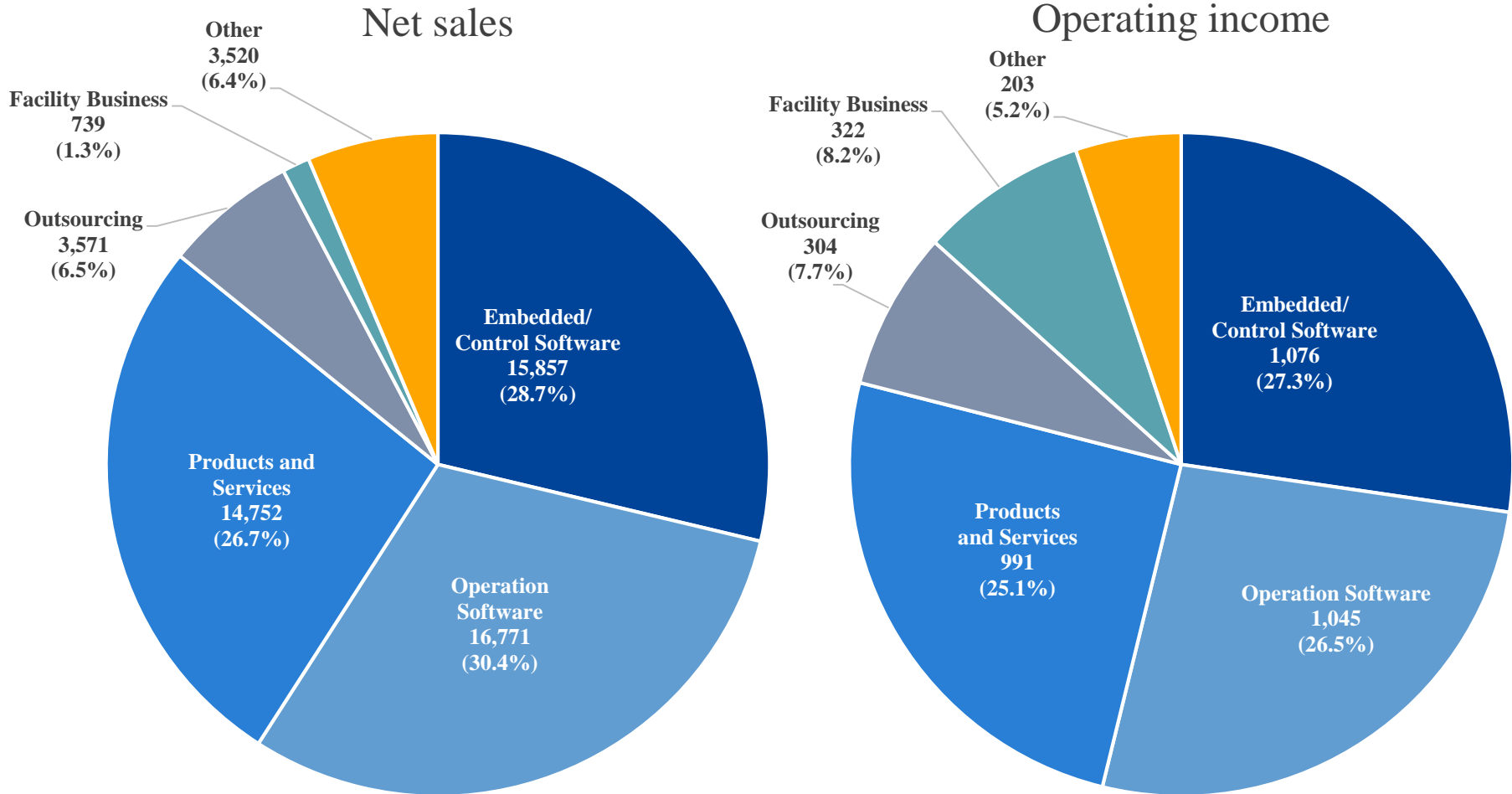
Sales increased 7.2% year on year due to the strong performance of license sales and sales of products of group companies. Operating income rose 54.1% year on year thanks to higher sales and a rise in sales of profitable products of group companies.

● Outsourcing

Sales declined 8.0% year on year due to a fall in transactions of group companies in the distribution and service sectors. Operating income increased 35.2% year on year thanks to an increase in the ratio of profitable operation and maintenance projects for the distribution and service sectors at group companies.



Consolidated Sales/Operating Income by Segment





4. Consolidated Income Statement

(Million yen)

	FY2018	FY2019	YoY change (Amount)	YoY change (%)	FY2019	
	1Q Results	1Q Results			1Q Plan	Comparison with the plan
Net sales	49,466	55,213	+5,747	111.6%	50,750	108.8%
Cost of sales	37,990	41,746	+3,756	109.9%	—	—
Cost of sales margin	76.8%	75.6%	(1)			
Gross profit	11,476	13,467	+1,990	117.3%	—	—
Gross profit margin	23.2%	24.4%				
SG&A expenses	8,558	9,522	+964 (2)	111.3%	—	—
SG&A expense ratio	17.3%	17.2%				
Operating income	2,917	3,944	+1,026	135.2%	2,950	133.7%
Operating income margin	5.9%	7.1%			5.8%	
Non-operating income	115	88	-26	76.9%	—	—
Non-operating expenses	150	64	-86	42.9%	—	—
Share of (profit) loss of entities accounted for using equity method	142	27	-114	19.4%	—	—
Ordinary income	3,024	3,995	+971	132.1%	3,080	129.7%
Ordinary income margin	6.1%	7.2%			6.1%	
Extraordinary income	—	—	—	—	—	—
Extraordinary losses	18	17	-0	97.4%	—	—
Income before income taxes	3,005	3,977	+972	132.3%	—	—
Total income taxes	876	1,185	+308	135.2%	—	—
Net income	2,129	2,792	+663	131.1%	—	—
Profit attributable to non- controlling interests	361	534	+173	148.1%	—	—
Profit attributable to owners of parent	1,768	2,257	+489	127.7%	1,795	125.8%
Profit margin attributable to owners of parent	3.6%	4.1%			3.5%	

Points of Income Statement

(1) Cost of sales (75.6%)

An improvement attributed to the improved cost of sales margin in contract and development, which reflects productivity improvement, as well as a rise in sales of profitable products of group companies.

(2) SG&A expenses (+964 million yen)

Partly reflects an increase in expenses associated with a systematic increase in the sales workforce and the establishment of bases, which are aimed at responding actively to the booming market.



5. Consolidated Balance Sheet

(Million yen)

	End of FY2018	End of 1Q of FY2019	Change (Amount)	End of 1Q of FY2018 (Reference)
Current assets	77,315	84,117	6,801 (1)	72,885
Cash and deposits	22,554	23,736	1,182	18,104
Notes and accounts receivable – trade	44,456	48,711	4,255	44,220
Securities	4,000	5,000	1,000	4,500
Inventories	3,354	4,059	704	3,557
Other	2,950	2,610	-340	2,503
Non-current assets	115,310	116,045	734	120,955
Property, plant and equipment	82,356	82,056	-299	82,590
Intangible assets	4,738	4,836	97	6,971
Investments and other assets	28,214	29,152	937	31,392
Total assets	192,625	200,162	7,536	193,840
Current liabilities	49,428	46,604	-2,823	59,729
Accounts and notes payable - trade	9,526	13,296	3,769	11,938
Short-term loans payable	16,207	6,798	-9,409	26,641
Commercial papers	–	3,000	3,000	–
Accrued expenses / provision for bonus	9,155	11,232	2,077	9,996
Income taxes payable	2,492	1,921	-570 (2)	1,743
Provision for loss on construction contracts	252	242	-10	194
Other	11,793	10,112	-1,681	9,214
Non-current liabilities	23,526	31,791	8,264	14,871
Long-term loans payable	13,319	22,217	8,897	4,069
Other	10,207	9,573	-633	10,801
Total liabilities	72,955	78,395	5,440	74,600
Total net assets	119,670	121,767	2,096	119,240
Total liabilities and net assets	192,625	200,162	7,536	193,840

Points of the Balance Sheet

(1) Current assets (+6,801 million yen)

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

(2) Current liabilities (-2,823 million yen)

Non-current liabilities (+8,264 million yen)

Review of the balance between long- and short-term funds based on the purpose of procurement.



6. Consolidated Cash Flow Statement

(Million yen)

	FY2018 1Q Results	FY2019 1Q Results	YoY change (Amount)
Cash flows from operating activities	623	2,232	+1,609
Cash flows from investing activities	-18,931	-1,545	+17,385
Cash flows from financing activities	17,304	1,695	-15,608
Effect of exchange rate change on cash and cash equivalents	-89	-21	
Net increase (decrease) in cash and cash equivalents	-1,092	2,362	
Cash and cash equivalents at beginning of period	22,157	24,587	
Cash and cash equivalents at end of period	21,064	26,950	

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 2,232 million yen, with a year-on-year increase of 1,609 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 1,545 million yen due to investments related to FUJI SOFT products and facilities. The figure for the same period of the previous fiscal year was 18,931 million yen, mainly due to the purchase of land and buildings to secure office space.

- [Cash flows from financing activities](#)

Net cash provided by financing activities was 1,695 million yen due to loans payable. The figure for the same period of the previous fiscal year was 17,304 million yen, reflecting loans payable associated with the purchase of land and buildings.



7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	Order backlog at beginning of term	YoY change (%)	FY2019 1Q results			YoY change (%)	Order backlog at end of term	YoY change (%)
			Orders	YoY change (%)	Net sales			
SI Business total	44,627	111.3%	55,372	115.0%	50,953	111.8%	49,046	114.9%
System Construction	31,330	114.1%	34,114	123.1%	32,629	116.9%	32,815	120.5%
Embedded Control Software	12,759	111.6%	16,456	113.7%	15,857	109.9%	13,357	116.3%
Operation Software	18,570	116.0%	17,658	133.4%	16,771	124.3%	19,457	123.5%
Products and Services	13,297	105.2%	21,257	104.0%	18,323	103.8%	16,231	105.2%
Products and Services	10,795	111.1%	17,475	105.7%	14,752	107.2%	13,519	108.3%
Outsourcing	2,501	85.5%	3,781	97.0%	3,571	92.0%	2,712	92.1%

Highlights of Orders and Order Backlogs

• Highlights in System Construction

- Embedded/Control Software
The order backlog at the end of the term increased 16.3% year on year due to strong orders for machine control systems including factory automation, as well as strong orders from auto-related sectors.
- Operation Software
The order backlog at the end of the term increased 23.5% year on year thanks mainly to solid orders from the distribution and service sectors at group companies, as well as strong orders from the manufacturing sector and internet-related business.

• Highlights in Products and Services

- Products and Services
The order backlog at the end of the term increased 8.3% year on year thanks to firm orders for license sales.
- Outsourcing
The order backlog at the end of the term declined 7.9% year on year, mainly due to a decrease in group companies' transactions in the distribution and service sectors and a drop in the number of ongoing projects.



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