



Results of Operations

for the First Three Quarters of FY2020

November 12, 2020

FUJI SOFT INCORPORATED





Contents

Results of Operations for the First Three Quarters of the Fiscal Year Ending December 2020

- P2. Consolidated Financial Highlights
- P5. Sales/Operating Income by Major Companies of the Group
- P6. Consolidated Sales/Operating Income by Segment
- P7. Consolidated Income Statement
- P8. Consolidated Balance Sheet
- P9. Consolidated Cash Flow Statement
- P10. Orders and Order Backlogs for the Consolidated SI Business
- P11. Forecast for the Consolidated Business Results for the Current
Fiscal Year



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

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

- ◇ Net sales rose 4.3% year on year, to 181,708 million yen, thanks to the bullish results of social infrastructure systems in embedded/control system development and of online business and system infrastructure construction in operation software, in addition to strong performance in Products and Services, especially in license sales.

Operating income rose due to higher sales.

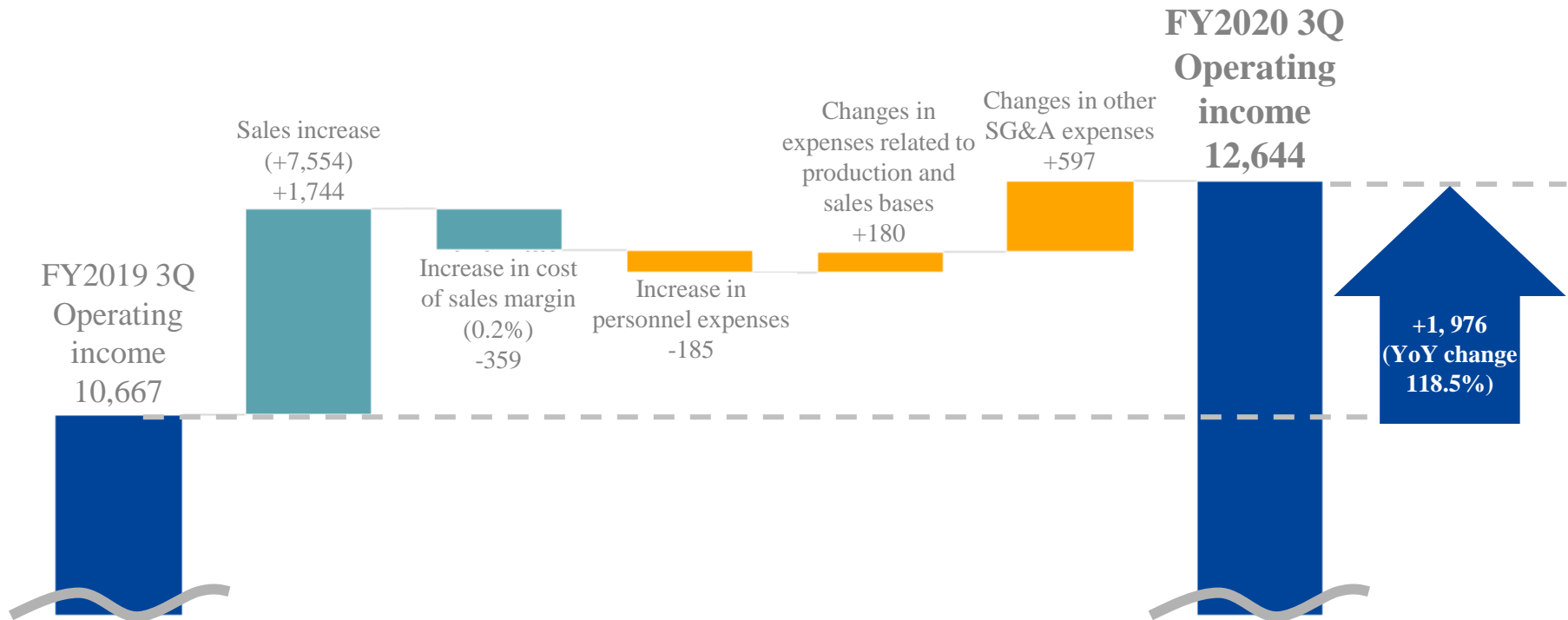
- ◇ Operating income rose 18.5% year on year, to 12,644 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 18.4% year on year, to 12,936 million yen.
- ◇ Profit attributable to owners of parent stood at 6,229 million yen, up 2.2% year on year.

(Million yen)

	FY2019	FY2020	YoY change	YoY change	FY2020	
	3Q Results	3Q Results	(Amount)	(%)	3Q Plan	Comparison with the plan
Net sales	174,153	181,708	+7,554	104.3%	178,600	101.7%
Operating income	10,667	12,644	+1,976	118.5%	10,600	119.3%
Operating income margin	6.1%	7.0%			5.9%	
Ordinary income	10,922	12,936	+2,014	118.4%	10,800	119.8%
Ordinary income margin	6.3%	7.1%			6.0%	
Profit attributable to owners of parent	6,095	6,229	+134	102.2%	6,200	100.5%
Profit margin attributable to owners of parent	3.5%	3.4%			3.5%	



Trends in Consolidated Operating Income (3Q Results Jan-Sep)





1. Consolidated Financial Highlights-2 (Q3 Results Jul-Sep)

Net sales fell 2.4% year on year.

- ◇ Net sales fell 2.4% year on year, to 59,139 million yen, due to a decrease in system construction for manufacturers including car manufacturers and in BPO services for public offices, among others.

The cost of sales margin improved to 77.3%.

- ◇ The cost of sales margin stood at 77.3% due to an increase in license sales, which partly reflects the expansion of remote work. The cost of sales margin declined year on year (while the gross profit margin was improved year on year) due in part to the presence of sales of hardware products for distributors in the previous year. (Year-ago level: 78.2%)

SG&A expenses remained unchanged year on year.

- ◇ The amount was unchanged from the year-ago level, despite an increase in cost for investments in human resources, because of a decrease in expenses related to domestic and overseas business trips and movement, attributable to the impact of the COVID-19 pandemic.
- ◇ Operating income rose 5.6% year on year, to 4,198 million yen.

(Million yen)

	FY2020 2Q results	YoY change (Amount)	YoY change (%)	FY2020 Q3 results	YoY change (Amount)	YoY change (%)
Net sales	122,568	+9,012	107.9%	59,139	-1,457	97.6%
Cost of sales	94,380	+7,851	109.1%	45,736	-1,680	96.5%
Cost of sales margin	77.0%			77.3%		
Gross profit	28,188	+1,161	104.3%	13,402	+222	101.7%
SG&A expenses	19,742	-591	97.1%	9,204	-0	100.0%
Operating income	8,446	+1,753	126.2%	4,198	+223	105.6%
Operating income margin	6.9%			7.1%		



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

(Million yen)

	FY2020	Net sales	Operating income	
FUJI SOFT INCORPORATED	3Q results	123,913	6,964	Net sales grew, reflecting the strong performance of social infrastructure in embedded/control software development and online business and system infrastructure construction in the operation software development, as well as brisk sales of licenses related to the spread of remote working and others in the Products and Services segment. Operating income rose after sales growth and suppression of SG&A expenses.
	YoY change (amount)	+11,912	+1,421	
	YoY change (%)	110.6%	125.6%	
CYBERNET SYSTEMS Co., Ltd.	3Q results	16,579	2,596	Net sales expanded with an increase in sales of IT solution services in Japan and overseas subsidiaries in Taiwan and Belgium despite sales slides in CAE solution services in Japan and subsidiaries in the United States and Canada, among others. Operating income grew following the sales growth and decrease in expenses.
	YoY change (amount)	+148	+639	
	YoY change (%)	100.9%	132.7%	
VINX CORP.	3Q results	20,459	1,688	Net sales declined. While sales of software products rose with mounting needs amid trends among retailers towards cashless payment and a multi-vendor model in which hardware and software are separated, there were delays in the acceptance of orders, mainly in hardware sales, due to the impact of the COVID-19 pandemic. Operating income surged, resulting from improvement in development productivity.
	YoY change (amount)	-2,148	+151	
	YoY change (%)	90.5%	109.9%	
CYBER COM Co., Ltd.	3Q results	10,153	677	The total amount of net sales declined. While sales in the service business increased, the software development business saw insufficient orders received for projects to develop control software/operation software (extension of the development period and size reduction due to COVID-19). Operating income decreased following the decline in sales.
	YoY change (amount)	-308	-40	
	YoY change (%)	97.0%	94.4%	
FUJI SOFT SERVICE BUREAU INCORPORATED	3Q results	6,899	496	Net sales plunged considerably. Despite a strong performance in both call center services and BPO services for local governments and for private corporations, BPO services failed to win a large order from the national government. Operating income also fell due to the sales contraction.
	YoY change (amount)	-2,371	-53	
	YoY change (%)	74.4%	90.3%	

* Results from January to September, 2020 are stated in the FY2020 3Q 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 (%)
	3Q results	Component ratio			3Q results	Operating income margin		
Consolidated total	181,708	100.0%	+7,554	104.3%	12,644	7.0%	+1,976	118.5%
SI Business	171,908	94.6%	+10,071	106.2%	11,709	6.8%	+2,346	125.1%
System Construction	100,330	55.2%	+1,904	101.9%	6,492	6.5%	+589	110.0%
Embedded/Control Software	49,114	27.0%	+986	102.0%	3,625	7.4%	+328	109.9%
Operation Software	51,215	28.2%	+918	101.8%	2,866	5.6%	+261	110.0%
Products and Services	71,578	39.4%	+8,166	112.9%	5,216	7.3%	+1,756	150.8%
Products and Services	61,035	33.6%	+8,628	116.5%	4,458	7.3%	+1,728	163.3%
Outsourcing	10,542	5.8%	-462	95.8%	758	7.2%	+28	103.9%
Facility Business	1,982	1.1%	-177	91.8%	664	33.5%	-246	73.0%
Other Businesses	7,818	4.3%	-2,338	77.0%	271	3.5%	-123	68.7%

Highlights of Sales by Segment

● Embedded/Control Software

Sales were up 2.0% year on year, reflecting a strong performance from social infrastructure systems.

Operating income also rose 9.9% following the sales growth.

● Operation Software

Sales rose 1.8% year on year after brisk sales of software for the online business and system infrastructure construction. Operating income was up 10.0% year on year, following the sales hike.

● Products and Services

Sales increased 16.5% year on year, due to bullish sales of licenses from other companies and our products. Operating income jumped 63.3% year on year as a result of the sales leap.

● Outsourcing

Sales contracted 4.2% year on year due mainly to the shrinkage of service fees because of the closure of stores of overseas customers. Operating income rose 3.9% year on year, partly reflecting the suppression of SG&A expenses for the current fiscal year.



4. Consolidated Income Statement

(Million yen)

	FY2019 3Q Results	FY2020 3Q Results	YoY change (Amount)	YoY change (%)	FY2020 3Q Plan	Comparison with the plan
Net sales	174,153	181,708	+7,554	104.3%	178,600	101.7%
Cost of sales	133,946	140,116	+6,170	104.6%	-	-
Cost of sales margin	76.9%	77.1%	(1)			
Gross profit	40,207	41,591	+1,384	103.4%	-	-
Gross profit margin	23.1%	22.9%				
SG&A expenses	29,539	28,946	-592 (2)	98.0%	-	-
SG&A expense ratio	17.0%	15.9%				
Operating income	10,667	12,644	+1,976	118.5%	10,600	119.3%
Operating income margin	6.1%	7.0%			5.9%	
Non-operating income	436	376	-60	86.2%	-	-
Non-operating expenses	314	305	-8	97.2%	-	-
Share of (profit) loss of entities accounted for using equity method	131	220	+89	167.6%	-	-
Ordinary income	10,922	12,936	+2,014	118.4%	10,800	119.8%
Ordinary income margin	6.3%	7.1%			6.0%	
Extraordinary income	224	224	-0	99.9%	-	-
Extraordinary losses	136	1,092	+956	-	-	-
Income before income taxes	11,010	12,068	+1,057	109.6%	-	-
Total income taxes	3,369	4,125	+756	122.5%	-	-
Net income	7,641	7,943	+301	103.9%	-	-
Profit attributable to non-controlling interests	1,546	1,713	+167	110.8%	-	-
Profit attributable to owners of parent	6,095	6,229	+134	102.2%	6,200	100.5%
Profit margin attributable to owners of parent	3.5%	3.4%			3.5%	

Points of Income Statement

(1) Cost of sales margin (77.1%)

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

(2) SG&A expenses (-592 million yen)

Efficiency improvement for recruitment and training reflecting the shift to online activities and a decrease in expenses for domestic and overseas trips and movement



5. Consolidated Balance Sheet

	End of FY2019	End of Q3 of FY2020	Change (Amount)	(Million yen) End of Q3 of FY2019 (Reference)
Current assets	88,009	98,504	+ 10,495 (1)	85,430
Cash and deposits	22,278	35,148	+ 12,870	21,715
Notes and accounts receivable – trade	49,570	48,085	-1,485	48,829
Securities	7,000	5,500	-1,500	6,000
Inventories	5,930	6,192	+ 262	5,401
Other	3,229	3,577	+ 348	3,484
Non-current assets	119,609	128,207	+ 8,597 (2)	116,139
Property, plant and equipment	86,334	90,135	+ 3,801	81,895
Intangible assets	4,043	4,866	+ 822	4,561
Investments and other assets	29,231	33,205	+ 3,973	29,682
Total assets	207,618	226,712	+ 19,093	201,569
Current liabilities	48,106	62,087	+ 13,980	44,073
Accounts and notes payable – trade	13,361	11,867	-1,494	14,378
Short-term loans payable	4,159	22,503	+ 18,343	4,988
Commercial papers	3,000	-	-3,000	-
Accrued expenses / provision for bonus	10,476	11,653	+ 1,177 (3)	11,147
Income taxes payable	3,534	2,044	-1,489	2,711
Provision for loss on construction contracts	194	85	-108	147
Other	13,380	13,932	+ 552	10,699
Non-current liabilities	32,691	32,463	-227	32,373
Long-term loans payable	22,618	23,191	+ 573	22,803
Other	10,073	9,272	-800	9,569
Total liabilities	80,797	94,550	+ 13,753	76,446
Total net assets	126,820	132,161	+ 5,340	125,123
Total liabilities and net assets	207,618	226,712	+ 19,093	201,569

Points of the Balance Sheet

(1) Current assets (+10,495 million yen)

Increases in cash and deposits after the growth in orders

(2) Non-current assets (+8,597 million yen)

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

(3) Current liabilities (+13,980 million yen)

Non-current liabilities (-227 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 gain on valuation of securities



6. Consolidated Cash Flow Statement

(Million yen)

	FY2019 3Q results	FY2020 3Q results	YoY change (Amount)
Cash flows from operating activities	8,890	9,266	+375
Cash flows from investing activities	-4,231	-13,296	-9,064
Cash flows from financing activities	-3,345	13,864	+17,209
Effect of exchange rate change on cash and cash equivalents	-130	-27	
Net increase (decrease) in cash and cash equivalents	1,182	9,806	
Cash and cash equivalents at beginning of period	24,587	26,158	
Cash and cash equivalents at end of period	25,770	35,965	

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 9,266 million yen, with a year-on-year increase of 375 million yen that resulted from an increase in money received, attributable to higher sales.

- [Cash flows from investing activities](#)

Net cash used in investing activities came to 13,296 million yen mainly due to construction expenses to secure office space.

- [Cash flows from financing activities](#)

Net cash provided by financing activities was 13,864 million yen due to borrowings for the working capital.



7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2020 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	54,712	122.6%	174,324	101.4%	171,908	106.2%	57,128	104.4%
System Construction	34,899	111.4%	101,828	98.8%	100,330	101.9%	36,397	101.3%
Embedded/Control Software	14,138	110.8%	49,452	99.3%	49,114	102.0%	14,476	100.3%
Operation Software	20,761	111.8%	52,376	98.4%	51,215	101.8%	21,921	101.9%
Products and Services	19,812	149.0%	72,496	105.2%	71,578	112.9%	20,730	110.4%
Products and Services	17,130	158.7%	62,387	109.1%	61,035	116.5%	18,482	118.6%
Outsourcing	2,681	107.2%	10,108	86.4%	10,542	95.8%	2,248	70.4%

Highlights of Orders and Order Backlogs

• Highlights in System Construction

- Embedded/Control Software

Orders decreased 0.7% year on year despite strong orders for social infrastructure systems, due in part to a decline in orders for machine control systems. The order backlog at the end of the term increased 0.3% year on year.

Orders for Q3 increased 5.8% from Q2, partly reflecting an increase in the automotive field.

- Operation Software

Orders decreased 1.6% year on year due to a decrease in orders from the financial businesses and others despite strong orders from other businesses. The order backlog at the end of the term rose 1.9% year on year.

Orders for Q3 increased 24.4% from Q2, mainly reflecting an increase in orders from the distribution and service sectors.

• Highlights in Products and Services

- Products and Services

Orders increased 9.1% year on year thanks to an increase in orders for licenses for other companies' products. The order backlog at the end of the term increased 18.6% year on year.

- Outsourcing

Orders declined 13.6% year on year due to a slide in orders for operation and maintenance projects and in orders for services from distributors. The order backlog at the end of the term dropped 29.6% year on year.

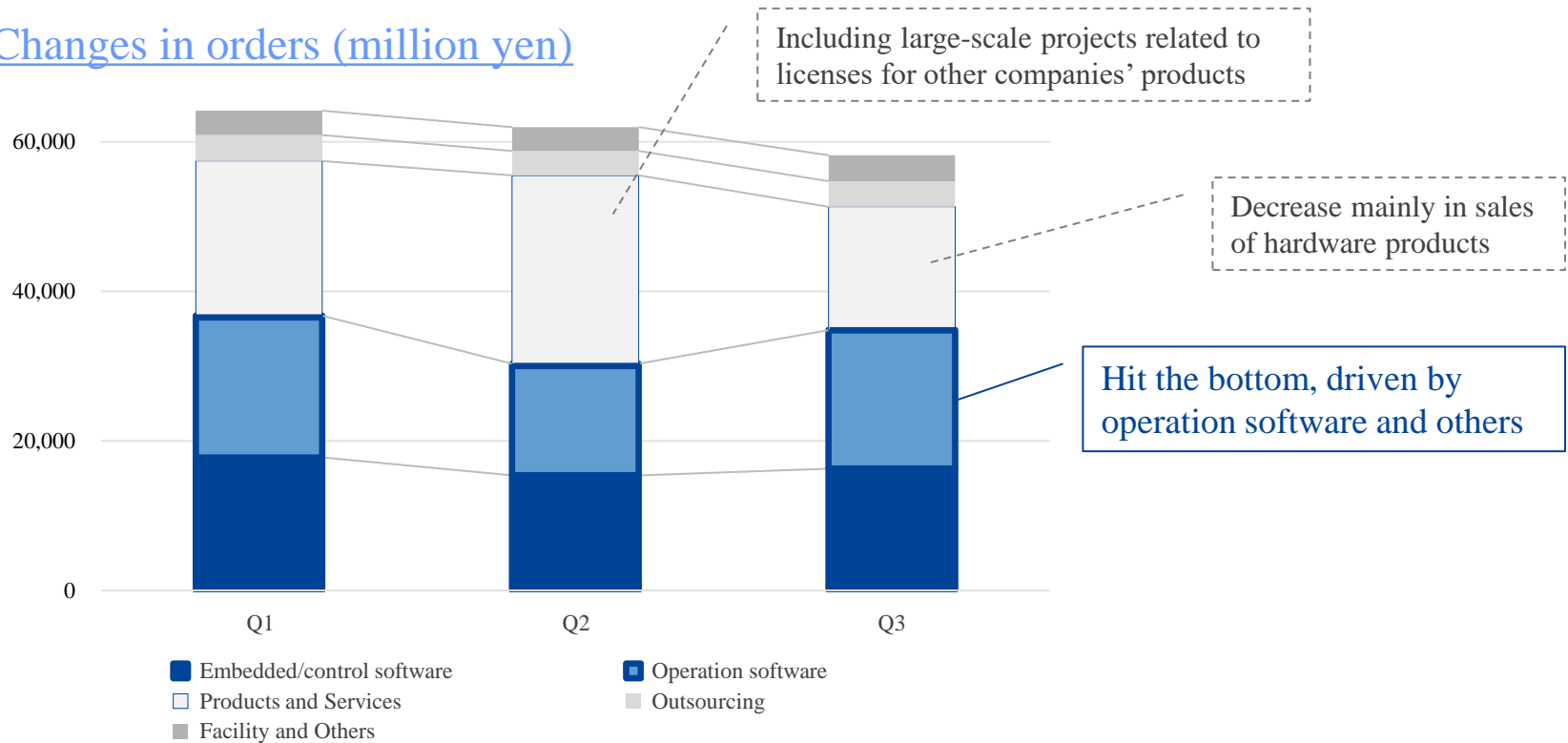
Orders for Q3 rose 4.3% from Q2, partly reflecting an upward turn of orders for services from distributors.



8. Forecast for the Consolidated Business Results for the Current Fiscal Year

- Orders in the mainstay field of System Construction have turned upward after hitting the bottom in the second quarter.

Changes in orders (million yen)



- Results for the first three quarters have been favorable compared to the above forecast. No special factor for the profit decline or disbursement of expenses is expected in Q4. As a result of careful consideration of short-term trends in the business environment, the forecast for consolidated business results for the current fiscal year has not been revised. If a reason to revise the forecast occurs, we will disclose it promptly.



* 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.