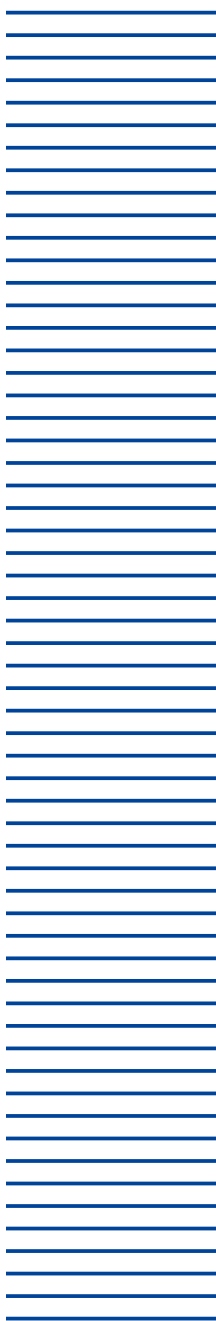




Results of Operations for the First Half of FY2020

August 13, 2020
FUJI SOFT INCORPORATED





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in the First Half of FY2020
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1. Consolidated Financial Highlights-1 (1H Results Jan-Jun)

Net sales rose after license sales growth and strong performance in System Construction.

- ◇ Net sales rose 7.9% year on year to 122,568 million yen, following brisk performance in Products and Services, especially in license sales, as well as strong performance in social infrastructure and automotive systems in the embedded/control system development and in systems for distributors, service operators and manufacturers in operation software development.

Operating income rose due to higher sales.

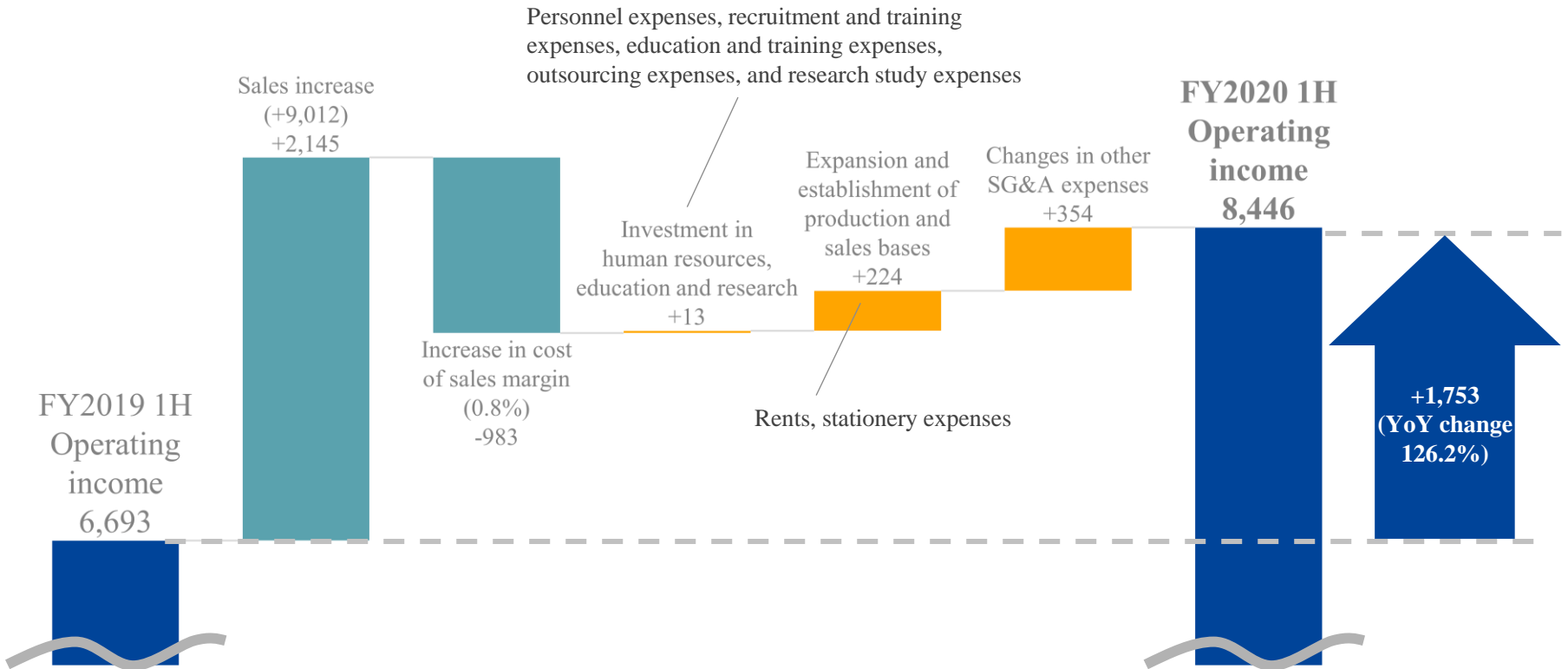
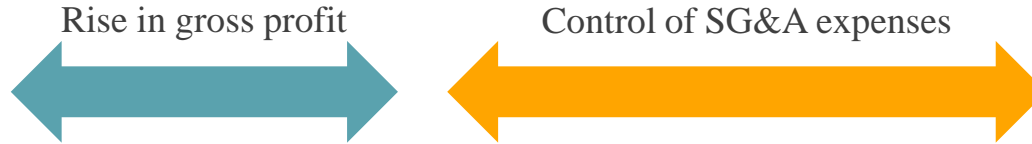
- ◇ Operating income rose 26.2% year on year, to 8,446 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 27.1% year on year, to 8,677 million yen.
- ◇ Profit attributable to owners of parent stood at 3,868 million yen, up 3.5% year on year.

(Million yen)

	FY2019	FY2020	YoY change	YoY change	FY2020	
	1H Results	1H Results	(Amount)	(%)	1H Plan	Comparison with the plan
Net sales	113,556	122,568	+9,012	107.9%	116,500	105.2%
Operating income	6,693	8,446	+1,753	126.2%	6,700	126.1%
Operating income margin	5.9%	6.9%			5.8%	
Ordinary income	6,825	8,677	+1,851	127.1%	6,850	126.7%
Ordinary income margin	6.0%	7.1%			5.9%	
Profit attributable to owners of parent	3,736	3,868	+131	103.5%	3,850	100.5%
Profit margin attributable to owners of parent	3.3%	3.2%			3.3%	



Trends in Consolidated Operating Income (Jan-Jun)





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

Net sales rose 7.7% year on year.

The cost of sales margin improved to 77.4%.

- ◇ The cost of sales margin stood at 77.4%, reflecting a hike from 76.8% in the same period a year earlier, after an increase in license sales related to the spread of remote working.

SG&A expenses decreased 574 million yen year on year.

- ◇ SG&A expenses decreased 574 million yen year on year due to the contraction of expenses for training and education following the reduction of new employment and for domestic and overseas business trips and movements amid the COVID-19 pandemic.
- ◇ As a result of the above, operating income increased 45.0% year on year, to 3,986 million yen.

	FY2020 1Q Results	YoY change (Amount)	YoY change (%)	FY2020 2Q Results	YoY change (Amount)	YoY change (%)
	(Million yen)					
Net sales	59,707	+4,493	108.1%	62,861	+4,519	107.7%
Cost of sales	45,741	+3,995	109.6%	48,638	+3,855	108.6%
Cost of sales margin	76.6%			77.4%		
Gross profit	13,965	+498	103.7%	14,222	+663	104.9%
SG&A expenses	9,506	-16	99.8%	10,236	-574	94.7%
Operating income	4,459	+515	113.1%	3,986	+1,237	145.0%
Operating income margin	7.5%			6.3%		



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

(Million yen)

	FY2020	Net sales	Operating income	
FUJI SOFT INCORPORATED	1H Results	82,613	4,444	Net sales grew, reflecting strong performance of the System Construction segment, including social infrastructure and automotive systems in embedded/control software development and systems for distributors, service operators and manufacturers in operation software development, system infrastructure construction and system construction mainly for online services as well as brisk sales of other companies' licenses in the Products and Services segment. Operating income rose after sales growth and suppression of SG&A expenses.
	YoY change (amount)	+10,173	+1,329	
	YoY change (%)	114.0%	142.7%	
CYBERNET SYSTEMS Co., Ltd.	1H Results	11,871	2,031	Net sales expanded with bullish sales of IT solution services in Japan and overseas subsidiaries in Taiwan and Belgium despite sales slides in CAE solution services in Japan and the subsidiary in Malaysia, among others. Operating income grew following the sales growth and decrease in expenses.
	YoY change (amount)	+72	+406	
	YoY change (%)	100.6%	125.0%	
VINX CORP.	1H Results	14,082	1,122	Net sales declined. While sales of packages and other development rose with mounting needs amid the trends among retailers towards cashless payment and a multi-vendor model in which hardware and software are separated, sales of hardware sales and others dropped due to closure of customers' stores and postponement of store expansion plans due to COVID-19. Operating income surged, resulting from improvement in development productivity.
	YoY change (amount)	-182	+160	
	YoY change (%)	98.7%	116.7%	
CYBER COM Co., Ltd.	1H Results	6,863	419	Net sales increased with construction-related projects in the service business and with communication-related (5G) projects in the software development business. Operating income rose as the cost of sales margin improved.
	YoY change (amount)	+52	+85	
	YoY change (%)	100.8%	125.6%	
FUJI SOFT SERVICE BUREAU INCORPORATED	1H Results	4,637	332	Net sales plunged considerably. Despite strong performance in call center services for public offices and for private corporations, BPO services failed to win a large order from the national government while gaining more orders mainly from local governments. Operating income also fell due to the sales contraction.
	YoY change (amount)	-1,470	-70	
	YoY change (%)	75.9%	82.5%	

* Results from January to June, 2020 are stated in the FY2020 1H 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 (%)
	1H Results	Component ratio			1H Results	Operating income margin		
Consolidated total	122,568	100.0%	+9,012	107.9%	8,446	6.9%	+1,753	126.2%
SI Business	115,936	94.6%	+10,568	110.0%	7,796	6.7%	+2,256	140.7%
System Construction	67,133	54.8%	+2,355	103.6%	4,052	6.0%	+1,015	133.4%
Embedded/Control Software	33,077	27.0%	+1,354	104.3%	2,387	7.2%	+668	138.9%
Operation Software	34,056	27.8%	+1,001	103.0%	1,664	4.9%	+346	126.3%
Products and Services	48,803	39.8%	+8,213	120.2%	3,743	7.7%	+1,241	149.6%
Products and Services	41,683	34.0%	+8,348	125.0%	3,254	7.8%	+1,186	157.4%
Outsourcing	7,119	5.8%	-134	98.1%	489	6.9%	+54	112.5%
Facility Business	1,327	1.1%	-131	91.0%	459	34.6%	-173	72.6%
Other Businesses	5,304	4.3%	-1,424	78.8%	190	3.6%	-330	36.6%

Highlights of Sales by Segment

● Embedded/Control Software

Sales were up 4.3% year on year, reflecting a strong performance of social infrastructure systems and automotive systems. Operating income also rose 33.4% year on year following the sales growth.

● Operation Software

Sales rose 3.0% year on year after brisk sales of software for distributors and service operators, manufacturers as well as system infrastructure construction and online businesses. Operating income was up 26.3% year on year, following the sales hike.

● Products and Services

Sales increased 25.0% year on year, due to bullish sales of licenses from other companies and our products. Operating income jumped 57.4% year on year as a result of the sales leap.

● Outsourcing

Sales contracted 1.9% year on year due mainly to the shrinkage of service fees because of the closure of stores of overseas customers. Operating income rose 12.5% year on year as a result of expenses for office relocation in the preceding fiscal year and suppression of SG&A expenses for the current fiscal year.



4. Consolidated Income Statement

(Million yen)

	FY2019	FY2020	YoY change (Amount)	YoY change (%)	FY2020	
	1H Results	1H Results			1H Plan	Comparison with the plan
Net sales	113,556	122,568	+9,012	107.9%	116,500	105.2%
Cost of sales	86,529	94,380	+7,851	109.1%	—	—
Cost of sales margin	76.2%	77.0%	(1)			
Gross profit	27,027	28,188	+1,161	104.3%	—	—
Gross profit margin	23.8%	23.0%				
SG&A expenses	20,334	19,742	-591 (2)	97.1%	—	—
SG&A expense ratio	17.9%	16.1%				
Operating income	6,693	8,446	+1,753	126.2%	6,700	126.1%
Operating income margin	5.9%	6.9%			5.8%	
Non-operating income	268	309	+40	115.1%	—	—
Non-operating expenses	196	185	-11	94.2%	—	—
Share of (profit) loss of entities accounted for using equity method	60	107	+47	178.5%	—	—
Ordinary income	6,825	8,677	+1,851	127.1%	6,850	126.7%
Ordinary income margin	6.0%	7.1%			5.9%	
Extraordinary income	86	224	+137	257.8%	—	—
Extraordinary losses	83	1,064	+981 (3)	-	—	—
Income before income taxes	6,829	7,836	+1,007	114.8%	—	—
Total income taxes	2,019	2,760	+740	136.7%	—	—
Net income	4,809	5,076	+266	105.5%	—	—
Profit attributable to non- controlling interests	1,072	1,208	+135	112.6%	—	—
Profit attributable to owners of parent	3,736	3,868	+131	103.5%	3,850	100.5%
Profit margin attributable to owners of parent	3.3%	3.2%			3.3%	

Points of Income Statement

(1) Cost of sales margin (77.0%)

A rise in sales of license sales mainly for other companies' products

(2) SG&A expenses (-591 million yen)

A decrease in cost for investments in human resources and expenses for domestic and international business trips and movement

(3) Extraordinary losses (+981 million yen)

Loss on valuation of securities, expenses for measures against COVID-19 and increase in expenses for office relocation and other factors



5. Consolidated Balance Sheet

	End of FY2019	End of 1H of FY2020	Change (Amount)	End of 1H of FY2018 (Reference)
	(Million yen)			
Current assets	88,009	97,746	+9,737 (1)	84,274
Cash and deposits	22,278	30,830	+8,551	23,274
Notes and accounts receivable – trade	49,570	49,608	+38	45,851
Securities	7,000	7,500	+500	7,000
Inventories	5,930	6,136	+206	4,637
Other	3,229	3,670	+440	3,510
Non-current assets	119,609	125,181	+5,572 (2)	115,216
Property, plant and equipment	86,334	89,787	+3,453	81,872
Intangible assets	4,043	4,485	+442	4,599
Investments and other assets	29,231	30,909	+1,677	28,744
Total assets	207,618	222,928	+15,310	199,491
Current liabilities	48,106	60,516	+12,409	43,750
Accounts and notes payable – trade	13,361	13,094	-267	12,668
Short-term loans payable	4,159	22,295	+18,135	6,171
Commercial papers	3,000	-	-3,000	-
Accrued expenses / provision for bonus	10,476	9,665	-810 (3)	10,019
Income taxes payable	3,534	2,734	-800	2,857
Provision for loss on construction contracts	194	158	-36	188
Other	13,380	12,569	-811	11,843
Non-current liabilities	32,691	32,246	-445	33,002
Long-term loans payable	22,618	22,272	-345	23,097
Other	10,073	9,973	-99	9,905
Total liabilities	80,797	92,762	+11,964	76,753
Total net assets	126,820	130,166	+3,345	122,737
Total liabilities and net assets	207,618	222,928	+15,310	199,491

Points of the Balance Sheet

(1) Current assets (+9,737 million yen)

Increases in cash and deposits and notes and accounts receivable – trade after the growth in orders

(2) Non-current assets (+5,572 million yen)

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

(3) Current liabilities (+12,409 million yen)

Non-current liabilities (-445 million yen)

A rise in short-term funds for securing working capital keeping an eye on the impact from COVID-19 and a decrease in long-term loans payable



6. Consolidated Cash Flow Statement

(Million yen)

	FY2019 1H Results	FY2020 1H Results	YoY change (Amount)
Cash flows from operating activities	7,639	5,235	-2,404
Cash flows from investing activities	-2,576	-10,032	-7,455
Cash flows from financing activities	-1,116	13,733	+14,850
Effect of exchange rate change on cash and cash equivalents	-90	-15	
Net increase (decrease) in cash and cash equivalents	3,856	8,921	
Cash and cash equivalents at beginning of period	24,587	26,158	
Cash and cash equivalents at end of period	28,444	35,079	

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 5,235 million yen, with a year-on-year decrease of 2,404 million yen resulting from a rise in income taxes paid.

- [Cash flows from investing activities](#)

Net cash used in investing activities came to 10,032 million yen mainly due to construction expenses to secure office space.

- [Cash flows from financing activities](#)

Net cash provided by financing activities was 13,733 million yen due to borrowings for the working capital.



7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	Order backlog at beginning of term	YoY change (%)	FY2020 1H Results				Order backlog at end of term	YoY change (%)
			Orders	YoY change (%)	Net sales	YoY change (%)		
SI Business total	54,712	122.6%	119,624	105.6%	115,936	110.0%	58,399	111.2%
System Construction	34,899	111.4%	67,015	97.5%	67,133	103.6%	34,781	98.5%
Embedded Control Software	14,138	110.8%	33,170	101.4%	33,077	104.3%	14,231	103.5%
Operation Software	20,761	111.8%	33,845	93.9%	34,056	103.0%	20,549	95.4%
Products and Services	19,812	149.0%	52,609	118.1%	48,803	120.2%	23,618	137.0%
Products and Services	17,130	158.7%	45,902	124.9%	41,683	125.0%	21,349	150.4%
Outsourcing	2,681	107.2%	6,706	86.1%	7,119	98.1%	2,268	74.6%

Highlights of Orders and Order Backlogs

● Highlights in System Construction

- Embedded/Control Software

The order backlog at the end of the term increased 3.5% year on year due to strong orders for social infrastructure systems.

- Operation Software

The order backlog at the end of the term fell 4.6% year on year, following a decrease in orders from distributors, service operators and financial businesses despite strong orders from manufacturers and other businesses.

● Highlights in Products and Services

- Products and Services

The order backlog at the end of the term jumped 50.4% year on year, reflecting brisk orders for licenses for other companies' products.

- Outsourcing

The order backlog at the end of the term dropped 25.4% year on year due to a slide in orders for operation and maintenance projects and in orders for services from distributors.



8. Dividends

Interim dividends will be 28 yen per share as forecasted at the beginning of the fiscal year.

- Interim dividends will be 28 yen per share as forecasted at the beginning of the fiscal year, inclusive of 5 yen per share of dividends to commemorate the 50th anniversary.
- The forecast of year-end dividends at the beginning of the fiscal year will be kept on hold.

■ Interim dividends (including commemorative dividends)

(Yen)

	At the end of the second quarter of FY2020	Most recent dividend forecast	Actual dividend in the previous fiscal year
Dividend per share	28.00 yen	28.00 yen	20.00 yen

■ Year-end dividends (forecast)

(Yen)

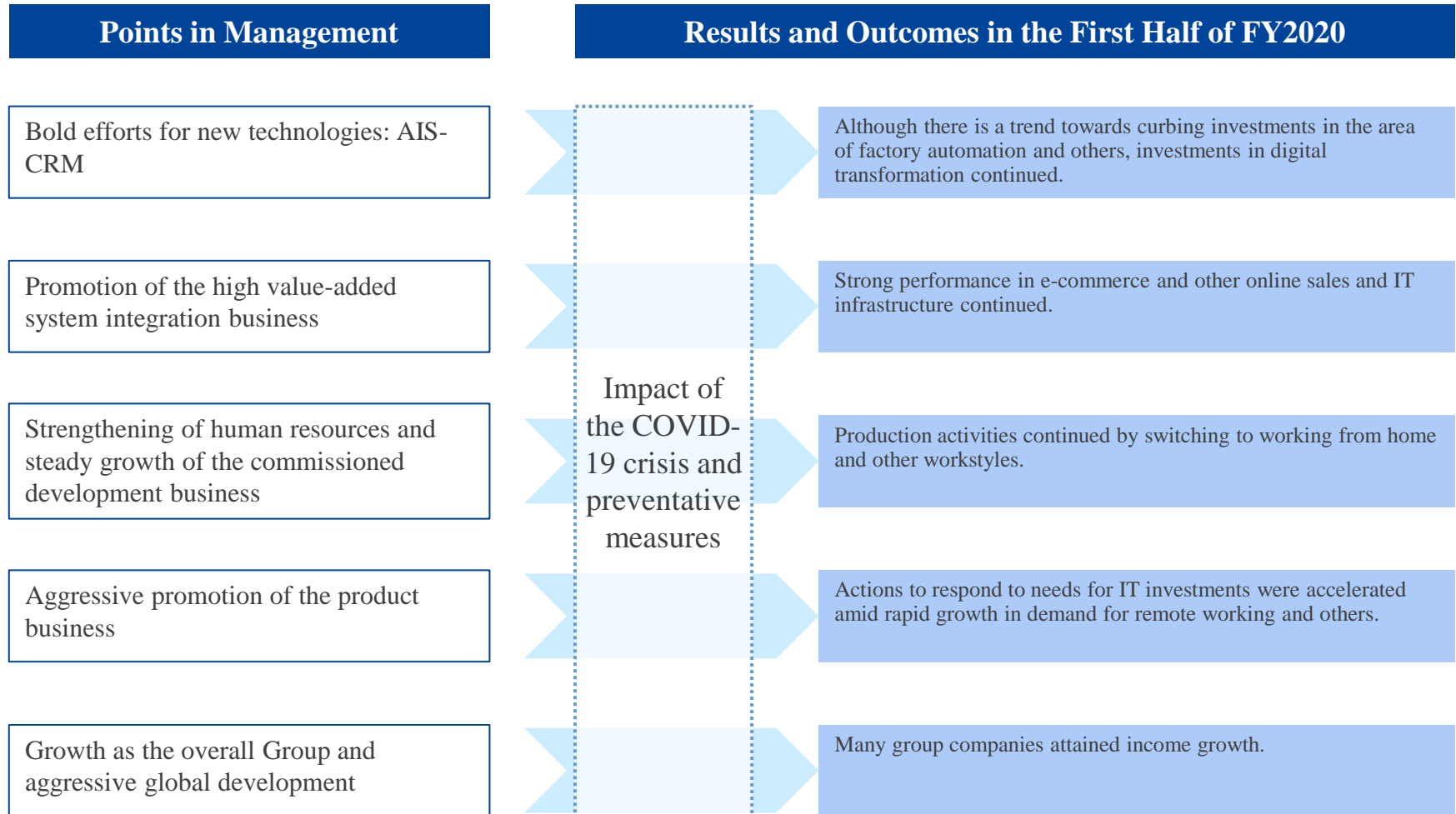
	At the end of the second quarter of FY2020	Most recent dividend forecast	Actual dividend in the previous fiscal year
Dividend per share	23.00 yen	23.00 yen	22.00 yen



Business Trends in the First Half



Initiatives in the First Half of FY2020





Outline of the Impact of COVID-19 and the Future Outlook

Circumstances of major markets affected by COVID-19

Systems for machinery manufacturers (including car manufacturers):
There was a tendency to control investments due to impacts on their business results.

Systems for financial and distribution sectors:
Restraint on investment and shrinkage in demand are partly seen although the trend towards digital transformation remains unchanged.

Systems for the public sector:
System development is unaffected. Product sales and others remained bullish partly due to actions towards the GIGA School Program and others.

In the overseas business, performance is stagnating.

System infrastructure construction and online services:
Strong performance is maintained; however, progress is affected to some extent. (See pp. 15-16)

Social infrastructure systems and communication systems:
Strong performance is maintained; however, progress is affected to some extent.

Hardware products such as Computer and licenses as well as others related to working from home: Strong
Wi-Fi router business: Bullish as a result of actions for working from home and other workstyles
★ It is a challenge to procure products.

Business implementation structure

- Several employees were infected with COVID-19.
- ★ A declaration of the state of emergency inside the company (issued on February 17 and still in effect)
 - ★ Working from home, commuting outside rush hours and other approaches are taken.
 - ★ The emergency structure is turning into a normal state.
 - ★ Evaluation and revision of productivity, quality, rules and others
 - ★ Individual group companies continue to develop their structures suited to their respective business categories.

Impact on upfront investment, expenses and others

Reduction in expenses for movements
Decrease in cost for investing in human resources

Future outlook

- Market conditions
- ★ No recovery of investment is in view chiefly in the machinery manufacturing sector and in the service sector, including overseas operations.
 - ★ Investments in what helped accelerate digital transformation due to COVID-19 will be continued and expanded.

- Work from home and related measures
- ★ Excellent achievements even under the declaration of the state of emergency.
 - ★ Improvements will aim to continue these measures without issue.

- Cost and other factors
- ★ Trends towards curbing costs for transport and others will continue.
 - ★ Positive investments will be made in remote working environments and in enhancement of productivity.



IT Infrastructure

VMware 2020 Partner of the Year Award

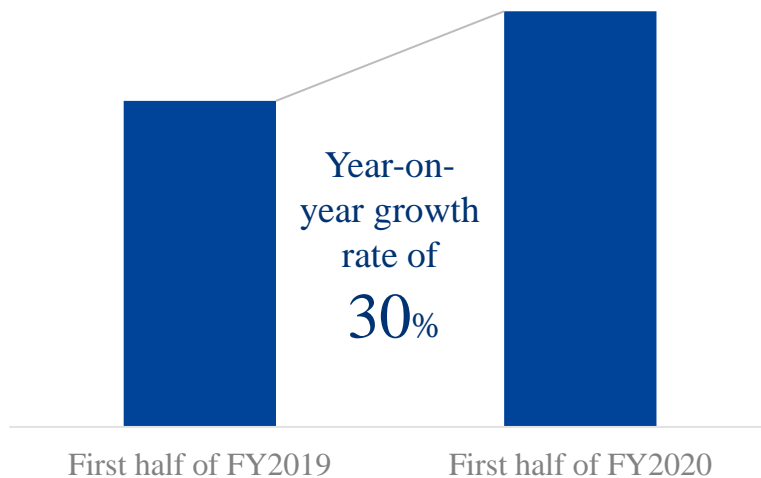
- The Company received the VMware 2020 Partner of the Year Award in Asia-Pacific and Japan in the category of Cloud Platform Transformation.
- The Company was highly regarded for its technologies for carrying out customers' cloud transformation irrespective of the cloud platform, such as Hybrid Cloud, Public Cloud and Multiple Cloud.

Certified as APN Premier Consulting Partner

- The Company was certified as an APN Premier Consulting Partner, which is the highest status in the AWS Partner Network (APN).
- The Company was highly regarded for its digital transformation technologies, which led to a track record in the construction of data centers with at least 1,000 servers and a global large-scale VMware Cloud on AWS, and an IoT platform in a server-free architecture.

Improvement in technical strengths in the cloud field and closer collaboration with partners to accelerate business growth

- Growth rate of net sales in the first half in the segment of System Infrastructure Construction (non-consolidated)



Boosting needs related to the new normal

VMware

- Strong performance continues with the receipt of large projects.
- Utilization of the virtual environment is expected to continuously expand in line with the spread of remote working.

AWS

- AWS and other cloud services will increase amid the COVID-19 pandemic.



Online Business (E-commerce)

Expansion of the e-commerce market
Market expansion (approx. 362 trillion yen*)
Strengthening of the independent website
Intensifying competition

* Ministry of Economy, Trade and Industry:
 Survey of Infrastructure Development Status
 for Data-driven Society in Japan, 2019



Amazon effect

Necessity of influential partners

Capabilities for developing large-scale e-commerce operations

Specialist support for increasing competitiveness



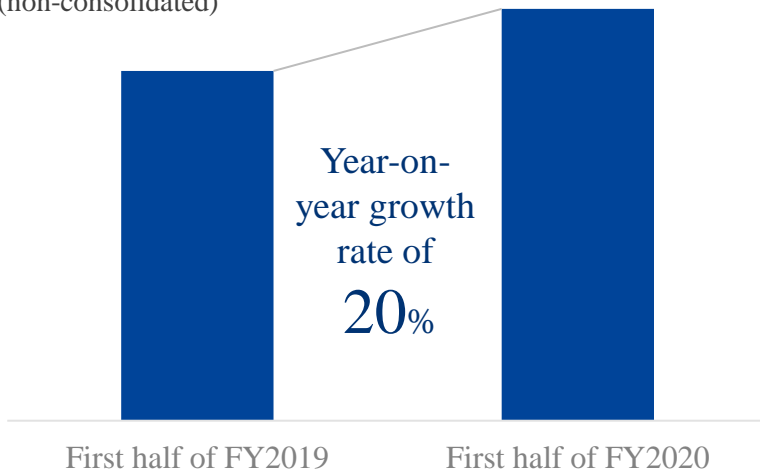
The Company's track record and strengths

+ Expertise and personnel in online businesses
 + Advantages in new technology domains (AI, cyber security and mobile)

Continue development of relevant personnel

The upward trend will be maintained with the help of nest-dweller consumption under the COVID-19 pandemic.

- Growth rate of net sales in the first half in online businesses (non-consolidated)



Although the COVID-19 crisis produced some impacts, such as postponement of certain projects, high-pace growth will continue.

Construction of e-commerce sites for consumers (B2C)

- Although some projects were postponed, the impact was limited, and the performance remained solid.

Construction of e-commerce sites for businesses (B2B)

- With the help of market expansion, strong orders were received for renewal and renovation projects.

Automotive Software

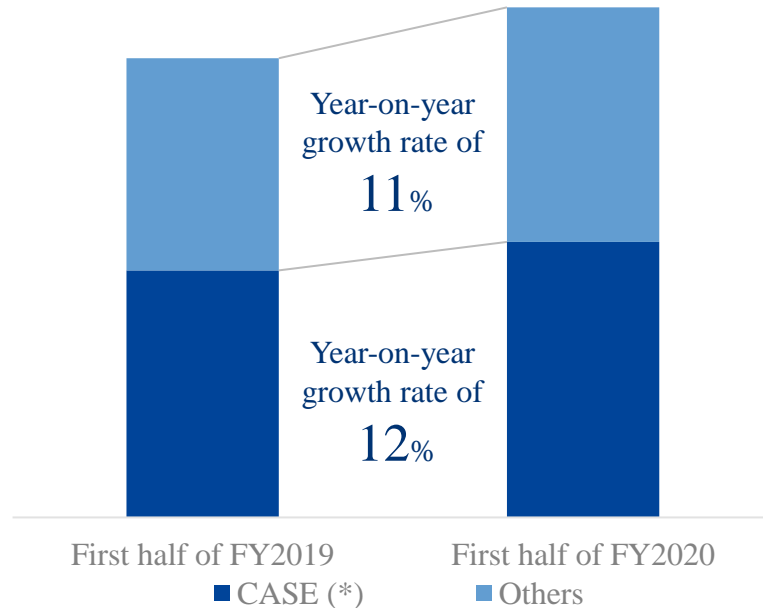
The market environment is uncertain, with investments curbed or postponed in the CASE domain due to the COVID-19 crisis.

Trends in CASE and other domains

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

CASE field: Investments are slowing as business confidence worsens.

Other fields: Projects were won prior to the impact of COVID-19.



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

- Demand for medium- and long-term development in the field of CASE became latent due to postponement and other moves.**
- In other fields, investments are expected to be controlled.**

Optimize the structure for development matched with demand trends

- Revise the structure for development and others while closely monitoring the trends of customers' investments and demand in individual technology areas.

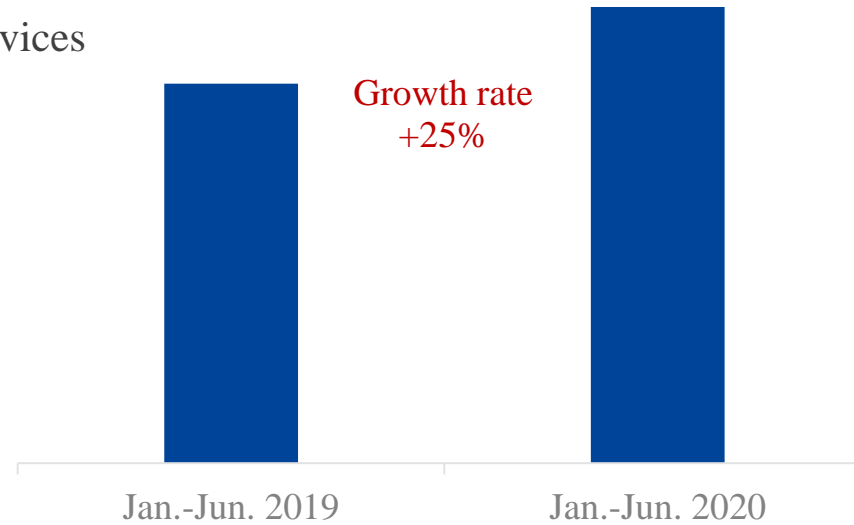
Continue actions for advanced and high value-added areas

- Model-based development
- Automotive SPICE and ISO 26262
- Drive simulation



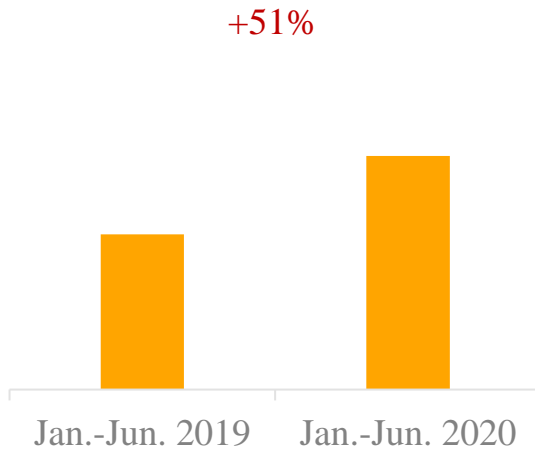
Trends in Products and Services (Sales)

Sales in Products and Services

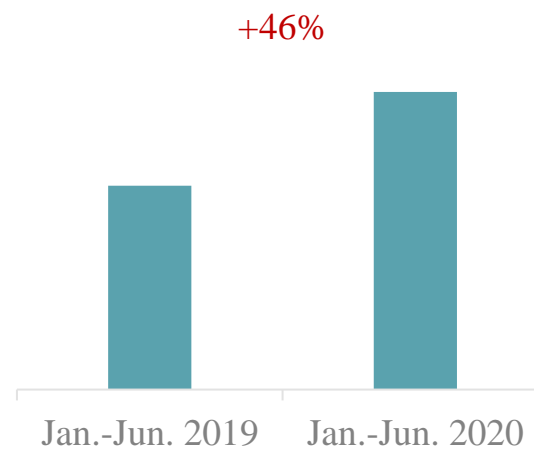


Breakdown of sales in Products and Services

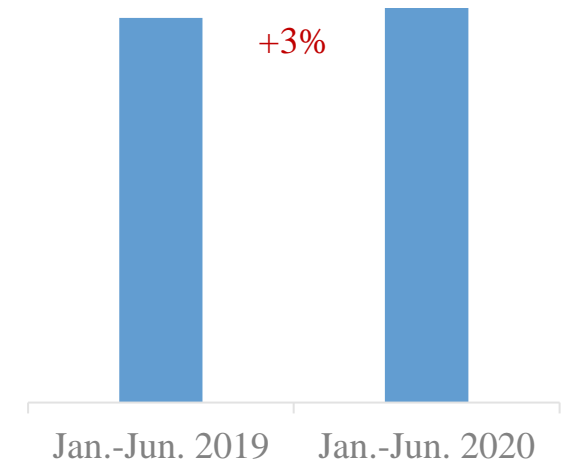
Sales of FUJI SOFT products



Sales in the licensing business



Product sales etc.





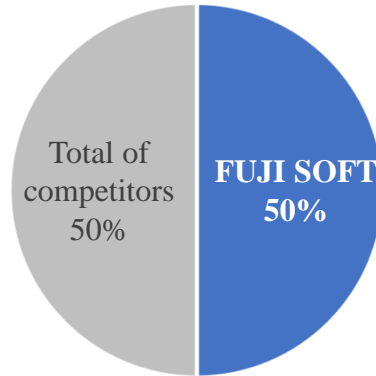
The Company's Products

The existing model of the FS030W is strong in the unlocked SIM smartphone market. The production line will be strengthened in a bid to maintain growth.

- The FS030W sold many units and holds the largest market share among the existing models of unlocked SIM portable routers.

Market share on unlocked SIM portable routers (March 2020)

Source: FUJI SOFT INCORPORATED



The FS040W was released. This new model functions both as a portable router and as a home router.

- A new model suitable for diversified workstyles including teleworking at travel destinations and working at home was released in July 2020 to join our lineup of routers.



The Company will be releasing new products and services suitable for the period during and after the COVID-19 pandemic.



* 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.