



Results of Operations

for the First Three Quarters of FY2019

November 7, 2019

FUJI SOFT INCORPORATED





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1. Consolidated Financial Highlights-1 (3Q Results Jan-Sep)

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

- ◇ Consolidated net sales rose 14.0% year on year, to 174,153 million yen, thanks to strong performance in System Construction, particularly sales of automotive embedded/control systems, social infrastructure systems, and machine control systems, as well as operation systems mainly for the manufacturing sector, distribution and service sectors, non-banks, and online businesses. It is also attributed to the strong performance of license sales and BPO and call center services.

Operating income rose due to higher sales.

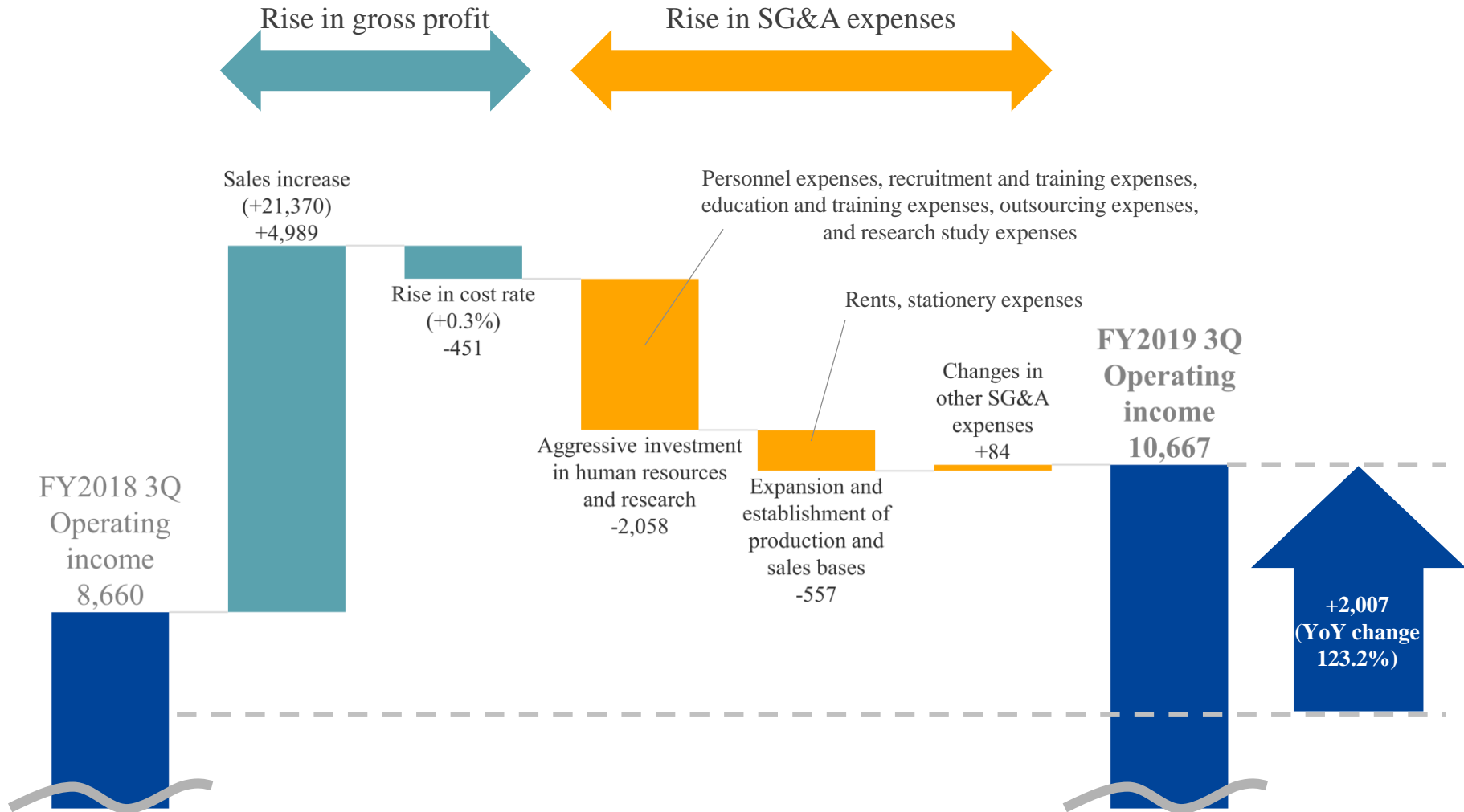
- ◇ Operating income rose 23.2% year on year, to 10,667 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 17.3% year on year, to 10,922 million yen. (Details of factors for the changes are explained in “4. Consolidated Income Statement” on page 8.)
- ◇ Profit attributable to owners of parent stood at 6,095 million yen, up 32.6% year on year.

(Million yen)

	FY2018 3Q results	FY2019 3Q results	YoY change (Amount)	YoY change (%)	FY2019 3Q plan	Comparison with the plan
Net sales	152,783	174,153	+21,370	114.0%	157,550	110.5%
Operating income	8,660	10,667	+2,007	123.2%	8,800	121.2%
Operating income margin	5.7%	6.1%			5.6%	
Ordinary income	9,315	10,922	+1,607	117.3%	9,250	118.1%
Ordinary income margin	6.1%	6.3%			5.9%	
Profit attributable to owners of parent	4,597	6,095	+1,498	132.6%	4,780	127.5%
Profit margin attributable to owners of parent	3.0%	3.5%			3.0%	



Trends in Consolidated Operating Income (Jan-Sep)





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

Net sales rose 16.3% year on year.

The cost of sales margin improved to 78.2%.

- ◇ The cost of sales margin was 78.2%, due in part to the securing of human resources to respond flexibly to the increase in sales of other companies' products and changes in demand trends.

SG&A expenses increased 642 million yen year on year.

- ◇ SG&A expenses increased 642 million yen year on year, to 9,205 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. However, the SG&A ratio was improved thanks to business efficiency improvement.
- ◇ As a result of the above, operating income increased 17.6% year on year.

(Million yen)

	FY2019 2Q results	YoY change (Amount)	YoY change (%)	FY2019 Q3 results	YoY change (Amount)	YoY change (%)
Net sales	113,556	+12,868	112.8%	60,597	+8,502	116.3%
Cost of sales	86,529	+9,568	112.4%	47,417	+7,264	118.1%
Cost of sales margin	76.2%			78.2%		
Gross profit	27,027	+3,299	113.9%	13,179	+1,238	110.4%
SG&A expenses	20,334	+1,888	110.2%	9,205	+642	107.5%
Operating income	6,693	+1,411	126.7%	3,974	+596	117.6%
Operating income margin	5.9%			6.6%		



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

(Million yen)

	FY2019	Net sales	Operating income	
FUJI SOFT INCORPORATED	3Q results	112,001	5,543	Consolidated net sales rose thanks to the strong performance in System Construction, especially sales of automotive embedded/control systems, social infrastructure systems, and machine control systems, operation systems for the distribution and service sectors, the manufacturing sector, non-banks, and online businesses, and SI business in products and services, especially license sales. Operating income increased, reflecting the rise of sales.
	YoY change (amount)	+13,575	+478	
	YoY change (%)	113.8%	109.5%	
CYBERNET SYSTEMS Co., Ltd.	3Q results	16,431	1,956	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)	+1,333	+706	
	YoY change (%)	108.8%	156.5%	
VINX CORP.	3Q results	22,607	1,537	Sales increased thanks to an increase in temporary projects 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)	+3,581	+365	
	YoY change (%)	118.8%	131.2%	
CYBER COM Co., Ltd.	3Q results	10,462	717	Sales increased thanks to strong performance in software development, including operation software projects for life insurance systems and ones for the public sector, as well as system construction projects in the service business. Operating income increased due to the rise in sales and the improved cost of sales margin, which is attributed in part to increase of sales and productivity improvement.
	YoY change (amount)	+1,615	+258	
	YoY change (%)	118.3%	156.4%	
FUJI SOFT SERVICE BUREAU INCORPORATED	3Q results	9,271	550	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)	+1,516	+332	
	YoY change (%)	119.6%	253.1%	

* Results from January to September, 2019 are stated in the FY2019 3Q 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 (%)
	3Q results	Component ratio			3Q results	Operating income margin		
Consolidated total	174,153	100.0%	+21,370	114.0%	10,667	6.1%	+2,007	123.2%
SI Business	161,837	92.9%	+20,001	114.1%	9,362	5.8%	+1,976	126.8%
System Construction	98,425	56.5%	+14,071	116.7%	5,902	6.0%	+1,516	134.6%
Embedded/Control Software	48,127	27.6%	+4,294	109.8%	3,297	6.9%	+553	120.2%
Operation Software	50,297	28.9%	+9,777	124.1%	2,605	5.2%	+963	158.7%
Products and Services	63,411	36.4%	+5,929	110.3%	3,460	5.5%	+460	115.3%
Products and Services	52,407	30.1%	+6,386	113.9%	2,729	5.2%	+559	125.8%
Outsourcing	11,004	6.3%	-456	96.0%	730	6.6%	-99	88.0%
Facility Business	2,159	1.2%	-7	99.6%	910	42.2%	+117	114.9%
Other Businesses	10,156	5.8%	+1,376	115.7%	394	3.9%	-86	82.0%

Highlights of Sales by Segment

● Embedded/Control Software

Sales increased 9.8% year on year, mainly due to the continued strength in the performance of auto-related system construction, social infrastructure systems, and machine control systems. Operating income increased 20.2% year on year due to higher sales and the improved cost rate.

● Operation Software

Sales increased 24.1% year on year thanks to solid sales mainly to the manufacturing sector, distribution and service sector, non-banks and online businesses. Operating income rose 58.7% year on year, mainly reflecting higher sales.

● Products and Services

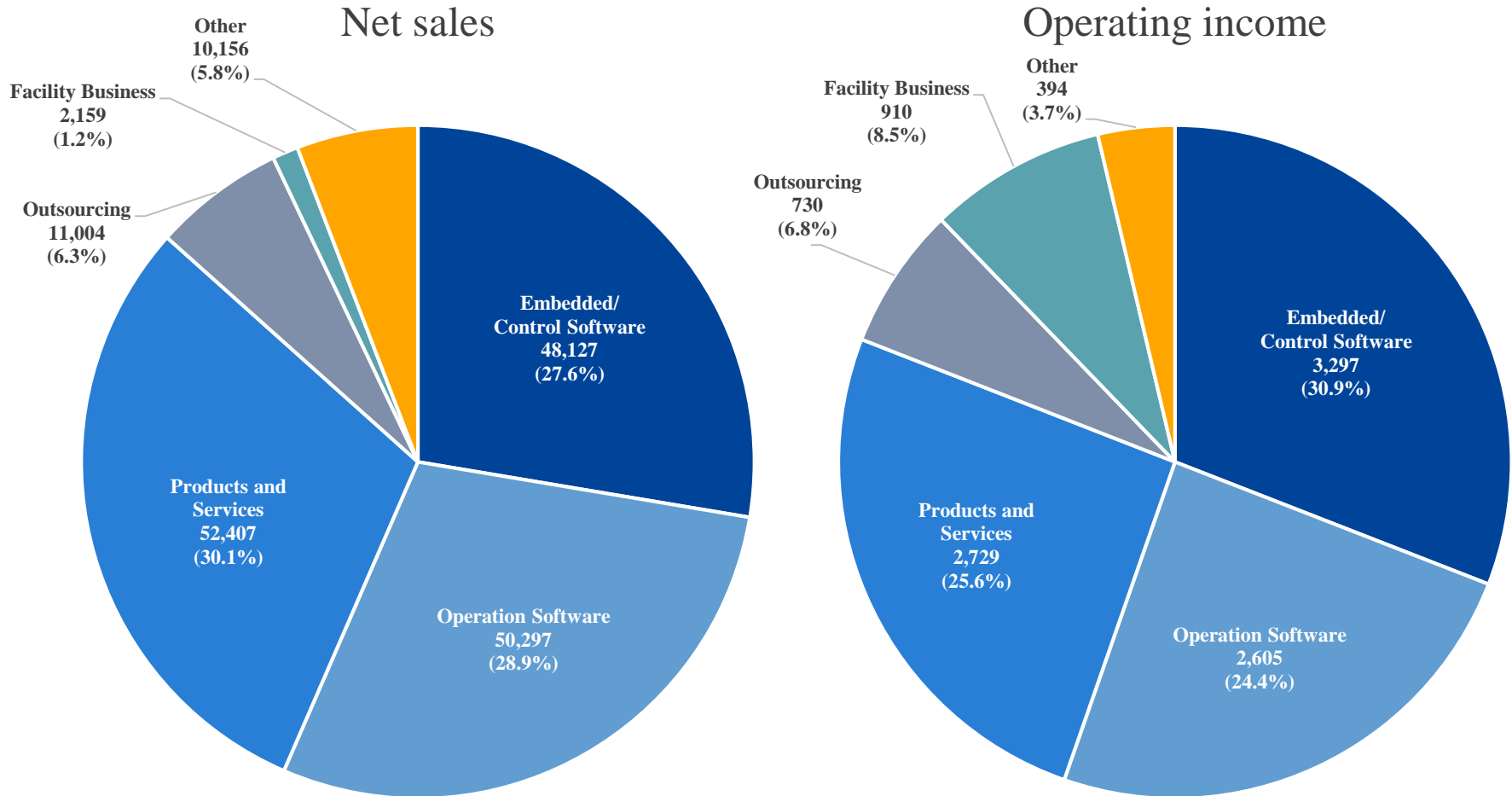
Sales increased 13.9% year on year due to the strong performance of sales of other companies' products. Operating income rose 25.8% year on year thanks to higher sales.

● Outsourcing

Sales declined 4.0% year on year due to a fall in transactions of group companies in the distribution and service sectors. Operating income declined 12.0% year on year due to the fall in sales.



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





4. Consolidated Income Statement

(Million yen)

	FY2018 3Q Results	FY2019 3Q Results	YoY change (Amount)	YoY change (%)	FY2019 3Q Plan	Comparison with the plan
Net sales	152,783	174,153	+21,370	114.0%	157,550	110.5%
Cost of sales	117,114	133,946	+16,832	114.4%	—	—
Cost of sales margin	76.7%	76.9%	(1)			
Gross profit	35,669	40,207	+4,537	112.7%	—	—
Gross profit margin	23.3%	23.1%				
SG&A expenses	27,008	29,539	+2,530 (2)	109.4%	—	—
SG&A expense ratio	17.7%	17.0%				
Operating income	8,660	10,667	+2,007	123.2%	8,800	121.2%
Operating income margin	5.7%	6.1%			5.6%	
Non-operating income	433	436	+3	100.9%	—	—
Non-operating expenses	79	314	+234	-	—	—
Share of (profit) loss of entities accounted for using equity method	301	131	-169 (3)	43.7%	—	—
Ordinary income	9,315	10,922	+1,607	117.3%	9,250	118.1%
Ordinary income margin	6.1%	6.3%			5.9%	
Extraordinary income	1,004	224	-780 (4)	22.3%	—	—
Extraordinary losses	2,108	136	-1,972	6.5%	—	—
Income before income taxes	8,211	11,010	+2,799	134.1%	—	—
Total income taxes	3,364	3,369	+4	100.1%	—	—
Net income	4,846	7,641	+2,794	157.7%	—	—
Profit attributable to non-controlling interests	249	1,546	+1,296	-	—	—
Profit attributable to owners of parent	4,597	6,095	+1,498	132.6%	4,780	127.5%
Profit margin attributable to owners of parent	3.0%	3.5%			3.0%	

Points of Income Statement

(1) Cost of sales margin (76.9%)

An increase attributed in part to securing of human resources to respond flexibly to the increase in sales of other companies' products and changes in demand trends, which offset an improvement in the cost rate in contract and development

(2) SG&A expenses (+2,530 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

(2) Non-operating expenses (+234 million yen)

Share of (profit) loss of entities accounted for using equity method (-169 million yen)

Non-operating expenses increased due mainly to foreign exchange losses (while a foreign exchange profit was posted in the same period of the previous fiscal year). Share of (profit) loss of entities accounted for using the equity method decreased due to a decline in profit of Ace Securities.

(4) Extraordinary income (-780 million yen)

Extraordinary losses (-1,972 million yen)

Extraordinary income includes the gain on sales of investment securities (while it represented the gain on sales of investment securities and the proceeds of a partial transfer of Cybernet Systems' business in the same period of the previous fiscal year).

Extraordinary losses include office transfer expenses at a Group company and the impairment of investment securities (while it included the impairment loss of goodwill generated in the review of Cybernet Systems' business in the same period of the previous fiscal year).



5. Consolidated Balance Sheet

(Million yen)

	End of FY2018	End of Q3 of FY2018	Change (Amount)	End of Q3 of FY2018 (Reference)
Current assets	77,315	85,430	+8,114 (1)	73,307
Cash and deposits	22,554	21,715	-838	20,135
Notes and accounts receivable – trade	44,456	48,829	+4,373	41,979
Securities	4,000	6,000	+2,000	4,000
Inventories	3,354	5,401	+2,047	4,100
Other	2,950	3,484	+533	3,092
Non-current assets	115,310	116,139	+828	119,246
Property, plant and equipment	82,356	81,895	-461	82,364
Intangible assets	4,738	4,561	-177	4,959
Investments and other assets	28,214	29,682	+1,467	31,922
Total assets	192,625	201,569	+8,943	192,554
Current liabilities	49,428	44,073	-5,355	57,740
Accounts and notes payable – trade	9,526	14,378	+4,851	10,456
Short-term loans payable	16,207	4,988	-11,218	19,884
Commercial papers	-	-	-	5,000
Accrued expenses / provision for bonus	9,155	11,147	+1,992 (2)	10,351
Income taxes payable	2,492	2,711	+219	2,418
Provision for loss on construction contracts	252	147	-105	100
Other	11,793	10,699	-1,094	9,528
Non-current liabilities	23,526	32,373	+8,846	13,670
Long-term loans payable	13,319	22,803	+9,483	2,828
Other	10,207	9,569	-637	10,841
Total liabilities	72,955	76,446	+3,491	71,410
Total net assets	119,670	125,123	+5,452	121,143
Total liabilities and net assets	192,625	201,569	+8,943	192,554

Points of the Balance Sheet

(1) Current assets (+8,114 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 (-5,355 million yen)

Non-current liabilities (+8,846 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 3Q results	FY2019 3Q results	YoY change (Amount)
Cash flows from operating activities	8,210	8,890	+680
Cash flows from investing activities	-22,161	-4,231	+17,930
Cash flows from financing activities	13,564	-3,345	-16,909
Effect of exchange rate change on cash and cash equivalents	-79	-130	
Net increase (decrease) in cash and cash equivalents	-465	1,182	
Cash and cash equivalents at beginning of period	22,157	24,587	
Cash and cash equivalents at end of period	21,691	25,770	

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 8,890 million yen, with a year-on-year increase of 680 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 4,231 million yen due to investments related to FUJI SOFT products and facilities. The figure for the same period of the previous fiscal year was 22,161 million yen, mainly due to the purchase of land and buildings to secure office space.

- [Cash flows from financing activities](#)

Net cash used in financing activities was 3,345 million yen due to the payment of dividends, etc. The figure for the same period of the previous fiscal year was 13,564 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)

	FY2019 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	44,627	111.3%	171,927	118.0%	161,837	114.1%	54,718	124.6%
System Construction	31,330	114.1%	103,030	117.3%	98,425	116.7%	35,935	116.1%
Embedded/Control Software	12,759	111.6%	49,796	109.8%	48,127	109.8%	14,428	111.3%
Operation Software	18,570	116.0%	53,233	125.3%	50,297	124.1%	21,506	119.7%
Products and Services	13,297	105.2%	68,897	119.2%	63,411	110.3%	18,783	144.7%
Products and Services	10,795	111.1%	57,200	123.3%	52,407	113.9%	15,589	154.6%
Outsourcing	2,501	85.5%	11,696	102.4%	11,004	96.0%	3,193	110.4%

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 for social infrastructure systems and machine control systems.
- Operation Software
The order backlog at the end of the term increased 19.7% year on year thanks to solid orders, mainly from the distribution and service sectors, the manufacturing sector, non-banks, and online businesses.

● Highlights in Products and Services

- Products and Services
The order backlog at the end of the term increased 54.6% year on year thanks to firm orders for license sales.
- Outsourcing
The order backlog at the end of the term increased 10.4% 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.



* 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.