



Results of Operations for the First Three Quarters of FY2023

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FUJI SOFT INCORPORATED



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

Net sales increased due to strong results in the system construction business.

- ◇ Net sales rose 6.7% year on year, to 223,668 million yen, due primarily to the strong results of infrastructure construction and backbone system development projects in operation software, mainly for the manufacturing and financial services sectors, of development projects on automotive systems in the field of EVs and advanced technologies in embedded software, and of development projects on machine control systems for the industrial and consumer electronics fields.

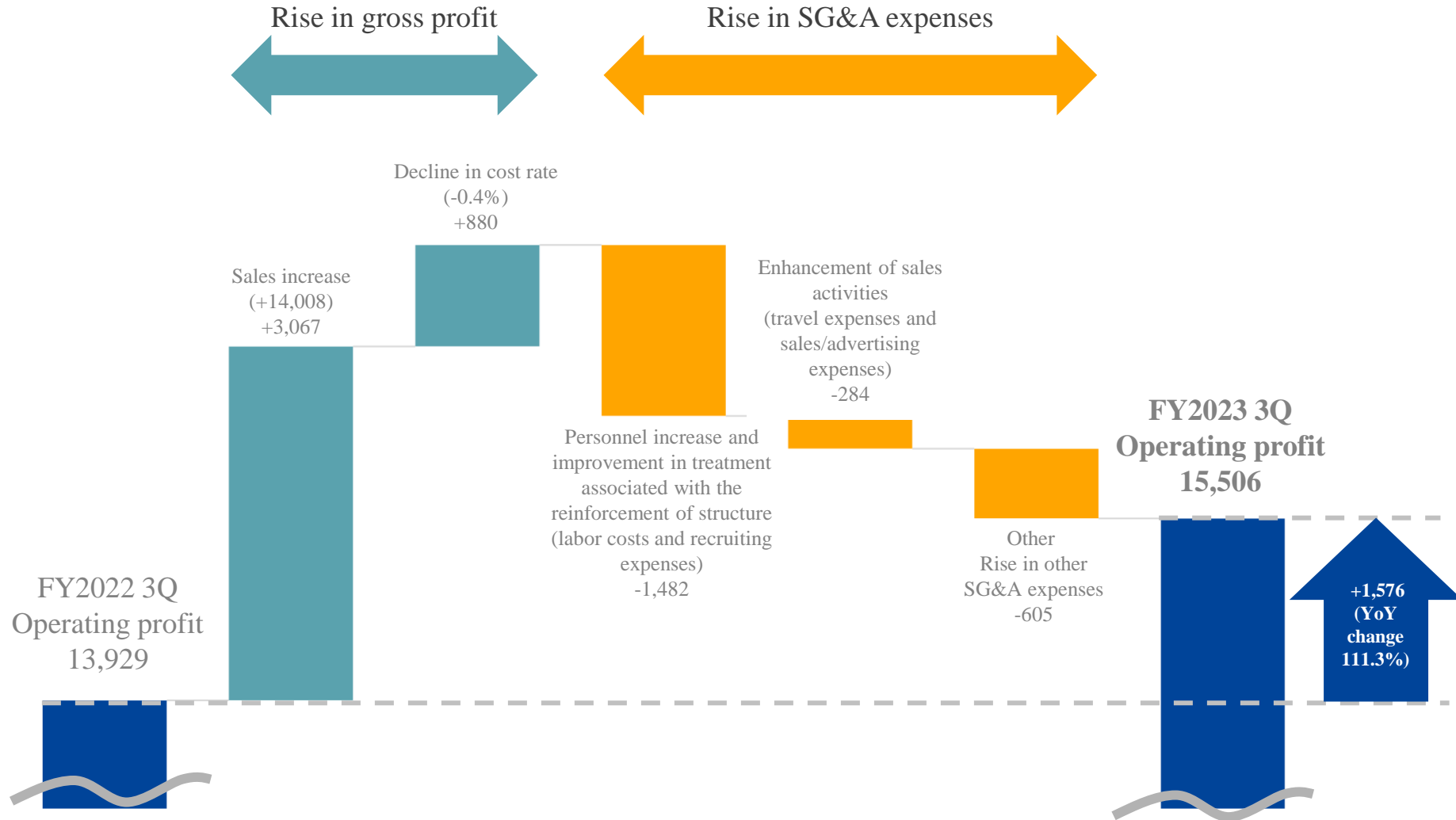
Operating profit increased thanks mainly to higher sales and productivity improvement.

- ◇ Operating profit increased 11.3% year on year, to 15,506 million yen, mainly reflecting higher sales and productivity improvements, offsetting an increase in labor costs, recruiting expenses, and other costs associated with reinforcing the structure.
- ◇ Ordinary profit rose 5.0% year on year, to 15,804 million yen, due to the increase of sales, offsetting a decrease in foreign exchange gains.
- ◇ Profit attributable to owners of parent stood at 9,326 million yen, up 5.3% year on year, due to the increase of sales and sales of property, plant and equipment.

	FY2022 3Q Results	FY2023 3Q Results	YoY change (Amount)	YoY change (%)	FY2023 3Q Plan	(Million yen) Comparison with the plan
Net sales	209,660	223,668	+14,008	106.7%	225,600	99.1%
Operating profit	13,929	15,506	+1,576	111.3%	15,200	102.0%
Operating profit margin	6.6%	6.9%			6.7%	
Ordinary profit	15,044	15,804	+759	105.0%	15,400	102.6%
Ordinary profit margin	7.2%	7.1%			6.8%	
Profit attributable to owners of parent	8,857	9,326	+468	105.3%	9,300	100.3%
Profit margin attributable to owners of parent	4.2%	4.2%			4.1%	



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





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

Net sales rose 5.6% year on year.

The cost of sales margin declined to 76.6% (improved).

- ◇ The cost of sales margin decreased (improved) 0.6 percentage points from the pervious year, reflecting the expansion of the system construction business and improvement of its productivity. (Year-ago level: 77.2%)

SG&A expenses increased 550 million yen year on year.

- ◇ SG&A expenses increased 550 million yen year on year due to an increase in personnel expenses resulting from compensation improvements and system reinforcement, as well as an increase in research and studies related to new technologies such as AI.
- ◇ Operating profit rose 15.8% year on year, to 5,715 million yen.

	FY2023 2Q Results	YoY change (Amount)	YoY change (%)	FY2023 Q3 Results	YoY change (Amount)	YoY change (%)
Net sales	151,480	+10,152	107.2%	72,188	+3,856	105.6%
Cost of sales	118,504	+7,535	106.8%	55,304	+2,524	104.8%
Cost of sales margin	78.2%			76.6%		
Gross profit	32,975	+2,616	108.6%	16,884	+1,331	108.6%
SG&A expenses	23,184	+1,821	108.5%	11,168	+550	105.2%
Operating profit	9,790	+795	108.8%	5,715	+781	115.8%
Operating profit margin	6.5%			7.9%		

(Million yen)



2. Results by Group Company (3Q Results Jan-Sep)

	FY2023 Net sales				FY2023 Operating profit		
	3Q Results	Component ratio	Cost rate	SG&A rate	3Q Results	Component ratio	Operating profit margin
Consolidated	223,668	100.0%	77.7%	15.4%	15,506	100.0%	6.9%
FUJI SOFT INCORPORATED	155,807 (+7.2%)	69.7%	78.9%	14.3%	10,565 (+23.1%)	68.1%	6.8%
<p>Net sales increased due primarily to the strong results of infrastructure construction and backbone system development projects in operation software, mainly for the manufacturing and financial services sectors, of development projects in the fields of EVs and advanced technologies for automotive systems in embedded software, and of development projects for machine control systems in the industrial and consumer electronics fields. Operating profit increased thanks to higher sales and productivity improvement.</p>							
CYBERNET SYSTEMS Co., Ltd.	15,282 (+6.1%)	6.8%	60.6%	32.6%	1,034 (-13.4%)	6.7%	6.8%
<p>Net sales increased, mainly reflecting the renewal of maintenance contracts in Japan in the solution simulation service business and the strong performance of the IT solution service business. Operating profit decreased due in part to an increase in the cost of goods sold resulting mainly from a change in the sales mix, and an increase in labor costs associated with human capital investment. The decline also reflected an increase in travel expenses linked to the increase in the volume of sales activities.</p>							
VINX CORP.	25,181 (+4.2%)	11.3%	76.4%	13.4%	2,590 (+2.9%)	16.7%	10.3%
<p>Net sales increased chiefly due to growing needs for DX in the retail industry in Japan and the deepening of relationships with existing customers. Operating profit increased due to higher sales.</p>							
CYBER COM Co., Ltd.	13,027 (+5.1%)	5.8%	79.7%	12.2%	1,056 (+7.5%)	6.8%	8.1%
<p>Net sales increased thanks to the strong performance of operation system development projects, mainly including finance systems, and control and system development projects, mainly including automotive systems, in the software development business. Operating profit rose thanks to higher sales and the improved cost of sales margin.</p>							
FUJI SOFT SERVICE BUREAU INCORPORATED	8,964 (+4.4%)	4.0%	81.9%	12.6%	493 (-10.5%)	3.2%	5.5%
<p>Net sales increased with the contribution of pension-related operations, which were started in the previous fiscal year, to both call center services and BPO services. Operating profit decreased due to the impact of unprofitable projects through to the second quarter.</p>							
Other subsidiaries and consolidation adjustments	5,405	2.4%	87.1%	17.2%	-235	-1.5%	-4.3%



3. Consolidated Net Sales/Operating Profit by Segment

(Million yen)

	FY2023 Net sales		YoY change (Amount)	YoY change (%)	FY2023 Operating profit		YoY change (Amount)	YoY change (%)
	3Q Results	Component ratio			3Q Results	Operating profit margin		
Consolidated total	223,668	100.0%	+14,008	106.7%	15,506	6.9%	+1,576	111.3%
SI Business	211,384	94.5%	+13,225	106.7%	14,140	6.7%	+1,422	111.2%
System Construction	133,864	59.8%	+11,994	109.8%	9,949	7.4%	+1,653	119.9%
Embedded/Control Software	58,554	26.2%	+3,338	106.0%	4,999	8.5%	+485	110.7%
Operation Software	75,310	33.7%	+8,655	113.0%	4,950	6.6%	+1,168	130.9%
Products and Services	77,520	34.7%	+1,231	101.6%	4,191	5.4%	-231	94.8%
Products and Services	66,856	29.9%	+1,736	102.7%	3,690	5.5%	+77	102.2%
Outsourcing	10,663	4.8%	-504	95.5%	500	4.7%	-309	61.8%
Facility Business	2,178	1.0%	+203	110.3%	801	36.8%	+156	124.3%
Other Businesses	10,105	4.5%	+579	106.1%	564	5.6%	-2	99.6%

Highlights of Sales by Segment

● Embedded/Control Software

Net sales increased 6.0% year on year, despite the decline in mobile systems and social infrastructure systems that was more than offset by the steady performance of development projects in the field of EVs for automotive systems and development projects on machine control systems for the industrial and consumer electronics fields.

Operating profit also rose 10.7% year on year following sales growth.

● Operation Software

Net sales increased 13.0% year on year thanks to the strong results of infrastructure construction and backbone system development projects in a number of fields, such as manufacturing and financial services.

Operating profit rose 30.9% year on year mainly due to the sales increase and productivity improvement.

● Products and Services

Net sales increased 2.7% year on year, chiefly reflecting solid sales of the Company's own products and the licensed products and services of other companies at subsidiaries.

Operating profit also rose 2.2% year on year following sales growth.

● Outsourcing

Net sales decreased 4.5% year on year, because of a decrease in IT services for overseas retailers.

Operating profit decreased 38.2% year on year due to a sales decrease and the impact of the rising electricity price on data center services.



(Reference) FUJI SOFT non-consolidated: Overview of Results by Segment

	FY2023 Net sales				FY2023 Operating profit			Operating profit margin		
	(Million yen)	3Q Results	Component ratio	YoY change (%)	Cost rate	SG&A rate	3Q Results	Operating profit margin	YoY change (%)	YoY change (Amount)
Consolidated total		155,807	100.0%	107.2%	78.9%	14.3%	10,565	6.8%	123.1%	+0.9pt
SI Business		153,139	98.3%	107.2%	79.3%	14.3%	9,759	6.4%	123.0%	+0.8pt
System Construction		107,532	69.0%	110.8%	75.0%	17.3%	8,271	7.7%	128.0%	+1.0pt
Embedded/Control Software		54,097	34.7%	107.8%	74.4%	16.7%	4,804	8.9%	115.5%	+0.6pt
Operation Software		53,435	34.3%	114.0%	75.5%	18.0%	3,467	6.5%	150.5%	+1.6pt
Products and Services		45,607	29.3%	99.5%	89.7%	7.1%	1,487	3.3%	101.1%	+0.1pt
Other companies' products		38,995	25.0%	100.0%	91.6%	5.0%	1,345	3.5%	136.6%	+0.9pt
FUJI SOFT products		2,094	1.3%	95.2%	69.5%	23.1%	156	7.5%	54.6%	-5.5pt
Outsourcing		4,516	2.9%	96.8%	82.8%	17.6%	-14	-	-	-
Facility Business		2,568	1.6%	108.5%	51.6%	16.9%	808	31.5%	123.7%	+3.9pt
Other Businesses		99	0.1%	72.6%	48.6%	53.8%	-2	-	-	-

Status in FY2023

System Construction	- Invested approx. 2.0 billion yen in human resources (recruitment training and education) as a growth investment to strengthen system construction
Embedded/Control Software	- Demand from Customers' related to IT investments in machine control systems and the automotive sector continues to grow (It remains on trend toward a recovery from the COVID-19 pandemic). - Despite an increase in costs attributed to unprofitable projects, profit has been trending upward due to the improvement of productivity, mainly in the automotive sector and in machine control systems.
Operation Software	- There is a lot of momentum in the utilization of IT reflecting DX, with growth drivers being backbone system development and infrastructure construction projects mainly for the financial services and manufacturing sectors. - Although SG&A expenses increased mainly due to the strengthening of management systems and sales activities, the profit margin is trending upward reflecting the improvement of productivity.
Other companies' products	(Overview) Sales of licenses from other companies and hardware-related products (including sales of products from other companies used in commissioned development projects (sales of services incidental to development)) - Although the profit margin is low, the products will continue to be maintained and promoted to a certain degree as tools for creating contact points for obtaining new customers.
FUJI SOFT products	(Overview) Manufacturing and sales of products developed in-house (SW/HW) applying expertise in system construction technologies such as communication, cloud computing and robot technologies - Sales decreased due to the absence of the large-scale projects of the previous year, but the Company will respond to new demand in the market, aiming to expand its scale.
Outsourcing	(Overview) This business is promoted as a part of comprehensive services, including operation and maintenance services in system development projects and the data center business operated using the Company's own real-estate properties. - There was a temporary decline in profit attributed to an increase in costs in the data center business, reflecting the rising electricity prices.



4. Consolidated Income Statement

(Million yen)

	FY2022	FY2023	YoY change (Amount)	YoY change (%)	FY2023	
	3Q Results	3Q Results			1H Plan	Comparison with the plan
Net sales	209,660	223,668	+14,008	106.7%	225,600	99.1%
Cost of sales	163,748	173,809	+10,060	106.1%	–	–
Cost of sales margin	78.1%	77.7%	(1)			
Gross profit	45,911	49,859	+3,948	108.6%	–	–
Gross profit margin	21.9%	22.3%				
SG&A expenses	31,981	34,353	+2,371	107.4%	–	–
SG&A expense ratio	15.3%	15.4%				
Operating profit	13,929	15,506	+1,576	111.3%	15,200	102.0%
Operating profit margin	6.6%	6.9%			6.7%	
Non-operating income	1,337	836	(2) -501	62.5%	–	–
Non-operating expenses	244	382	+138	156.6%	–	–
Share of (profit) loss of entities accounted for using equity method	22	-155	-177	–	–	–
Ordinary profit	15,044	15,804	+759	105.0%	15,400	102.6%
Ordinary profit margin	7.2%	7.1%			6.8%	
Extraordinary income	190	489	+298	256.6%	–	–
Extraordinary losses	408	125	-283	30.6%	–	–
Profit before income taxes	14,826	16,168	+1,342	109.1%	–	–
Total income taxes	4,457	5,364	+907	120.4%	–	–
Profit	10,369	10,804	+434	104.2%	–	–
Profit attributable to non- controlling interests	1,512	1,478	-34	97.7%	–	–
Profit attributable to owners of parent	8,857	9,326	+468	105.3%	9,300	100.3%
Profit margin attributable to owners of parent	4.2%	4.2%			4.1%	

Points of Income Statement

(1) Cost of sales margin (-0.4pt)

The cost of sales margin improved, despite the impact of unprofitable projects at some Group companies that was more than offset by the improvement of productivity at FUJI SOFT.

(2) Non-operating income (-501 million yen)

Decreased in foreign exchange gains



5. Consolidated Balance Sheet

(Million yen)

	End of FY2022	End of Q3 of FY2023	Change (Amount)	End of Q3 of FY2022 (Reference)
Current assets	112,730	121,677	+ 8,947	107,715
Cash and deposits	32,736	34,671	+ 1,935	31,539
Notes and accounts receivable - trade	56,634	61,473	(1) + 4,838	53,605
Securities	8,500	8,200	-300	8,000
Inventories	5,552	5,986	+ 434	4,972
Other	9,307	11,346	+ 2,038	9,597
Non-current assets	128,104	130,247	+ 2,142	126,735
Property, plant and equipment	99,160	99,037	-122	98,248
Intangible assets	5,426	5,073	-352	5,038
Investments and other assets	23,518	26,136	+ 2,618	23,448
Total assets	240,835	251,925	+ 11,089	234,450
Current liabilities	71,945	75,539	+ 3,594	68,373
Notes and accounts payable - trade	14,083	14,208	+ 125	13,787
Short-term borrowings	17,855	14,777	(2) -3,078	17,944
Accrued expenses / provision for bonuses	12,974	19,637	(3) + 6,663	14,056
Income taxes payable	2,828	4,725	+ 1,896	2,606
Provision for loss on construction contracts	421	153	-267	258
Other	23,782	22,036	-1,745	19,720
Non-current liabilities	16,145	15,950	-194	16,333
Long-term borrowings	8,783	8,529	-253	8,885
Other	7,362	7,420	+ 58	7,447
Total liabilities	88,091	91,490	+ 3,399	84,707
Total net assets	152,744	160,434	+ 7,690	149,743
Total liabilities and net assets	240,835	251,925	+ 11,089	234,450

Points of the Balance Sheet

(1) Notes and accounts receivable - trade (+4,838 million yen)

Increase in trade receivables associated with the strong performance

(2) Short-term borrowings (-3,078 million yen)

The decline was the result of the planned repayment of funds.

(3) Accrued expenses / provision for bonuses (+6,663 million yen)

Increase in provision for bonuses due to a change in the performance evaluation period for FUJI SOFT



6. Consolidated Cash Flow Statement

(Million yen)

	FY2022 3Q Results	FY2023 3Q Results	YoY change (Amount)
Cash flows from operating activities	9,343	13,662	+4,319
Cash flows from investing activities	-11,894	-5,688	+6,206
Cash flows from financing activities	-5,647	-8,672	-3,025
Effect of exchange rate change on cash and cash equivalents	616	353	
Net increase (decrease) in cash and cash equivalents	-7,582	-344	
Cash and cash equivalents at beginning of period	40,876	33,086	
Cash and cash equivalents at end of period	33,294	32,741	

Highlights of Cash Flows

- **Cash flows from operating activities**

Net cash provided by operating activities stood at 13,662 million yen due to an increase in money received, attributable to higher sales and profits. The amount increased 4,319 million yen year on year due in part to an increase in the payment of income taxes associated with the sales of securities in the previous fiscal year.

- **Cash flows from investing activities**

Net cash used in investing activities was 5,688 million yen, despite money received due to sales of property, plant and equipment, offset by expenses for construction of the Company's own office that had previously been planned and the acquisition of securities by Group companies. The amount increased 6,206 million yen year on year due to an increase in expenditures for the construction of the Company's own office in the previous fiscal year.

- **Cash flows from financing activities**

Net cash used in financing activities stood at 8,672 million yen, mainly reflecting the payment of dividends and repayments of borrowings. The amount decreased 3,025 million yen year on year.



7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2023 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	72,963	125.1%	213,333	103.9%	211,384	106.7%	74,912	109.1%
System Construction	46,427	121.3%	136,581	107.1%	133,864	109.8%	49,144	111.7%
Embedded/Control Software	14,884	110.2%	60,005	106.0%	58,554	106.0%	16,335	109.5%
Operation Software	31,542	127.4%	76,575	107.9%	75,310	113.0%	32,808	112.9%
Products and Services	26,536	132.3%	76,752	98.7%	77,520	101.6%	25,768	104.4%
Products and Services	24,717	135.7%	65,908	98.8%	66,856	102.7%	23,770	103.7%
Outsourcing	1,818	98.2%	10,843	97.9%	10,663	95.5%	1,998	113.5%

Highlights of Orders and Order Backlogs

● Highlights in System Construction

- Embedded/Control Software

Orders received rose 6.0% year on year due in part to an increase in automotive and machine control systems.

The order backlog at the end of the term increased 9.5% year on year.

- Operation Software

Orders received increased 7.9% year on year with growth in development projects for the manufacturing and financial services industries.

The order backlog at the end of the term increased 12.9% year on year.

● Highlights in Products and Services

- Products and Services

Orders received decreased 1.2% year on year, reflecting a decrease in hardware product sales projects, which more than offset an increase in license sales projects.

The order backlog at the end of the term increased 3.7% year on year.

- Outsourcing

Orders received decreased 2.1% year on year due to a decline in orders received for IT services intended for overseas retailers.

The order backlog at the end of the term increased 13.5% year on year.



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