



Results of Operations for the First Half of FY2019

August 8, 2019
FUJI SOFT INCORPORATED





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1. Consolidated Financial Highlights-1 (1H Results Jan-Jun)

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

- ◇ Consolidated net sales rose 12.8% year on year, to 113,556 million yen, thanks to the strong performance in System Construction, particularly sales of automotive embedded/control systems, machine control systems including factory automation, and social infrastructure and operation systems for the distribution and service sectors, the manufacturing sector, internet service providers and non-banks. It is also attributed to the strong performance of license sales, sales of products of group companies and the strong performance of BPO and call center services.

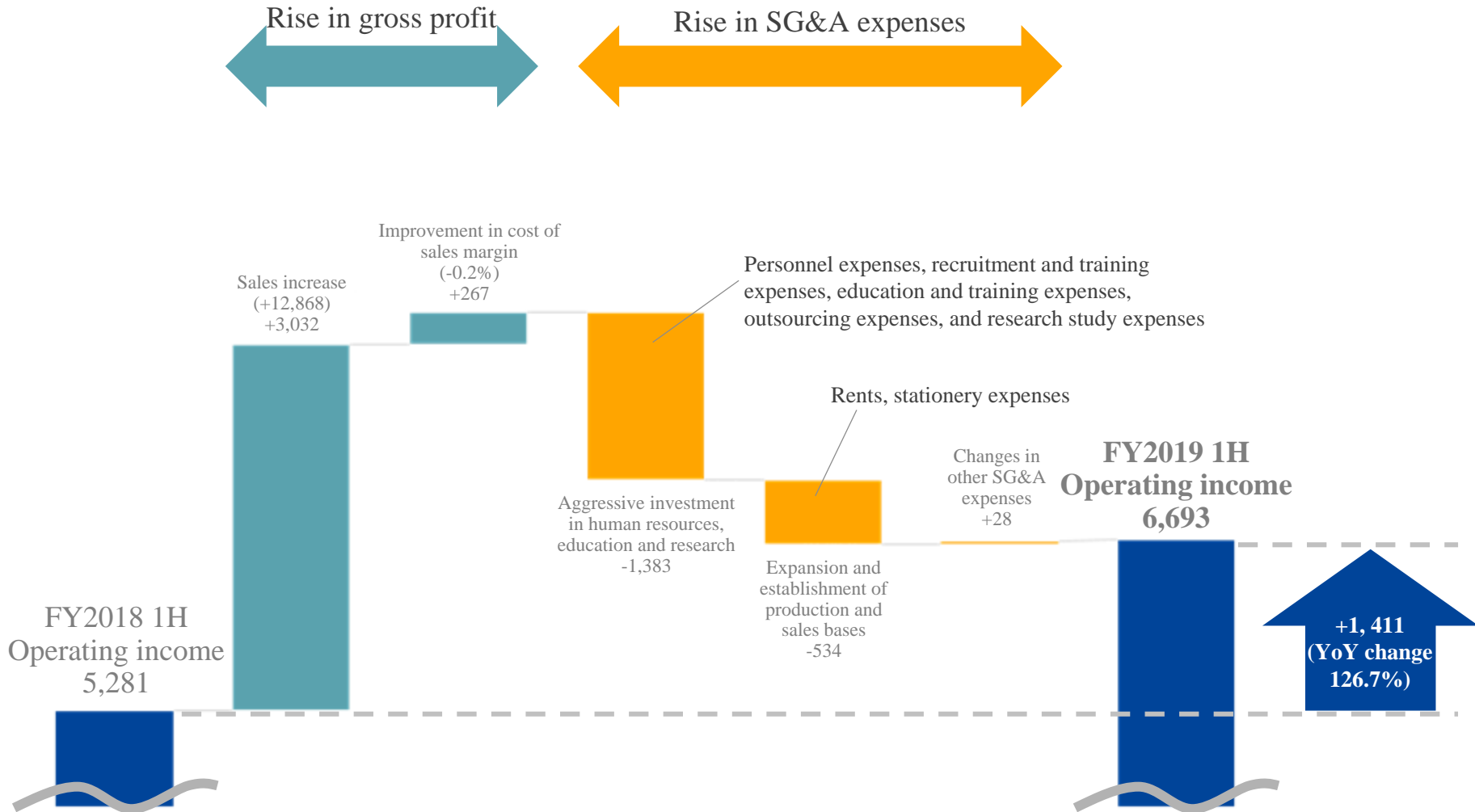
Operating income rose due to higher sales.

- ◇ Operating income rose 26.7% year on year, to 6,693 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 19.5% year on year, to 6,825 million yen, despite a fall in the share of profit of entities accounted for using the equity method and foreign exchange losses due to the appreciation of the yen.
- ◇ Profit attributable to owners of parent stood at 3,736 million yen, up 12.6% year on year.

	FY2018	FY2019	YoY change	YoY change	FY2019	
	1H Results	1H Results	(Amount)	(%)	1H Plan	Comparison with the plan
Net sales	100,688	113,556	+12,868	112.8%	103,650	109.6%
Operating income	5,281	6,693	+1,411	126.7%	5,350	125.1%
Operating income margin	5.2%	5.9%			5.2%	
Ordinary income	5,712	6,825	+1,112	119.5%	5,600	121.9%
Ordinary income margin	5.7%	6.0%			5.4%	
Profit attributable to owners of parent	3,317	3,736	+418	112.6%	3,150	118.6%
Profit margin attributable to owners of parent	3.3%	3.3%			3.0%	

(Million yen)

Trends in Consolidated Operating Income (Jan-Jun)





1. Consolidated Financial Highlights-2 (2Q Results Apr-Jun)

Net sales rose 13.9% year on year.

The cost of sales margin improved to 76.8%.

◇ The cost of sales margin increased year on year, due in part to the securing of human resources to respond flexibly to changes in demand trends.

SG&A expenses increased 924 million yen year on year.

◇ SG&A expenses increased 924 million yen year on year, to 10,811 million yen, due to investments in human resources for recruitment and education and active upfront investments in the establishment of bases and research and study, etc.

◇ As a result of the above, operating income increased 16.3% year on year.

(Million yen)

	FY2019 1Q Results	YoY change (Amount)	YoY change (%)	FY2019 2Q Results	YoY change (Amount)	YoY change (%)
Net sales	55,213	+5,747	111.6%	58,342	+7,120	113.9%
Cost of sales	41,746	+3,756	109.9%	44,782	+5,811	114.9%
Cost of sales margin	75.6%			76.8%		
Gross profit	13,467	+1,990	117.3%	13,559	+1,309	110.7%
SG&A expenses	9,522	+964	111.3%	10,811	+924	109.3%
Operating income	3,944	+1,026	135.2%	2,748	+385	116.3%
Operating income margin	7.1%			4.7%		



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

(Million yen)

	FY2019	Net sales	Operating income	
FUJI SOFT INCORPORATED	1H Results	72,440	3,114	Consolidated net sales rose thanks to the strong performance in System Construction, especially sales of automotive embedded/control systems, machine control systems including factory automation, social infrastructure systems, and operation systems for the manufacturing sector, online businesses and non-banks. It is also attributed to the strong performance of license sales. Operating income increased, reflecting the rise of sales.
	YoY change (amount)	+8,563	+303	
	YoY change (%)	113.4%	110.8%	
CYBERNET SYSTEMS Co., Ltd.	1H Results	11,798	1,624	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)	+1,050	+576	
	YoY change (%)	109.8%	155.0%	
VINX CORP.	1H Results	14,264	961	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)	+1,816	+277	
	YoY change (%)	114.6%	140.5%	
CYBER COM Co., Ltd.	1H Results	6,810	334	Sales increased thanks to the strong performance in software development, including operation software projects for life insurance systems and the public sector, as well as system construction projects in the service business. It is also attributed to the strong performance of in-vehicle systems such as ADAS (advanced driver assistance system) and control software projects for semiconductor manufacturing equipment. Operating income increased due to the rise in sales and the improved cost of sales margin.
	YoY change (amount)	+990	+87	
	YoY change (%)	117.0%	135.6%	
FUJI SOFT SERVICE BUREAU INCORPORATED	1H Results	6,108	402	Net sales increased as BPO services for public offices and local governments remained firm, in addition to the strong performance of ongoing projects for private corporations. Operating income rose because higher sales and cost reductions absorbed an increase in SG&A expenses that is attributed in part to infrastructure construction.
	YoY change (amount)	+834	+125	
	YoY change (%)	115.8%	145.0%	

* Results from January to June, 2019 are stated in the FY2019 1H 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 (%)
	1H Results	Component ratio			1H Results	Operating income margin		
Consolidated total	113,556	100.0%	+12,868	112.8%	6,693	5.9%	+1,411	126.7%
SI Business	105,367	92.8%	+12,066	112.9%	5,539	5.3%	+1,157	126.4%
System Construction	64,778	57.0%	+9,771	117.8%	3,037	4.7%	+811	136.4%
Embedded/Control Software	31,723	27.9%	+2,951	110.3%	1,719	5.4%	+266	118.4%
Operation Software	33,055	29.1%	+6,820	126.0%	1,318	4.0%	+544	170.4%
Products and Services	40,589	35.7%	+2,294	106.0%	2,502	6.2%	+346	116.1%
Products and Services	33,335	29.4%	+2,780	109.1%	2,067	6.2%	+410	124.8%
Outsourcing	7,253	6.4%	-485	93.7%	435	6.0%	-64	87.1%
Facility Business	1,459	1.3%	-36	97.6%	632	43.3%	+96	118.0%
Other Businesses	6,728	5.9%	+838	114.2%	520	7.7%	+157	143.3%

Highlights of Sales by Segment

● Embedded/Control Software

Sales increased 10.3% year on year, mainly due to the continued strength in the performance of auto-related system construction, machine control systems including factory automation, and social infrastructure systems. Operating income increased 18.4% year on year due to higher sales and the improved cost rate.

● Operation Software

Sales increased 26.0% year on year thanks to solid sales mainly to the manufacturing sector, online businesses and non-banks, as well as to the distribution and service sectors at group companies. Operating income rose 70.4% year on year, mainly reflecting higher sales.

● Products and Services

Sales increased 9.1% year on year due to the strong performance of license sales. Operating income rose 24.8% year on year thanks to higher sales.

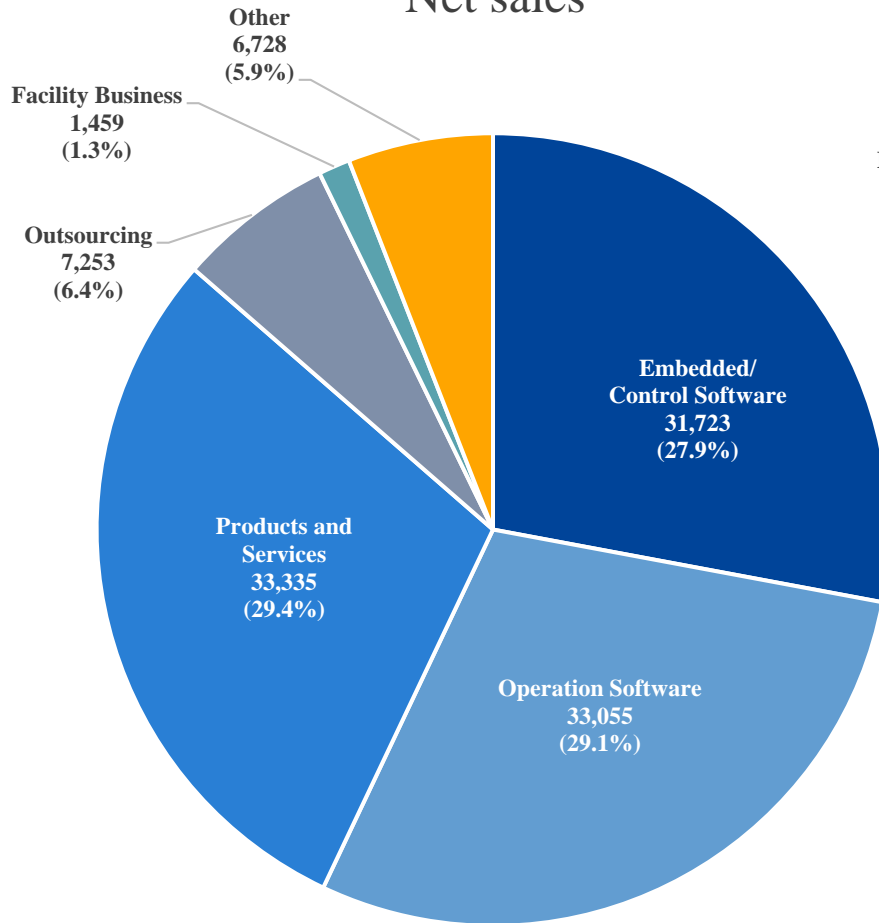
● Outsourcing

Sales declined 6.3% year on year due to a fall in transactions of group companies in the distribution and service sectors. Operating income declined 12.9% year on year due to the fall in sales.

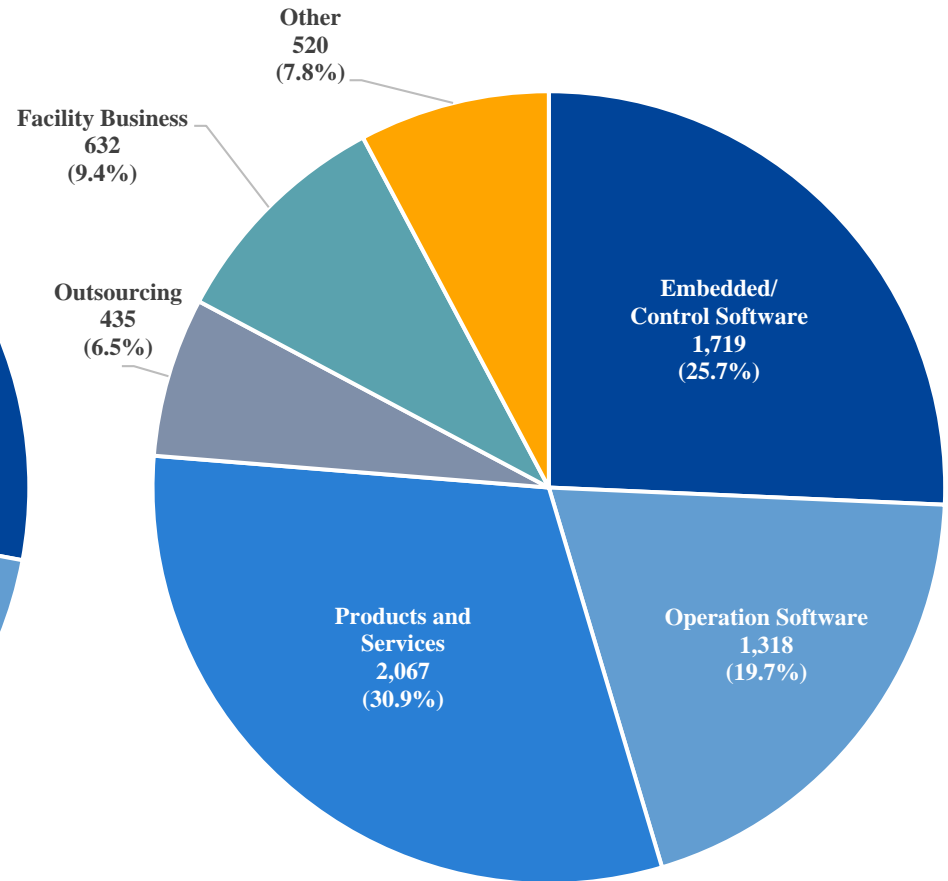


Consolidated Sales/Operating Income by Segment (Jan-Jun)

Net sales



Operating income





4. Consolidated Income Statement

(Million yen)

	FY2018	FY2019	YoY change (Amount)	YoY change (%)	FY2019	
	1H Results	1H Results			1H Plan	Comparison with the plan
Net sales	100,688	113,556	+12,868	112.8%	103,650	109.6%
Cost of sales	76,960	86,529	+9,568	112.4%	—	—
Cost of sales margin	76.4%	76.2%	(1)			
Gross profit	23,727	27,027	+3,299	113.9%	—	—
Gross profit margin	23.6%	23.8%				
SG&A expenses	18,445	20,334	+1,888 (2)	110.2%	—	—
SG&A expense ratio	18.3%	17.9%				
Operating income	5,281	6,693	+1,411	126.7%	5,350	125.1%
Operating income margin	5.2%	5.9%			5.2%	
Non-operating income	279	268	-10	96.1%	—	—
Non-operating expenses	52	196	+143	—	—	—
Share of (profit) loss of entities accounted for using equity method	204	60	-144	29.4%	—	—
Ordinary income	5,712	6,825	+1,112	119.5%	5,600	121.9%
Ordinary income margin	5.7%	6.0%			5.4%	
Extraordinary income	494	86	-407	17.6%	—	—
Extraordinary losses	243	83	-160	34.2%	—	—
Income before income taxes	5,963	6,829	+865	114.5%	—	—
Total income taxes	1,722	2,019	+297	117.3%	—	—
Net income	4,241	4,809	+568	113.4%	—	—
Profit attributable to non- controlling interests	923	1072	+149	116.2%	—	—
Profit attributable to owners of parent	3,317	3,736	+418	112.6%	3,150	118.6%
Profit margin attributable to owners of parent	3.3%	3.3%			3.0%	

Points of Income Statement

(1) Cost of sales margin (76.2%)

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 (+1,888 million yen)

An increase in expenses due to investments in human resources for recruitment and education and active upfront investments in the establishment of bases and research and study, etc.



5. Consolidated Balance Sheet

(Million yen)

	End of FY2018	End of 1H of FY2019	Change (Amount)	End of 1H of FY2018 (Reference)
Current assets	77,315	84,274	+6,959 (1)	72,382
Cash and deposits	22,554	23,274	+720	18,703
Notes and accounts receivable – trade	44,456	45,851	+1,395	41,000
Securities	4,000	7,000	+3,000	5,000
Inventories	3,354	4,637	+1,283	4,086
Other	2,950	3,510	+559	3,591
Non-current assets	115,310	115,216	-94	121,322
Property, plant and equipment	82,356	81,872	-484	82,321
Intangible assets	4,738	4,599	-139	6,734
Investments and other assets	28,214	28,744	+529	32,266
Total assets	192,625	199,491	+6,865	193,704
Current liabilities	49,428	43,750	-5,678	56,677
Accounts and notes payable – trade	9,526	12,668	+3,141	10,761
Short-term loans payable	16,207	6,171	-10,035	16,782
Commercial papers	–	–	–	8,500
Accrued expenses / provision for bonus	9,155	10,019	+864 (2)	8,716
Income taxes payable	2,492	2,857	+365	2,079
Provision for loss on construction contracts	252	188	-64	120
Other	11,793	11,843	+50	9,716
Non-current liabilities	23,526	33,002	+9,476	15,485
Long-term loans payable	13,319	23,097	+9,777	4,054
Other	10,207	9,905	-301	11,431
Total liabilities	72,955	76,753	+3,798	72,163
Total net assets	119,670	122,737	+3,067	121,541
Total liabilities and net assets	192,625	199,491	+6,865	193,704

Points of the Balance Sheet

(1) Current assets (+6,959 million yen)

An increase in notes and accounts receivable - trade and inventories, reflecting the strong environment for orders, and an increase in certificates of deposit for the investment of short-term funds.

(2) Current liabilities (-5,678 million yen)

Non-current liabilities (+9,476 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 1H Results	FY2019 1H Results	YoY change (Amount)
Cash flows from operating activities	4,459	7,639	+3,180
Cash flows from investing activities	-22,216	-2,576	+19,640
Cash flows from financing activities	15,854	-1,116	-16,970
Effect of exchange rate change on cash and cash equivalents	-51	-90	
Net increase (decrease) in cash and cash equivalents	-1,954	3,856	
Cash and cash equivalents at beginning of period	22,157	24,587	
Cash and cash equivalents at end of period	20,202	28,444	

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 7,639 million yen, with a year-on-year increase of 3,180 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 2,576 million yen due to investments related to FUJI SOFT products and facilities. The figure for the same period of the previous fiscal year was 22,216 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 1,116 million yen due to the payment of dividends, etc. The figure for the same period of the previous fiscal year was 15,854 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 1H Results			YoY change (%)	Order backlog at end of term	YoY change (%)
			Orders	YoY change (%)	Net sales			
SI Business total	44,627	111.3%	113,274	116.7%	105,367	112.9%	52,534	119.7%
System Construction	31,330	114.1%	68,743	123.0%	64,778	117.8%	35,295	124.6%
Embedded Control Software	12,759	111.6%	32,716	112.5%	31,723	110.3%	13,753	117.0%
Operation Software	18,570	116.0%	36,027	134.4%	33,055	126.0%	21,542	129.9%
Products and Services	13,297	105.2%	44,530	108.1%	40,589	106.0%	17,238	110.8%
Products and Services	10,795	111.1%	36,737	109.4%	33,335	109.1%	14,197	111.5%
Outsourcing	2,501	85.5%	7,793	102.1%	7,253	93.7%	3,041	107.9%

Highlights of Orders and Order Backlogs

• Highlights in System Construction

- Embedded/Control Software
The order backlog at the end of the term increased 17.0% year on year due to strong orders for machine control systems including factory automation, and social infrastructure systems, and strong orders from the auto-related sectors.
- Operation Software
The order backlog at the end of the term increased 29.9% year on year thanks mainly to solid orders from online businesses, the manufacturing sector, and non-banks, as well as from the distribution and service sectors in group companies.

• Highlights in Products and Services

- Products and Services
The order backlog at the end of the term increased 11.5% year on year thanks to firm orders for license sales.
- Outsourcing
The order backlog at the end of the term increased 7.9% year on year, mainly due to strong orders for operation and maintenance projects, despite a decrease in group companies' transactions in the distribution and service sectors.



8. Dividends

In FY2019, both interim dividends and year-end dividends will be increased to 20 yen per share.

- While interim dividends were expected to be 19 yen per share, they will be increased to 20 yen per share, taking the financial results into full consideration.
- In addition, year-end dividends will be revised to 20 yen per share, while they were expected to be 19 yen per share.

■ Interim dividends

(Yen)

	At the end of the second quarter of FY2019	Most recent dividend forecast	Actual dividend in the previous fiscal year
Dividend per share	20.00 yen	19.00 yen	18.00 yen

■ Year-end dividends (revised forecast)

(Yen)

	At the end of the second quarter of FY2019	Most recent dividend forecast	Actual dividend in the previous fiscal year
Dividend per share	20.00 yen	19.00 yen	19.00 yen



Business Trends in the First Half



1. Initiatives in the First Half of FY2019

Points in Management	Results and Outcomes in the First Half of FY2019	
<ul style="list-style-type: none"> ■ Bold efforts for new technologies: AIS-CRM 	<p>High growth in the automotive area continues. Orders were received for projects using new technologies such as AI and IoT in a wide range of areas including embedded and operation software development.</p>	<p>PP. 15, 16</p>
<ul style="list-style-type: none"> ■ Promotion of the high value-added system integration business 	<p>The cost of sales margin improved thanks to orders for high value-added projects and efforts to improve productivity and reduce unprofitable projects.</p>	<p>PP. 17, 18</p>
<ul style="list-style-type: none"> ■ Strengthening of human resources and steady growth of the commissioned development business 	<p>The reinforcement of production capacity continued through aggressive recruitment activities, cooperation with partners and the development of young employees.</p>	<p>PP. 19</p>
<ul style="list-style-type: none"> ■ Aggressive promotion of the product business 	<p>Growth in Microsoft products and virtualization and cloud services and the enhancement of the Company's own products in areas with promising growth potential.</p>	<p>PP. 20, 21</p>
<ul style="list-style-type: none"> ■ Growth as the overall Group and aggressive global development 	<p>Group companies increased income and profits on the whole.</p>	

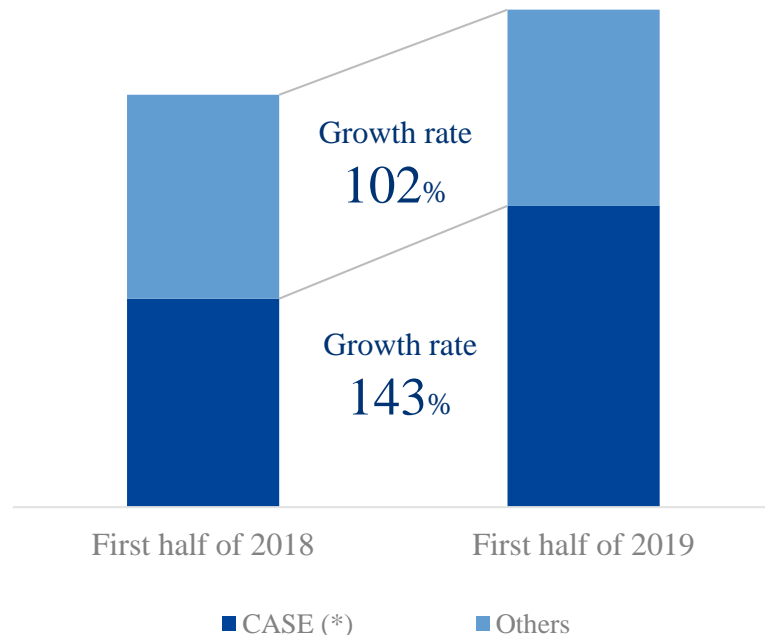
2. Automotive Software

Given that needs for in-vehicle software development continue to expand, the Group continues to strengthen its readiness.

High growth continues mainly in the areas of ADAS and automated driving.

- Growth rate of net sales in the first half (non-consolidated; based on aggregation by area)

Advanced areas such as ADAS drove growth.



* Domain of new automotive-related technologies and services (connected, autonomous, shared, electric)

Increase in automotive software engineers

- Automotive software engineers: Approx. **1,800** (June) (Increased by 200 persons from December 2018)
- Increase in the floor space of Kobe Office (March 2019)
- Opening of Fukuoka Third Office (July 2019)

Utilization and study of AI

- Development of autonomous running algorithm using GPU/AI platform
- Estimation of own vehicle position and creation of a highly accurate map
- Research and development of drive simulation technologies

AutomotiveSPICE

- Use all projects of **AutomotiveSPICE**.
- Satisfy both quality and costs and exert its impact in improving productivity.
- Make collective efforts as the Group to strengthen its readiness by figuring out and sharing the skills of engineers.

Initiatives for AUTOSAR

- Mass production of ECU adopting Julinar SPF (APTJ) commenced, and the integration service is gathering momentum.
- Boosting of price competitiveness through the improved efficiency of software development by using the international standard platform



3. AI

AI integration business

[Actual conditions in the introduction of AI]

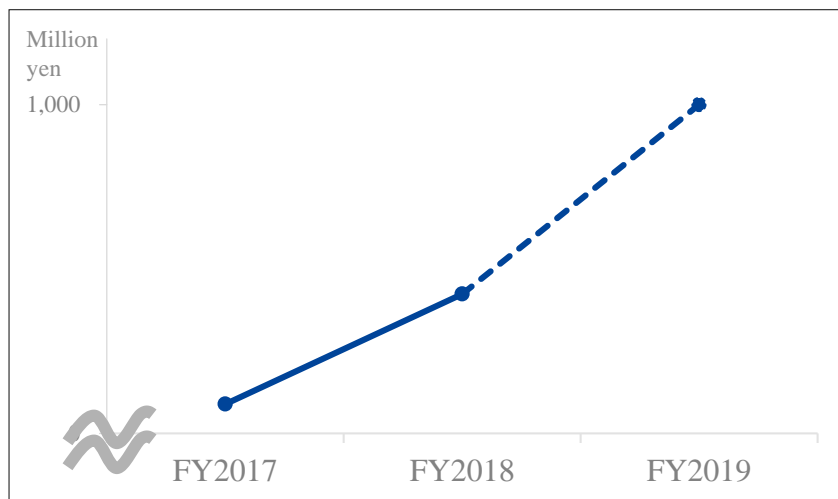
- The expansion of AI implementation is limited.
- The expansion of POC themes and the review of their handling
- Need for environmental improvement for AI implementation



[Expansion of AI integration business]

- Strengthening of AI consulting
- Continuous enhancement of human resources for AI integration
- Provision of introduction support service by providing an environment for AI implementation
 - Provision of a high-performance GPU server environment for learning
 - AI model selection support

Change in sales of AI-related business (non-consolidated)



[Topic]

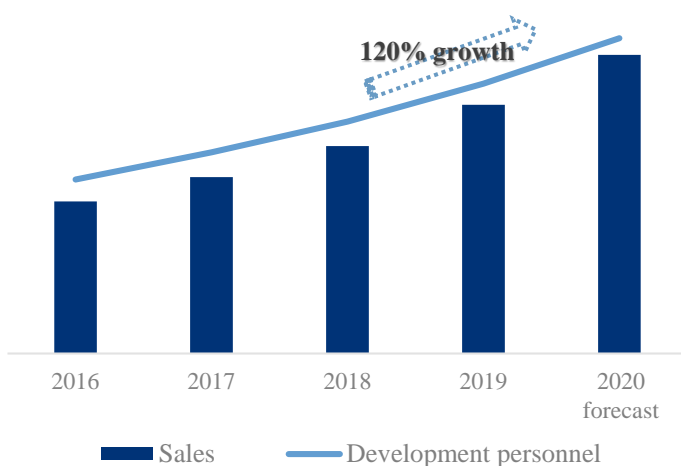
Commended by Japan Deep Learning Association (Business Acceleration Committee, **Process Standardization Sub-Committee**)

- Received the **Contribution Award** for the Group's contribution to the formulation of process standards by compiling opinions from the vendor side and the user side (July 2019).

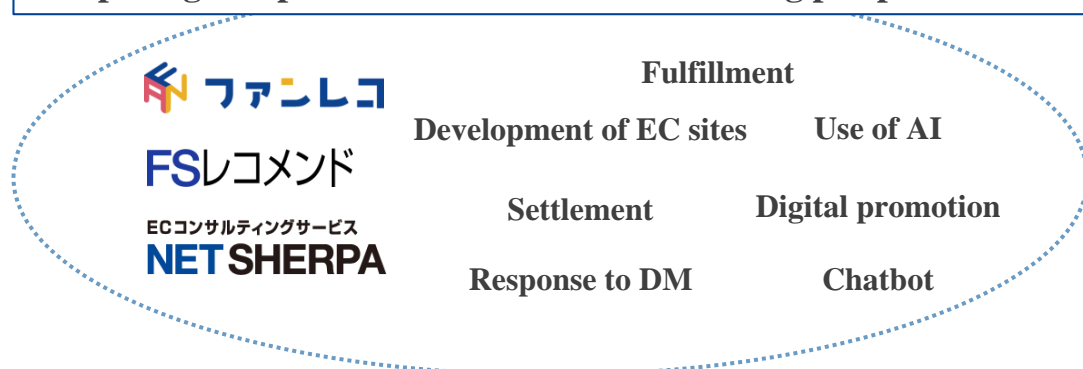
4. High Value-added SI Business

Expansion of projects for online businesses

- Promote the acceleration of the response to projects and the response to major topics and high value-added projects by accurately meeting needs that are becoming more sophisticated and complex associated with the development of the internet market.
 - In 2018, the EC market grew to about 18 trillion yen for BtoC and to about 344 trillion yen for BtoB, and it is still experiencing an expanding trend.
 - The development of EC sites has changed from simple product sales sites to more sophisticated development combining a range of services (recommendations, etc.).
 - Strengthened support for customers' business with an integrated response on a one-stop basis, including all domains from the super-upstream process to development, operation and maintenance as well as related operation services.
 - Commenced consulting services to realize customer needs in 2018 based on a strong track record of development and operation dating back more than 10 years.
 - Expanded the range of customers with a menu of consulting services (NET SHERPA).



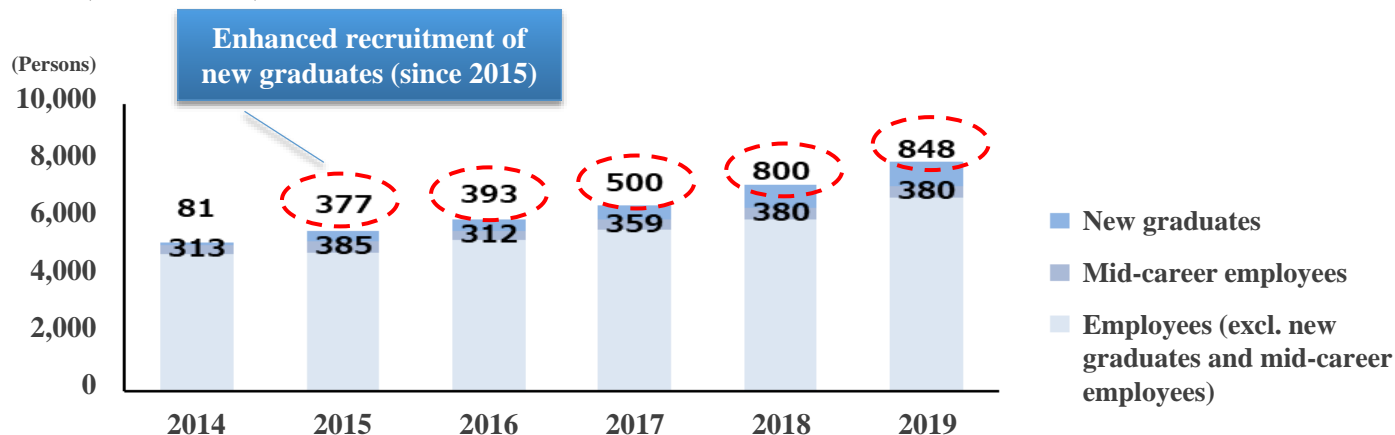
Proposing comprehensive EC services including peripheral ones



5. Productivity Improvement

Productivity (value added per hour) is still on an improvement trend even after the active recruitment of new graduates started

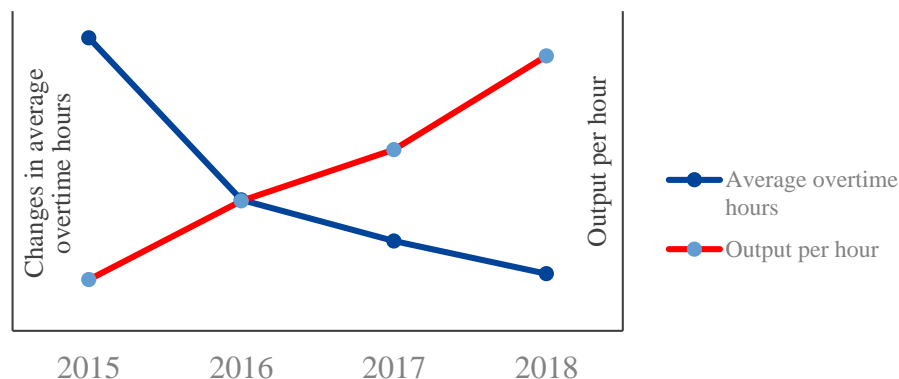
[Recruitment of new graduates (consolidated)]



[Initiatives for productivity improvement]

- Productivity improvement through flexible labor management and the use of IT
 - “Ultra-flex system”
 - Flexible time system without the core time
 - Flexible paid leave system (in 30-minute slots)
 - Refresh time (in 10 minute-slots)/outing for non-business reasons
 - Achieved telework by distributing mobile terminals to all employees
- Streamlining of development process/optimization of skills structure
 - Streamlining by the active utilization of package/OSS/services
 - Building of an engineers’ structure according to the technical fields of AIS-CRM
 - Quality improvement through the early detection of bugs using tools
 - Expanded applications of the agile software development method

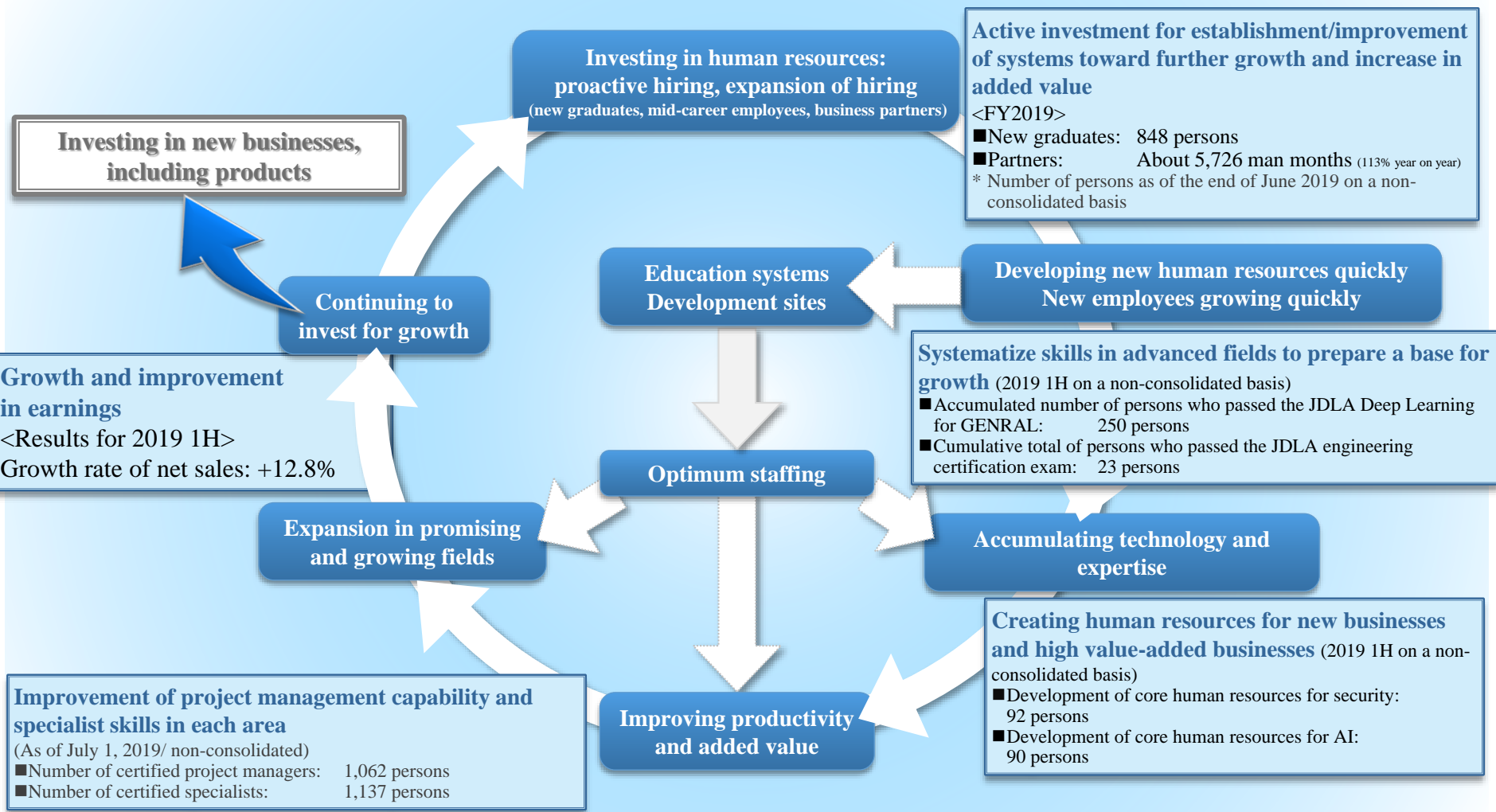
[Changes in average overtime hours and output per hour]





6. Strengthening of Human Resources and Contract and Development Business

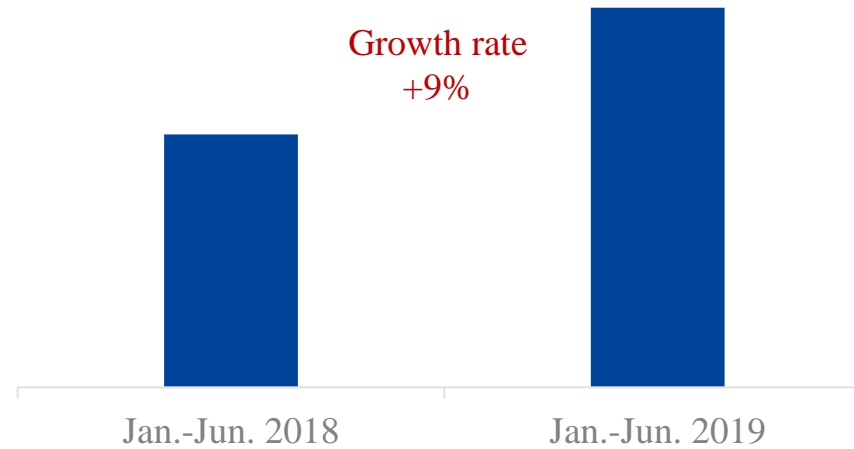
Expanding the cycle for business expansion through the strengthening of human resources





7. Trends in Products and Services (Sales)

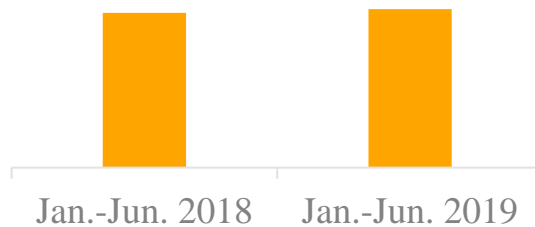
Sales in Products and Services



Breakdown of sales in Products and Services

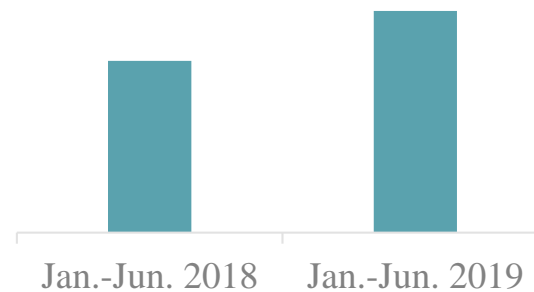
Sales of FUJI SOFT products

+2%



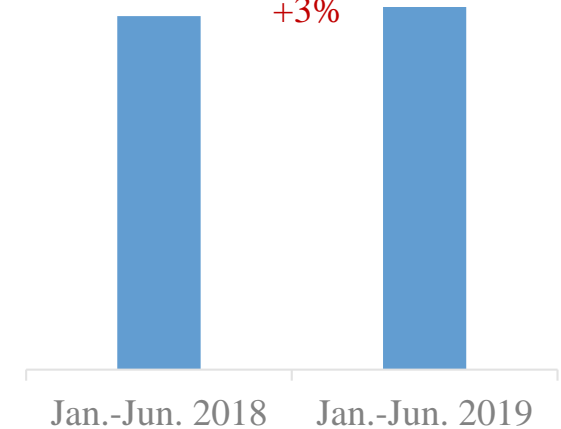
Sales in the licensing business

+29%



Product sales etc.

+3%

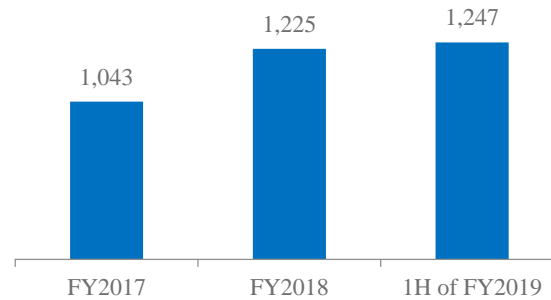


8. Trends of Priority Products

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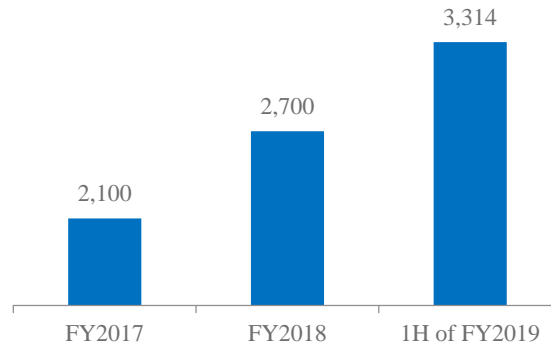
Change in the number of installations



Current situation

Number of units introduced at facilities and financial institutions
1,247 units (cumulative total)

moreNOTE®

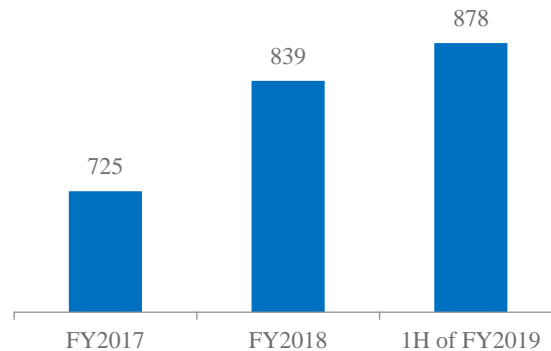


Number of companies that have introduced the file management and sharing service for mobile content

About 3,314 companies
 (cumulative total)

* Total number of companies that introduced moreNOTE and SYNCNEL

みらいスクールステーション®



Number of schools that have introduced Mirai School Station
878 (cumulative total)



* 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.