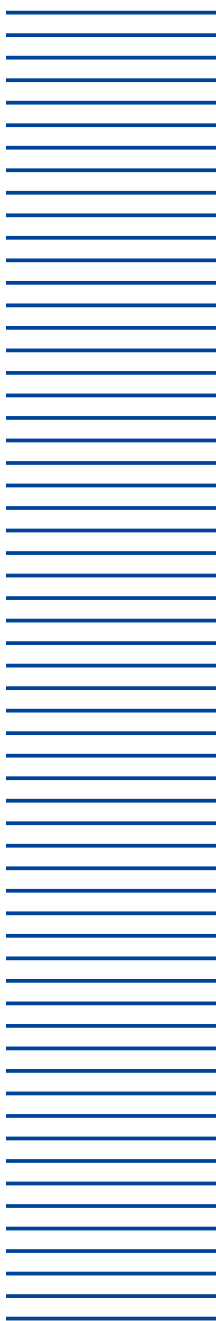




Results of Operations for the First Quarter of FY2020

May 14, 2020

FUJI SOFT INCORPORATED





Contents

Results of Operations for the First Quarter of the Fiscal Year Ending December 2020

- P.2 Consolidated Financial Highlights (Jan-Mar)
- P.4 Sales/Operating Income by Major Companies of the Group
- P.5 Consolidated Sales/Operating Income by Segment
- P.6 Consolidated Income Statement
- P.7 Consolidated Balance Sheet
- P.8 Consolidated Cash Flow Statement
- P.9 Orders and Order Backlogs for the Consolidated SI Business
- P.10 Impact of COVID-19



1. Consolidated Financial Highlights

Net sales rose due to strong performance in Products and Services and System Construction.

- ◇ Consolidated net sales rose, following the strong performance of Products and Services, especially license sales, and the strong performance of social infrastructure systems and automotive systems in embedded/control software, as well as systems for distributors, service operators and manufacturers in operating software. The System Construction business also remained firm, particularly in online services.

Operating income rose due to higher sales.

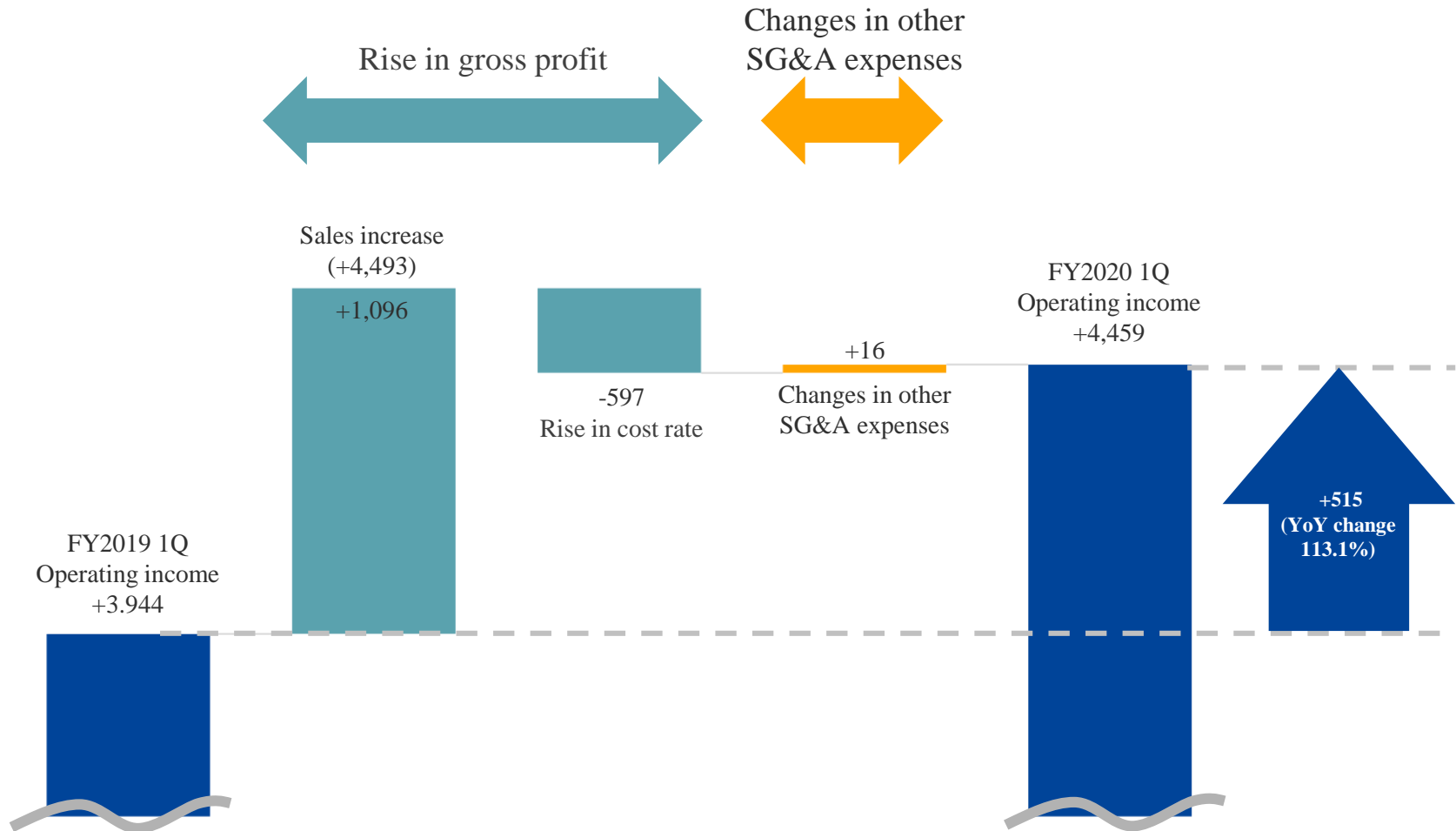
- ◇ Operating income rose 13.1% year on year, to 4,459 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 14.0% year on year, to 4,556 million yen.
- ◇ Profit attributable to owners of parent stood at 2,539 million yen, up 12.5% year on year.

(Million yen)

	FY2019 1Q Results	FY2020 1Q Results	YoY change (Amount)	YoY change (%)	FY2020 1Q Plan	Comparison with the plan
Net sales	55,213	59,707	+4,493	108.1%	56,600	105.5%
Operating income	3,944	4,459	+515	113.1%	3,550	125.6%
Operating income margin	7.1%	7.5%			6.3%	
Ordinary income	3,995	4,556	+560	114.0%	3,600	126.6%
Ordinary income margin	7.2%	7.6%			6.4%	
Profit attributable to owners of parent	2,257	2,539	+281	112.5%	2,150	118.1%
Profit margin attributable to owners of parent	4.1%	4.3%			3.8%	



Trends in Consolidated Operating Income (1Q)





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

(Million yen)

	FY2020	Net sales	Operating income	
FUJI SOFT INCORPORATED	1Q Results	40,128	2,640	Sales rose, reflecting the strong performance of social infrastructure systems and automotive systems in embedded/control software and systems for distributors, service operators and manufacturers in operating software, as well as online services in System Construction. In addition, license sales remained strong in Products and Services. Operating income increased due to higher sales.
	YoY change (amount)	+4,486	+559	
	YoY change (%)	112.6%	126.9%	
CYBERNET SYSTEMS Co., Ltd.	1Q Results	5,119	542	Sales declined mainly due to the deceleration of CAE solution services in Japan and subsidiaries in China, although sales increased in IT solution services in Japan and at overseas subsidiaries in Taiwan and Belgium. Operating income decreased mainly due to declined sales and temporary changes in the product composition ratio.
	YoY change (amount)	-20	-121	
	YoY change (%)	99.6%	81.7%	
VINX CORP.	1Q Results	7,502	755	Sales increased chiefly due to growing needs for projects for cashless settlement in the retail industry and multivendor (division of hardware and software) as well as the deepening of relationships with existing customers. Operating income rose thanks to higher sales and the improved cost of sales margin.
	YoY change (amount)	+724	+112	
	YoY change (%)	110.7%	117.5%	
CYBER COM Co., Ltd.	1Q Results	3,483	314	Sales increased thanks to solid performance in software development, in addition to the strong performance of system construction projects in the service business. Operating income increased due to the rise in sales and the improved cost of sales margin.
	YoY change (amount)	+144	+48	
	YoY change (%)	104.3%	118.4%	
FUJI SOFT SERVICE BUREAU INCORPORATED	1Q Results	2,284	92	Sales declined significantly due to the inability to continue large BPO services for public offices, although BPO services for local governments and call center services for public offices and private corporations remained firm. Operating income decreased due to lower sales.
	YoY change (amount)	-919	-42	
	YoY change (%)	71.3%	68.8%	

* Results from January to March, 2020 are stated in the FY2020 1Q results column.



3. Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2020 Net sales		YoY change (Amount)	YoY change (%)	FY2020 Operating income		YoY change (Amount)	YoY change (%)
	1Q Results	Component ratio			1Q Results	Operating income margin		
Consolidated total	59,707	100.0%	+4,493	108.1%	4,459	7.5%	+515	113.1%
SI Business	56,344	94.4%	+5,390	110.6%	4,241	7.5%	+823	124.1%
System Construction	34,559	57.9%	+1,929	105.9%	2,957	8.6%	+835	139.4%
Embedded/Control Software	17,145	28.7%	+1,287	108.1%	1,691	9.9%	+615	157.2%
Operation Software	17,414	29.2%	+642	103.8%	1,265	7.3%	+220	121.0%
Products and Services	21,784	36.5%	+3,460	118.9%	1,283	5.9%	-12	99.1%
Products and Services	18,002	30.2%	+3,250	122.0%	986	5.5%	-4	99.5%
Outsourcing	3,781	6.3%	+210	105.9%	297	7.9%	-7	97.6%
Facility Business	689	1.2%	-50	93.2%	180	26.2%	-141	56.0%
Other Businesses	2,673	4.5%	-846	75.9%	37	1.4%	-166	18.3%

Highlights of Sales by Segment

● Embedded/Control Software

Sales increased 8.1% year on year, reflecting bullish performance of social infrastructure systems and automotive systems. Operating income increased 57.2% year on year due to higher sales and improved cost ratio in automotive systems.

● Operation Software

Sales increased 3.8% year on year, due mainly to solid sales to distributors, service operators, manufacturers and online businesses, and sales from system infrastructure construction. Sales growth pushed operating income up 21.0% year on year.

● Products and Services

Sales increased 22.0% year on year due to strong license sales. Operating income decreased 0.5% year on year due to a fall in sales of highly profitable products.

● Outsourcing

Sales increased 5.9% year on year due to higher sales to public offices. Operating income declined 2.4% year on year due to a fall in the ratio of highly profitable operation and maintenance projects in transactions with the distribution and service sectors.



4. Consolidated Income Statement

(Million yen)

	FY2019	FY2020	YoY change (Amount)	YoY change (%)	FY2020	
	1Q Results	1Q Results			1Q Plan	Comparison with the plan
Net sales	55,213	59,707	+4,493	108.1%	56,600	105.5%
Cost of sales	41,746	45,741	+3,995	109.6%	—	—
Cost of sales margin	75.6%	76.6%	(1)			
Gross profit	13,467	13,965	+498	103.7%	—	—
Gross profit margin	24.4%	23.4%				
SG&A expenses	9,522	9,506	-16 (2)	99.8%	—	—
SG&A expense ratio	17.2%	15.9%				
Operating income	3,944	4,459	+515	113.1%	3,550	125.6%
Operating income margin	7.1%	7.5%			6.3%	
Non-operating income	88	142	+53	161.0%	—	—
Non-operating expenses	64	64	+0	99.2%	—	—
Share of (profit) loss of entities accounted for using equity method	27	18	-9	66.2%	—	—
Ordinary income	3,995	4,556	+560	114.0%	3,600	126.6%
Ordinary income margin	7.2%	7.6%			6.4%	
Extraordinary income	0	224	+224	—	—	—
Extraordinary losses	17	292	+274	1636.3%	—	—
Income before income taxes	3,977	4,487	+510	112.8%	—	—
Total income taxes	1,185	1,388	+202	117.1%	—	—
Net income	2,792	3,099	+307	111.0%	—	—
Profit attributable to non- controlling interests	534	560	+25	104.7%	—	—
Profit attributable to owners of parent	2,257	2,539	+281	112.5%	2,150	118.1%
Profit margin attributable to owners of parent	4.1%	4.3%			3.8%	

Points of Income Statement

(1) Cost of sales margin (76.6%)

An increase due to growth in Products and Services centered on sales of other companies' products.

(2) SG&A expenses (-16 million yen)

A slight decrease due to the spending of expenses to acquire tablet terminals in the previous fiscal year to improve productivity and a fall in expenses for the recruitment and development of human resources in the current fiscal year.



5. Consolidated Balance Sheet

	(Million yen)		
	End of FY2019	End of 1Q of FY2020	Change (Amount)
Current assets	88,009	91,504	3,495 (1)
Cash and deposits	22,278	26,741	4,462
Notes and accounts receivable – trade	49,570	51,086	1,516
Securities	7,000	5,500	-1,500
Inventories	5,930	5,534	-395
Other	3,229	2,642	-587
Non-current assets	119,609	123,630	4,020 (2)
Property, plant and equipment	86,334	90,219	3,885
Intangible assets	4,043	4,047	4
Investments and other assets	29,231	29,363	131
Total assets	207,618	215,135	7,516
Current liabilities	48,106	57,732	9,625 (3)
Accounts and notes payable – trade	13,361	14,173	811
Short-term loans payable	4,159	7,321	3,162
Commercial papers	3,000	12,000	9,000
Accrued expenses / provision for bonus	10,476	11,291	815
Income taxes payable	3,534	1,837	-1,696
Provision for loss on construction contracts	194	187	-6
Other	13,380	10,919	-2,460
Non-current liabilities	32,691	30,861	-1,830
Long-term loans payable	22,618	22,337	-280
Other	10,073	8,523	-1,549
Total liabilities	80,797	88,593	7,795
Total net assets	126,820	126,541	-279
Total liabilities and net assets	207,618	215,135	7,516

Points of the Balance Sheet

(1) Current assets (+3,495 million yen)

An increase in cash and deposits and notes and accounts receivable – trade due to the strong environment for orders.

(2) Non-current assets (+4,020 million yen)

Building construction assets to secure office space as a result of strengthening systems.

(3) Current liabilities (+9,625 million yen)

Non-current liabilities (-1,830 million yen)

An increase in short-term funds raised as a result of the construction of buildings and the securing of working capital, and a decrease in deferred tax liabilities due to fluctuations in share prices.



6. Consolidated Cash Flow Statement

(Million yen)

	FY2019	FY2020	YoY change (Amount)
	1Q Results	1Q Results	
Cash flows from operating activities	2,232	326	-1,906
Cash flows from investing activities	-1,545	-8,566	-7,021
Cash flows from financing activities	1,695	10,929	+9,233
Effect of exchange rate change on cash and cash equivalents	-21	-121	
Net increase (decrease) in cash and cash equivalents	2,362	2,568	
Cash and cash equivalents at beginning of period	24,587	26,158	
Cash and cash equivalents at end of period	26,950	28,726	

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 326 million yen, with a year-on-year decrease of 1,906 million yen due to an increase in tax payments.

- [Cash flows from investing activities](#)

Net cash used in investing activities came to 8,566 million yen mainly due to construction expenses to secure office space.

- [Cash flows from financing activities](#)

Net cash provided by financing activities was 10,929 million yen due to borrowings for the construction of buildings and working capital.



7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	Order backlog at beginning of term	YoY change (%)	FY2020 1Q results			YoY change (%)	Order backlog at end of term	YoY change (%)
			Orders	YoY change (%)	Net sales			
SI Business total	54,712	122.6%	60,876	109.9%	56,344	110.6%	59,244	120.8%
System Construction	34,899	111.4%	36,721	107.6%	34,559	105.9%	37,061	112.9%
Embedded/Control Software	14,138	110.8%	17,774	108.0%	17,145	108.1%	14,767	110.6%
Operation Software	20,761	111.8%	18,946	107.3%	17,414	103.8%	22,293	114.6%
Products and Services	19,812	149.0%	24,154	113.6%	21,784	118.9%	22,182	136.7%
Products and Services	17,130	158.7%	20,709	118.5%	18,002	122.0%	19,837	146.7%
Outsourcing	2,681	107.2%	3,445	91.1%	3,781	105.9%	2,345	86.5%

Highlights of Orders and Order Backlogs

● Highlights in System Construction

- Embedded/Control Software

The order backlog at the end of the term increased 10.6% year on year due to strong orders for social infrastructure systems.

- Operation Software

The order backlog at the end of the term increased 14.6% year on year thanks to strong orders, mainly from the manufacturing sector.

● Highlights in Products and Services

- Products and Services

The order backlog at the end of the term increased 46.7% year on year thanks to firm orders for license sales.

- Outsourcing

The order backlog at the end of the term decreased 13.5% year on year due to a fall in orders on a non-consolidated basis.



8. Impact of COVID-19

External environment

- While the rise in the number of newly infected people shows a deceleration trend after the declaration of a state of emergency, the impact on industrial activities continues.
- Supply chain disruption in Japan and overseas is increasing, and the extent of the impact is expanding to domestic demand areas such as the service industry, including restaurants and tourism, and the distribution and transportation sectors.
- Uncertainty remains about capital investment and R&D investment on the back of deteriorated business confidence.
- Meanwhile, there is a sign of expansion in related markets due to the dissemination of remote work.

Current situation of the Company

- While some customers acted to curb IT investment in the first quarter under review, its impact on the business results of the Company was limited.
- While orders remain on an increasing trend, there is currently uncertainty about the IT investment trend associated with the deteriorated business confidence.
- Meanwhile, sustained demand is expected in digitalization investment for workstyle reform and other aims as well as in the e-commerce area related to nest-dweller consumption.
- In the Company, adaptation to the new normal, such as the steady development of a teleworking system and the holding of Japan's first hybrid attendance virtual shareholders meeting, is progressing in light of the declaration of a state of emergency.

Forecast for the current fiscal year

- While the business environment is uncertain, our forecast for the business results for the current fiscal year disclosed on February 13 remains unchanged as of this moment.
(If a revision becomes necessary, we will promptly disclose it.)



* 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.