

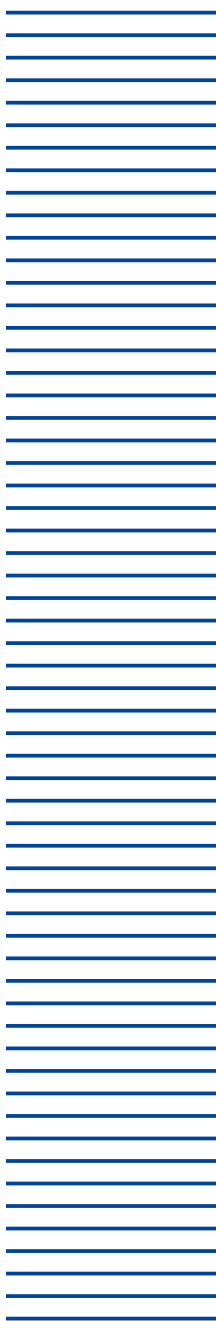


# Results of Operations for the First Half of FY2023

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August 10, 2023

FUJI SOFT INCORPORATED





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# 1. Consolidated Financial Highlights-1 (1H Results Jan-Jun)

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

- ◇ Net sales rose 7.2% year on year, to 151,480 million yen, due primarily to the strong results of infrastructure construction and backbone system development projects in operation software, mainly for the financial services and manufacturing 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.

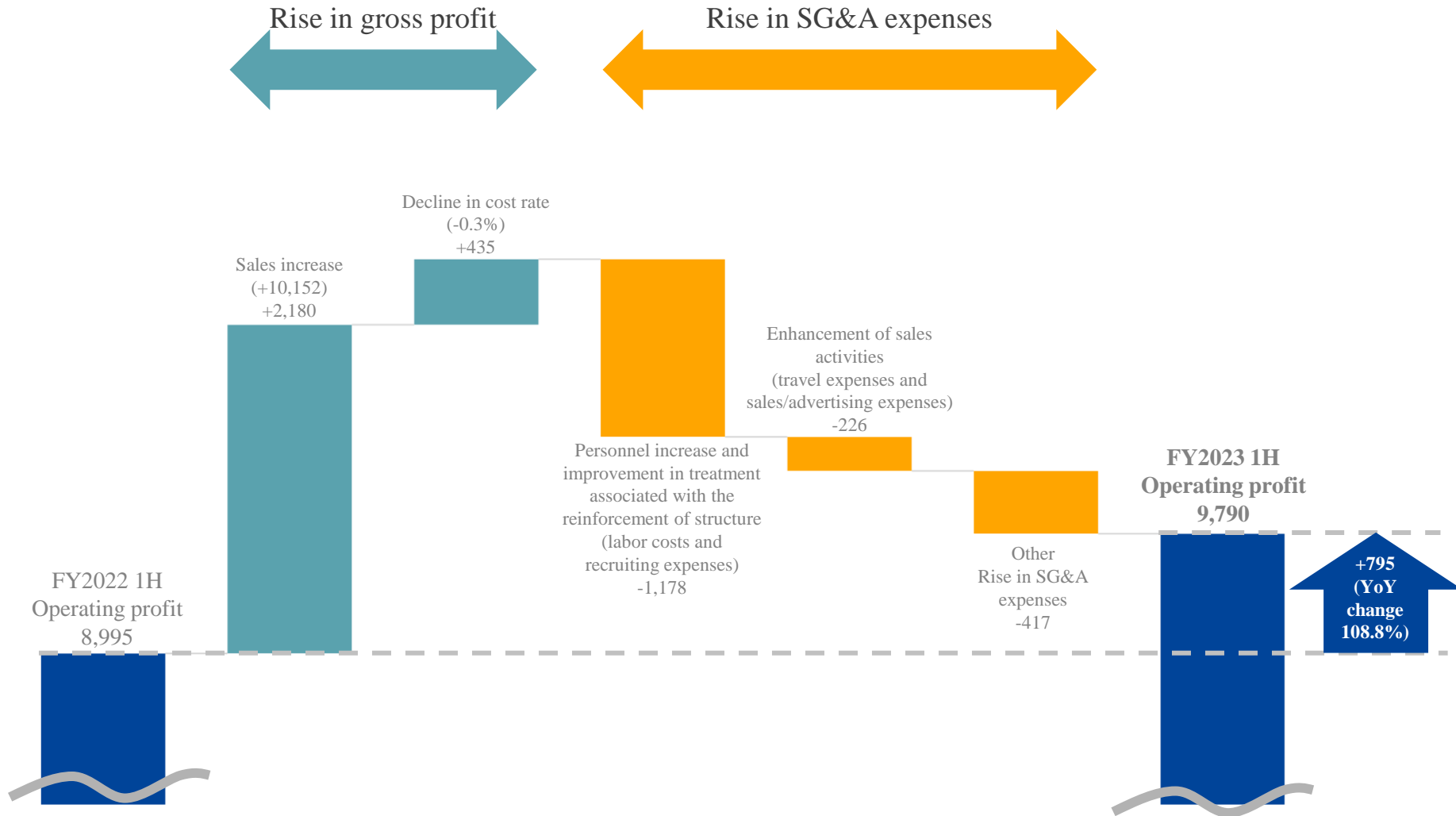
Operating profit rose due to higher sales, despite an increase in labor costs and expenses.

- ◇ Operating profit increased 8.8% year on year, to 9,790 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 2.1% year on year, to 10,166 million yen, due to the increase of sales, offsetting a decrease in foreign exchange gains.
- ◇ Profit attributable to owners of parent stood at 6,061 million yen, up 3.6% year on year, due to the increase of sales and sales of property, plant and equipment.

	FY2022 1H Results	FY2023 1H Results	YoY change (Amount)	YoY change (%)	(Million yen)	
					FY2023 1H Plan	Comparison with the plan
<b>Net sales</b>	141,328	151,480	+10,152	107.2%	151,800	99.8%
<b>Operating profit</b>	8,995	9,790	+795	108.8%	9,600	102.0%
Operating profit margin	6.4%	6.5%			6.3%	
<b>Ordinary profit</b>	9,954	10,166	+212	102.1%	9,800	103.7%
Ordinary profit margin	7.0%	6.7%			6.5%	
<b>Profit attributable to owners of parent</b>	5,850	6,061	+210	103.6%	6,100	99.4%
Profit margin attributable to owners of parent	4.1%	4.0%			4.0%	



## Trends in Consolidated Operating Profit (1H)





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

Net sales rose 4.7% year on year.

The cost of sales margin declined to 78.6% (improved).

- ◇ The cost of sales margin decreased (improved) 0.4 percentage points from the pervious year, mainly reflecting the improvement of productivity in the system construction business. (Year-ago level: 79.0%)

SG&A expenses increased 1,024 million yen year on year.

- ◇ SG&A expenses increased 1,024 million yen year on year due to an increase in labor costs and expenses associated with a personnel increase for responding to strong orders.
- ◇ Operating profit rose 0.8% year on year, to 3,934 million yen.

	(Million yen)					
	FY2023 1Q Results	YoY change (Amount)	YoY change (%)	FY2023 2Q Results	YoY change (Amount)	YoY change (%)
<b>Net sales</b>	75,631	+6,756	109.8%	75,849	+3,395	104.7%
<b>Cost of sales</b>	58,919	+5,193	109.7%	59,585	+2,341	104.1%
Cost of sales margin	77.9%			78.6%		
<b>Gross profit</b>	16,711	+1,562	110.3%	16,263	+1,054	106.9%
<b>SG&amp;A expenses</b>	10,855	+796	107.9%	12,329	+1,024	109.1%
<b>Operating profit</b>	5,855	+766	115.0%	3,934	+29	100.8%
Operating profit margin	7.7%			5.2%		



## 2. Results by Group Company

	FY2023 Net sales				FY2023 Operating profit		Operating profit margin
	1H Results	Component ratio	Cost rate	SG&A rate	1H Results	Component ratio	
<b>Consolidated</b>	<b>151,480</b>	<b>100.0%</b>	<b>78.2%</b>	<b>15.3%</b>	<b>9,790</b>	<b>100.0%</b>	<b>6.5%</b>
<b>FUJI SOFT INCORPORATED</b>	106,024 (+7.4%)	70.0%	79.5%	14.2%	6,721 (+27.0%)	68.6%	6.3%
Net sales increased due primarily to the strong results of infrastructure construction and backbone system development projects in operation software, mainly for the financial services and manufacturing 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 mainly to higher sales and productivity improvement.							
<b>CYBERNET SYSTEMS Co., Ltd.</b>	10,003 (+2.7%)	6.6%	60.5%	33.1%	640 (-38.0%)	6.5%	6.4%
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 labor costs and recruiting expenses associated with human capital investment. The decline also reflected an increase in travel expenses and costs for sales support activities associated with an increase in the volume of sales activities.							
<b>VINX CORP.</b>	17,071 (+5.5%)	11.3%	76.2%	13.5%	1,771 (+12.4%)	18.1%	10.4%
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.							
<b>CYBER COM Co., Ltd.</b>	8,572 (+3.7%)	5.7%	79.1%	13.1%	670 (+4.8%)	6.9%	7.8%
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 (0.3%).							
<b>FUJI SOFT SERVICE BUREAU INCORPORATED</b>	6,021 (+8.2%)	4.0%	82.2%	12.5%	318 (-17.8%)	3.3%	5.3%
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 significant impact of unprofitable projects.							
Other subsidiaries and consolidation adjustments	3,789	2.5%	90.8%	18.0%	-333	-3.4%	-8.8%



### 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 (%)
	1H Results	Component ratio			1H Results	Operating profit margin		
<b>Consolidated total</b>	151,480	100.0%	+10,152	107.2%	9,790	6.5%	+795	108.8%
<b>SI Business</b>	143,152	94.5%	+9,365	107.0%	8,935	6.2%	+708	108.6%
<b>System Construction</b>	88,218	58.2%	+7,957	109.9%	6,056	6.9%	+914	117.8%
Embedded/Control Software	38,983	25.7%	+2,508	106.9%	3,253	8.3%	+239	107.9%
Operation Software	49,234	32.5%	+5,448	112.4%	2,803	5.7%	+675	131.8%
<b>Products and Services</b>	54,933	36.3%	+1,408	102.6%	2,879	5.2%	-206	93.3%
Products and Services	47,753	31.5%	+1,737	103.8%	2,569	5.4%	+19	100.8%
Outsourcing	7,180	4.7%	-329	95.6%	309	4.3%	-226	57.8%
<b>Facility Business</b>	1,461	1.0%	+120	109.0%	480	32.9%	+107	128.7%
<b>Other Businesses</b>	6,867	4.5%	+665	110.7%	374	5.5%	-19	95.1%

#### Highlights of Sales by Segment

##### ● Embedded/Control Software

Net sales increased 6.9% 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 7.9% year on year following sales growth.

##### ● Operation Software

Net sales increased 12.4% year on year thanks to the strong results of infrastructure construction and backbone system development projects in a number of fields, such as financial services and manufacturing. Operating profit rose 31.8% year on year due to the sales increase and productivity improvement.

##### ● Products and Services

Net sales increased 3.8% year on year thanks mainly to the strong performance of sales of licenses from other companies and POS-related FUJI SOFT products at subsidiaries.

Operating profit also rose 0.8% year on year following sales growth.

##### ● Outsourcing

Net sales decreased 4.4% year on year, because of a decrease in IT services for overseas retailers.

Operating profit decreased 42.2% year on year due to a sales decrease and the impact of the rising electricity price on data center services.



## 4. Consolidated Income Statement

(Million yen)

	FY2022 1H Results	FY2023 1H Results	YoY change (Amount)	YoY change (%)	FY2023 1H Plan	Comparison with the plan
<b>Net sales</b>	141,328	151,480	+10,152	107.2%	151,800	99.8%
<b>Cost of sales</b>	110,969	118,504	+7,535	106.8%	—	—
Cost of sales margin	78.5%	78.2%	(1)			
<b>Gross profit</b>	30,358	32,975	+2,616	108.6%	—	—
Gross profit margin	21.5%	21.8%				
<b>Selling, general and administrative expenses</b>	21,363	23,184	+1,821	108.5%	—	—
SG&A expense ratio	15.1%	15.3%				
<b>Operating profit</b>	8,995	9,790	+795	108.8%	9,600	102.0%
Operating profit margin	6.4%	6.5%			6.3%	
<b>Non-operating income</b>	1,101	676	(2) -425	61.4%	—	—
<b>Non-operating expenses</b>	151	143	-8	94.6%	—	—
<b>Share of (profit) loss of entities accounted for using equity method</b>	9	-156	-166	-	—	—
<b>Ordinary profit</b>	9,954	10,166	+212	102.1%	9,800	103.7%
Ordinary profit margin	7.0%	6.7%			6.5%	
<b>Extraordinary income</b>	157	489	+332	-	—	—
<b>Extraordinary losses</b>	356	117	-238	33.0%	—	—
<b>Profit before income taxes</b>	9,755	10,539	+783	108.0%	—	—
<b>Total income taxes</b>	2,819	3,547	+727	125.8%	—	—
<b>Profit</b>	6,935	6,991	+56	100.8%	—	—
<b>Profit attributable to non-controlling interests</b>	1,084	930	-154	85.8%	—	—
<b>Profit attributable to owners of parent</b>	5,850	6,061	+210	103.6%	6,100	99.4%
Profit margin attributable to owners of parent	4.1%	4.0%			4.0%	

### Points of Income Statement

#### (1) Cost of sales margin (-0.3pt)

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 (-425 million yen)

Decreased in foreign exchange gains





## 5. Consolidated Balance Sheet

(Million yen)				
	FY2022	FY2023	Change	FY2022
	End of FY2022	End of 1H	(Amount)	End of 1H (Reference)
<b>Current assets</b>	112,730	114,036	+1,305	114,075
Cash and deposits	32,736	33,099	+363	39,472
Notes and accounts receivable - trade	56,634	57,020	+385	53,827
Securities	8,500	8,300	-200	7,500
Inventories	5,552	4,977	-574	4,294
Other	9,307	10,638	+1,331	8,981
<b>Non-current assets</b>	128,104	128,362	+257	123,173
Property, plant and equipment	99,160	99,084	-76	96,135
Intangible assets	5,426	5,254	-171	4,601
Investments and other assets	23,518	24,024	+505	22,436
<b>Total assets</b>	240,835	242,398	+1,562	237,249
<b>Current liabilities</b>	71,945	67,949	-3,995	72,956
Notes and accounts payable - trade	14,083	14,256	+173	14,900
Short-term borrowings	17,855	14,833	(1) -3,021	20,856
Accrued expenses / provision for bonuses	12,974	15,147	+2,172	11,025
Income taxes payable	2,828	4,439	+1,610	3,145
Provision for loss on construction contracts	421	255	-166	197
Other	23,782	19,018	(2) -4,764	22,830
<b>Non-current liabilities</b>	16,145	15,987	-158	16,215
Long-term loans payable	8,783	8,567	-215	9,007
Other	7,362	7,419	+57	7,208
<b>Total liabilities</b>	88,091	83,937	-4,153	89,172
<b>Total net assets</b>	152,744	158,461	+5,716	148,076
<b>Total liabilities and net assets</b>	240,835	242,398	+1,562	237,249

### Points of the Balance Sheet

#### (1) Short-term loans payable (-3,021 million yen)

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

#### (2) Other (-4,764 million yen)

The decline was the result of the payment of consumption tax, social insurance premiums and other factors.



## 6. Consolidated Cash Flow Statement

(Million yen)

	FY2022 1H Results	FY2023 1H Results	YoY change (Amount)
<b>Cash flows from operating activities</b>	5,278	8,615	+3,337
<b>Cash flows from investing activities</b>	-7,714	-3,934	+3,780
<b>Cash flows from financing activities</b>	-572	-5,927	-5,355
Effect of exchange rate change on cash and cash equivalents	700	234	
Net increase (decrease) in cash and cash equivalents	-2,308	-1,011	
Cash and cash equivalents at beginning of period	40,876	33,086	
<b>Cash and cash equivalents at end of period</b>	<b>38,568</b>	<b>32,075</b>	

### Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 8,615 million yen due to an increase in money received, attributable to higher sales and profits. The amount increased 3,337 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 3,934 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 3,780 million yen year on year due to the withdrawal of time deposits.

- [Cash flows from financing activities](#)

Net cash used in financing activities stood at 5,927 million yen, mainly reflecting the repayment of borrowings and payment of dividends. The amount decreased 5,355 million yen year on year.



## 7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2023 1H Results							
	Order backlog at beginning of term	YoY change (%)	Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
<b>SI Business total</b>	72,963	125.1%	144,824	103.9%	143,152	107.0%	74,635	111.2%
<b>System Construction</b>	46,427	121.3%	88,419	106.2%	88,218	109.9%	46,628	113.1%
Embedded/Control Software	14,884	110.2%	39,641	108.6%	38,983	106.9%	15,542	114.8%
Operation Software	31,542	127.4%	48,778	104.4%	49,234	112.4%	31,086	112.2%
<b>Products and Services</b>	26,536	132.3%	56,404	100.4%	54,933	102.6%	28,006	108.3%
Products and Services	24,717	135.7%	49,169	101.1%	47,753	103.8%	26,134	109.0%
Outsourcing	1,818	98.2%	7,234	95.9%	7,180	95.6%	1,872	99.1%

### Highlights of Orders and Order Backlogs

#### ● Highlights in System Construction

##### - Embedded/Control Software

Orders received rose 8.6% 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 14.8% year on year.

##### - Operation Software

Orders received, increased 4.4% 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 12.2% year on year.

#### ● Highlights in Products and Services

##### - Products and Services

Orders received increased 1.1% year on year due to strong performance in sales of products from other companies and FUJI SOFT products.

The order backlog at the end of the term increased 9.0% year on year.

##### - Outsourcing

Orders received decreased 4.1% 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 decreased 0.9% year on year.



## 8. Dividend

Interim dividends will be 68 yen per share as forecasted at the beginning of the fiscal year.

- Interim dividends will be 68 yen per share as forecasted at the beginning of the fiscal year.

### Interim dividends

	At the end of the second quarter of FY2023	Dividend payout ratio	Most recent dividend forecast
<b>Dividend per share</b>	<b>68.00 yen</b>	<b>35.3%</b>	68.00 yen

- (Reference) The year-end dividend forecast has been revised as follows reflecting the stock split announced on April 25, 2023. The following revision to the dividend forecast is a result of the stock split and does not indicate any practical changes.

### (Reference) Year-end dividend forecast

(Yen)

	At the end of the second quarter of FY2023	At the end of FY2023	Total	Dividend payout ratio
<b>Previously announced forecasts</b>	<b>68.00 yen</b>	<b>69.00 yen</b>	<b>137.00 yen</b>	<b>35.0%</b>
<b>Revised forecast</b>	<b>68.00 yen</b>	<b>34.50 yen</b>	-	<b>35.0%</b>



# Business Trends in the First Half

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# Business Trends in the First Half of FY2023

## (Trends in Major Consolidated Segments)

Customers' Business	Major Consolidated Segments					
	System Construction		Products and Services			Other
	Operation Software	Embedded/Control Software	FUJI SOFT products		Other companies' products	
<b>Machinery Manufacturing</b> FA, medical care, mobile devices, home appliances, electronics and other businesses	Strong	Strong		CAE systems		CAE systems
<b>Automotive</b>			more NOTE			
<b>Social Infrastructure Systems</b> Communication, transportation, energy and other businesses		Weak	FAM series		Licenses for other companies (MS, VMware, AWS, Salesforce, etc.)	Product sales systems (PCs, servers, tablets, etc.)
<b>Financial Sector</b> Life insurance, non-life insurance, credit card, bank, securities and other businesses	Strong		Desktop Full Service	Securities system solutions		
<b>Distribution Sector</b> Retailing, wholesale, e-commerce and other businesses	Steady			Distribution system solutions		
<b>Public Sector</b> Public offices, education, medical care and other businesses				Mirai Series		
<b>Other</b> Telecommunication, other services, general consumer businesses and other businesses	Strong			Wi-Fi router PALRO		BPO, call center



# FUJI SOFT non-consolidated: Overview of Results by Segment

	FY2023 Net sales					FY2023 Operating profit			Operating profit margin	
	(Million yen)	1H Results	Component ratio	YoY change (%)	Cost rate	SG&A rate	1H Results	Operating profit margin	YoY change (%)	YoY change (Amount)
<b>Consolidated total</b>		106,024	100.0%	107.4%	79.5%	14.2%	6,721	6.3%	127.0%	+1.0pt
<b>SI Business</b>		104,234	98.3%	107.4%	80.0%	14.1%	6,237	6.0%	126.7%	+0.9pt
<b>System Construction</b>		70,845	66.8%	111.0%	75.1%	17.7%	5,121	7.2%	128.3%	+1.0pt
Embedded/Control Software		35,886	33.8%	108.6%	74.4%	17.0%	3,082	8.6%	111.6%	+0.2pt
Operation Software		34,958	33.0%	113.6%	75.9%	18.3%	2,039	5.8%	165.5%	+1.8pt
<b>Products and Services</b>		33,388	31.5%	100.4%	90.2%	6.4%	1,115	3.3%	119.9%	+0.5pt
Other companies' products		28,831	27.2%	101.0%	92.4%	4.4%	923	3.2%	137.8%	+0.9pt
FUJI SOFT products		1,428	1.3%	90.7%	60.1%	23.4%	234	16.4%	219.9%	+9.7pt
Outsourcing		3,128	3.0%	100.1%	83.8%	17.6%	-42	-	-	-
<b>Facility Business</b>		1,723	1.6%	107.7%	53.0%	18.8%	486	28.2%	128.3%	+4.5pt
<b>Other Businesses</b>		66	0.1%	87.5%	49.0%	53.9%	-1	-	-	-

System Construction	<ul style="list-style-type: none"> <li>Invested approx. 2.0 billion yen in human resources (recruitment training and education) as a growth investment to strengthen system construction</li> </ul>
Embedded/Control Software	<ul style="list-style-type: none"> <li>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.).</li> <li>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.</li> </ul>
Operation Software	<ul style="list-style-type: none"> <li>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.</li> <li>Although SG&amp;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.</li> </ul>
Other companies' products	<p>(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))</p> <ul style="list-style-type: none"> <li>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.</li> </ul>
FUJI SOFT products	<p>(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</p> <ul style="list-style-type: none"> <li>Sales decreased due to a decline in sales of mainstay products that happened following the end of the COVID-19 pandemic, but the Company will respond to new demand in the market, aiming to expand its scale.</li> </ul>
Outsourcing	<p>(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.</p> <ul style="list-style-type: none"> <li>There was a temporary decline in profit attributed to an increase in costs in the data center business, reflecting the rising electricity prices.</li> </ul>



# Production Capacity Expansion and Productivity Improvement

Productivity was improved and production capacity was expanded (recruitment) to increase the operating profit per employee.

- ◇ The Company increased recruitment of new graduates and mid-career employees, which had been restrained temporarily in response to the COVID-19 pandemic, so that it could continue to expand its production capacity, and the Company is also working proactively to enhance the value provided to customers and reduce costs and SG&A expenses. As a result, operating profit per employee has been increasing every year. In FY2023, the Company will continue promoting the continued increase of production capacity and improvement of productivity with a focus on initiatives enhancing its corporate value.

### Operating profit per employee



\* Consolidated number of employees: Excluding the number of temporary employees

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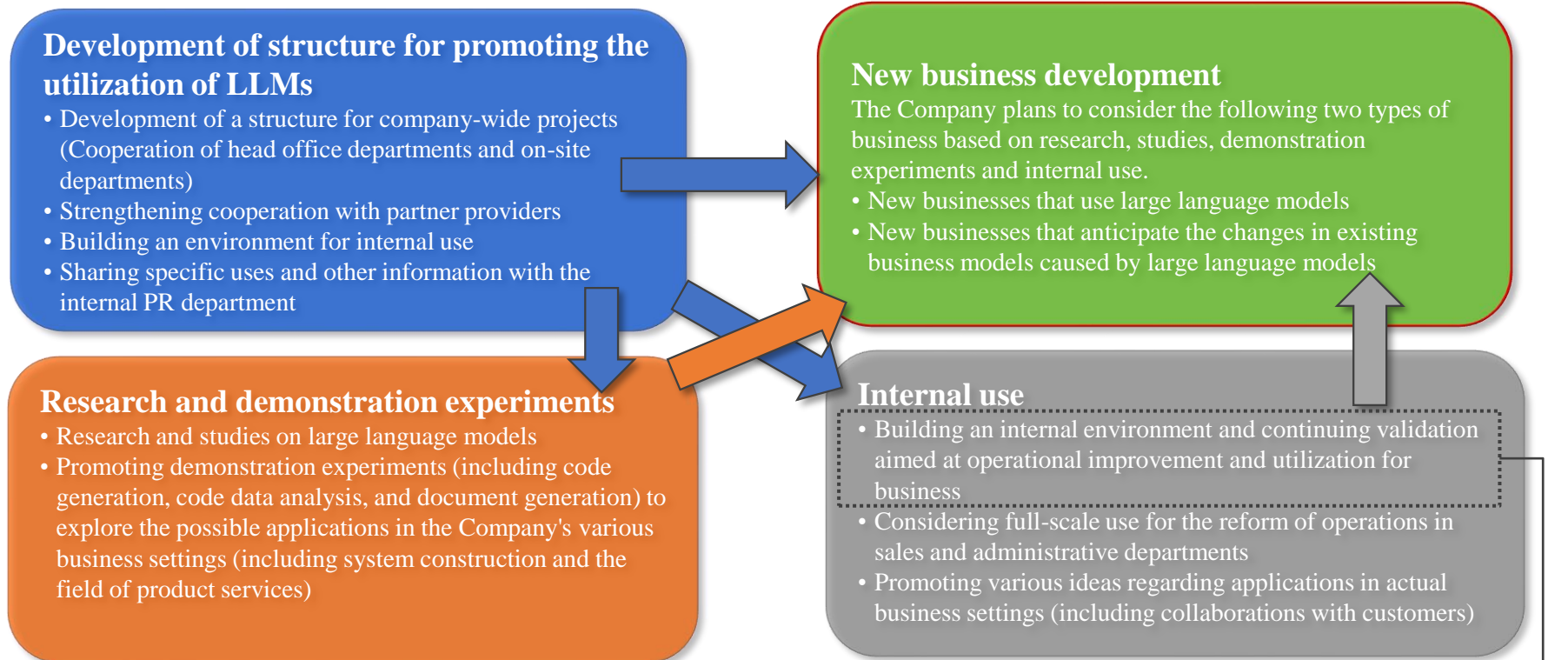


## Initiatives Related to Large Language Models (LLM)

LLM technologies and services could greatly impact the productivity of the Company's business systems development in the future.

**Moving forward, the Company will push forward with the reform of its development methods and create new business using LLMs.**

- Strategies to be implemented related to the utilization of LLMs -



The Company has already built its own ChatGPT environment using this technology to improve internal operations and it is considering the development of businesses for external parties, and validation is being conducted through the internal introduction of the technology involving **approx. 10,000 users**.  
(Use of Microsoft 365/Azure OpenAI Service)



\* 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.  
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