

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year ending December 31, 2016 (Japanese Accounting Standards)



May 12, 2016

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 13, 2016
 Scheduled date of dividend payment: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Three Months Ended March 31, 2016 (January 1, 2016 – March 31, 2016)

(1) Consolidated operating results (cumulative total) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended 3/16	41,261	5.4	2,261	6.7	2,228	-3.3	1,179	10.1
Three months ended 3/15	39,133	-0.1	2,119	-6.0	2,303	4.4	1,070	-14.1

(Note) Comprehensive income (million yen) Three months ended 3/16: 589 (-45.0%)
 Three months ended 3/15: 1,072 (143.7%)

	Net income per share		Net income per share/diluted	
	Yen	Yen	Yen	Yen
Three months ended 3/16	37.82	37.80	37.80	37.80
Three months ended 3/15	34.38	34.33	34.33	34.33

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended 3/16	160,973	105,164	57.9
Year ended 12/15	153,833	104,078	60.3

Reference: Shareholders' equity (million yen) Three months ended 3/16: 93,180 Year ended 12/15: 92,814

2. Dividends

	Dividend per share				
	End of first quarter	End of interim period	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 12/15	–	14.00	–	14.00	28.00
Year ending 12/16	–	–	–	–	–
Year ending 12/16 (forecast)	–	14.00	–	14.00	28.00

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2016

(Jan. 1, 2016 – Dec. 31, 2016)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second consolidated quarter (cumulative)	80,000	2.4	3,500	0.8	3,600	-6.3	2,050	7.1	65.75
Full year	157,000	2.2	8,500	1.0	8,700	-4.3	5,000	1.6	160.38

(Note) Revisions to forecast for consolidated business results published most recently: No

* Notes

(1) Important changes in subsidiaries during this quarter (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Yes
 (Note) For details, please refer to “2. Matters Relating to Summary Information (Notes) (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements” on page 4 of the accompanying materials.

(3) Changes in accounting principles and changes or restatement of accounting estimates
 (i) Changes in accounting principles due to amendment of accounting standards, etc.: Yes
 (ii) Changes in accounting principles other than (i): Not applicable
 (iii) Changes in accounting estimates: Not applicable
 (iv) Restatement: Not applicable
 (Note) For details, please refer to “2. Matters Relating to Summary Information (Notes) (3) Changes in accounting principles and changes or restatement of accounting estimates” on page 4 of the accompanying materials.

(4) Number of outstanding shares (common shares)
 1) Number of shares outstanding at the end of period (including treasury shares):
 2) Number of treasury shares at the end of period
 3) Average number of shares during the period (quarterly consolidated cumulative period)

3/16:	33,700,000 shares	Year ended 12/15:	33,700,000 shares
3/16:	2,520,972 shares	Year ended 12/15:	2,523,336 shares
3/16:	31,177,228 shares	3/15:	31,138,184 shares

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. At the time of the announcement of this financial summary, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are complete.

* Cautionary statement with respect to forward-looking statements

The above forecast has been prepared based on data available on the announcement date. Since the data contains uncertainties, actual results may differ materially from the projections above due to changes in business performance and other factors. For assumptions concerning financial forecasts, please refer to 1. Qualitative Information on Consolidated Results for the First Quarter Ended March 31, 2016, (3) Information on the future outlook, including forecast for consolidated business results on page 3 of the accompanying materials.

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1. Qualitative Information on Consolidated Results for the First Quarter Ended March 31, 2016

(1) Details of consolidated results

During the consolidated first quarter under review (from January 1, 2016 to March 31, 2016), there were concerns about a possible downturn in the Japanese economy given rising uncertainty in overseas economies following a slowdown in China and emerging economies in Asia, and a fall in the stock market to a low for the year. However, the economy continued to recover moderately as corporate earnings, employment, and income improved, mainly due to the effects of the government's economic policy and the Bank of Japan's monetary easing.

In the IT industry, given the high penetration level of advanced ICT, demand for investment in innovative information technologies was strong in the service industry. Meanwhile, a shortage of IT engineers became the norm, and hiring and training human resources was a major issue.

In this business environment, the FUJISOFT Group actively sought to win orders, especially in areas involving the latest technologies and in system development, where the Company has extensive experience and can draw on its expertise in a range of technologies accumulated through past involvement in research and development projects. At the same time, the Group strengthened its structure by increasing hiring and training engineers to meet short-term needs, while stepping up cooperation with business partners. It also took steps to commercialize longer term R&D themes, aiming to become an innovative corporate group that links ICT development to greater value for customers, which is shown in its medium-term policy, with a focus on enhancing added value.

Concerning System Construction, orders remained brisk in machine control, including auto-related and factory automation (tool machine) projects, where the development of cutting-edge technologies is required due to the increasing sophistication and complexity of electronic control. Orders were also strong in the aerospace and Internet business fields, where demand for new equipment, environments, and services using advanced ICT technologies is increasing, largely due to the development of high-speed communication networks and rapid spread of mobile terminals. The Company also saw strong demand for the development of business systems, mainly for the financial industry.

In the Product and Service sector, the Company promoted the introduction of the communication robot PALRO, which is attracting attention due to its care prevention effects, to elder care facilities. The FUJISOFT Group also sought to introduce moreNOTE and SYNCNEL, services for smart devices, and the general education solution Mirai School Station to government offices, companies, and schools. Meanwhile, the Company took steps to expand sales in the licensing business, strengthening cooperation with vendors.

Following the Kumamoto earthquakes, which occurred in April 2016, the Company began providing moreNOTE without charge to companies and local governments that need to share information within affected areas or with affected areas.

FUJI SOFT SERVICE BUREAU INCORPORATED, a consolidated subsidiary, was listed on TSE JASDAQ in March 2016. Cyber Com Co., Ltd., a consolidated subsidiary, was listed on the First Section of the Tokyo Stock Exchange in April 2016.

As a result of these initiatives, in the first quarter under review, net sales stood at 41,261 million yen, up 5.4% year on year. SG&A expenses came to 7,223 million yen, up 6.4%. Operating income rose 6.7% from a year earlier, to 2,261 million yen. Ordinary income declined 3.3%, to 2,228 million yen. Profit attributable to owners of parent was 1,179 million yen, up 10.1% year on year.

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, sales of embedded/control software were strong from the previous year, reflecting continued brisk sales of machine control systems, including auto-related and factory automation projects, and of systems in the aerospace, defense, and electric power-related industries. Sales of operation software declined, reflecting a decrease in the distribution and manufacturing sectors, which offset strong sales in the financial sector. In Products and Services, sales increased due to brisk sales in the licensing business and other businesses and large-scale CAE products projects. In the outsourcing business, sales fell mainly because of a decline in transactions in the distribution sector.

As a result, net sales stood at 38,301 million yen, up 5.5% year on year. Operating income amounted to 2,033 million yen, up 5.6%.

* The following table shows a breakdown of net sales in the SI business.

(Million yen)		
	Net sales	YoY change (%)
SI business total	38,301	105.5
System construction	22,525	103.5
Embedded/control software	11,587	113.2
Operation software	10,938	94.8
Products and services	15,775	108.5
Products and services	11,517	116.2
Outsourcing	4,257	91.9

(ii) Facility business

Net sales stood at 702 million yen, up 22.8% year on year, reflecting rental income from office buildings owned by the Company and certain consolidated subsidiaries. Operating income grew 23.0% year on year, to 170 million yen.

(iii) Other businesses

Net sales from other businesses, including the data entry business and the contact center business, amounted to 2,257 million yen, up 0.7% year on year. Operating income grew 5.2%, to 56 million yen.

(2) Details of financial position

(Total assets)

Total assets stood at 160,973 million yen at the end of the consolidated first quarter under review, up 7,140 million yen from the end of the preceding consolidated fiscal year. Current assets were 63,475 million yen (up 8,442 million yen from the end of the previous fiscal year), and non-current assets were 97,498 million yen (down 1,301 million yen).

Important factors in the change of current assets included an increase in notes and accounts receivable-trade by 3,534 million yen from the end of the previous fiscal year, to 35,020 million yen in association with the increase in net sales.

The main factors for the change in non-current assets include a decrease in goodwill by 183 million yen from the end of the previous fiscal year, to 2,505 million yen and a decrease in investment securities by 980 million yen from the end of the previous fiscal year, to 16,759 million yen mainly due to changes in the market values of shares held.

(Liabilities)

At the end of the consolidated first quarter under review, total liabilities amounted to 55,809 million yen, up 6,054 million yen from the end of the previous fiscal year. Current liabilities were 33,384 million yen (rising 5,828 million yen from the end of the previous fiscal year), and non-current liabilities were 22,424 million yen (climbing 226 million yen).

Primary factors in the change of current liabilities included an increase in accounts payable-trade by 2,107 million yen from the end of the previous fiscal year, to 9,733 million yen, a rise in commercial papers by 1,000 million yen from the end of the previous fiscal year, to 1,000 million yen, and an increase in short-term loans payable by 1,540 million yen from the end of the previous fiscal year, to 4,190 million yen.

The main factor in the change in non-current liabilities included a 701 million yen increase in long-term loans payable, to 11,944 million yen.

(Net assets)

Net assets rose 1,085 million yen from the end of the preceding fiscal year, to 105,164 million yen at the end of the consolidated first quarter under review. As a result, the equity ratio fell to 57.9% from 60.3% at the end of the previous fiscal year.

(3) Information on the future outlook, including forecast for consolidated business results

The first-half and full-year results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2015 announced on February 10, 2016.

2. Matters Relating to Summary Information (Notes)

(1) Important changes in subsidiaries during this quarter

Not applicable.

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year and multiply quarterly income before income taxes by the estimated effective tax rate.

(3) Changes in accounting principles and changes or restatement of accounting estimates

(Changes in accounting principles)

Starting the consolidated first quarter under review, the Company is applying the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21; September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013). The Company has changed its accounting policies to post in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries that the Company continues to control and to record acquisition costs as expenses in the fiscal year in which the costs are incurred. For business combinations that take place from the beginning of the first quarter under review, the Company has changed its accounting policies to reflect a review of the allocation of acquisition costs due to the completion of the provisional accounting in the quarterly consolidated financial statements for the quarter in which the business combination takes place. In addition, the Company has changed the titles of net income and other items and the title of minority interests to non-controlling interests. To reflect these changes, the quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been replaced.

With regard to the application of the Revised Accounting Standard for Business Combinations and the other accounting standards, the Company follows the provisional treatments in Article 58-2 (4) of the Revised Accounting Standard for Business Combinations, Article 44-5 (4) of the Revised Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Revised Accounting Standard for Business Divestitures and is applying these standards from the beginning of the first quarter under review.

As a result, income before income taxes in the first quarter under review declined 423,884 thousand yen, and capital surplus at the end of the first quarter under review rose 295,528 thousand yen.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	FY2015 (As of December 31, 2015)	Q1 FY2016 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	12,784,328	17,617,947
Notes and accounts receivable - trade	31,485,501	35,020,494
Short-term investment securities	3,800,041	4,100,000
Merchandise	260,121	433,938
Work in process	2,034,854	1,452,129
Raw materials and supplies	31,173	29,565
Other	4,645,130	4,897,900
Allowance for doubtful accounts	-8,158	-76,391
Total current assets	55,032,993	63,475,585
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,674,741	57,762,266
Accumulated depreciation	-24,318,034	-24,629,209
Buildings and structures, net	33,356,706	33,133,056
Land	30,415,744	30,415,744
Construction in progress	17,916	91,745
Other	15,737,278	14,962,364
Accumulated depreciation	-12,514,411	-11,725,872
Other, net	3,222,866	3,236,491
Total property, plant and equipment	67,013,234	66,877,037
Intangible assets		
Goodwill	2,689,471	2,505,837
Software	3,395,276	3,292,202
Other	188,363	188,038
Total intangible assets	6,273,111	5,986,078
Investments and other assets		
Investment securities	17,739,548	16,759,434
Net defined benefit asset	4,662,182	4,785,395
Other	3,117,754	3,095,986
Allowance for doubtful accounts	-5,797	-5,797
Total investments and other assets	25,513,688	24,635,018
Total non-current assets	98,800,034	97,498,135
Total assets	153,833,028	160,973,720

	(Thousand yen)	
	FY2015 (As of December 31, 2015)	Q1 FY2016 (As of March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	7,625,523	9,733,220
Short-term loans payable	2,650,000	4,190,000
Commercial papers	-	1,000,000
Current portion of long-term loans payable	1,317,800	1,385,160
Income taxes payable	1,210,345	1,593,105
Provision for bonuses	2,594,988	5,097,320
Provision for directors' bonuses	155,944	104,958
Provision for loss on construction contracts	107,192	58,760
Other	11,894,354	10,222,302
Total current liabilities	27,556,148	33,384,829
Non-current liabilities		
Long-term loans payable	11,242,708	11,944,497
Provision for directors' retirement benefits	372,009	370,330
Net defined benefit liability	5,438,613	5,327,414
Other	5,144,656	4,781,959
Total non-current liabilities	22,197,987	22,424,201
Total liabilities	49,754,135	55,809,030
Net assets		
Shareholders' equity		
Capital stock	26,200,289	26,200,289
Capital surplus	28,521,268	28,817,771
Retained earnings	47,666,063	48,408,662
Treasury shares	-5,101,298	-5,096,584
Total shareholders' equity	97,286,322	98,330,138
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,185,128	3,630,595
Deferred gains or losses on hedges	-8,523	-39,253
Revaluation reserve for land	-9,051,120	-9,051,120
Foreign currency translation adjustment	305,390	262,993
Remeasurements of defined benefit plans	97,491	47,127
Total accumulated other comprehensive income	-4,471,634	-5,149,658
Subscription rights to shares	37,285	36,537
Non-controlling interests	11,226,919	11,947,671
Total net assets	104,078,892	105,164,690
Total liabilities and net assets	153,833,028	160,973,720

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

Consolidated first quarter results

(Thousand yen)

	Q1 FY2015 (From January 1, 2015 to March 31, 2015)	Q1 FY2016 (From January 1, 2016 to March 31, 2016)
Net sales	39,133,203	41,261,531
Cost of sales	30,223,571	31,775,998
Gross profit	8,909,632	9,485,532
Selling, general and administrative expenses	6,790,015	7,223,862
Operating income	2,119,617	2,261,669
Non-operating income		
Interest income	9,173	9,949
Dividends income	4,591	4,887
Share of profit of entities accounted for using equity method	113,923	17,015
Subsidy income	27,938	16,540
Other	81,958	21,612
Total non-operating income	237,584	70,005
Non-operating expenses		
Interest expenses	19,760	13,418
Foreign exchange losses	—	54,715
Loss on retirement of non-current assets	17,853	18,351
Other	15,969	16,956
Total non-operating expenses	53,584	103,441
Ordinary income	2,303,617	2,228,233
Extraordinary losses		
Impairment loss	12,440	71,719
Loss on sales of shares of subsidiaries and associates	357,533	60,463
Total extraordinary loss	369,974	132,183
Income before income taxes	1,933,643	2,096,050
Income taxes-current	1,546,103	1,505,982
Income taxes-deferred	-777,552	-707,868
Total income taxes	768,551	798,114
Net income	1,165,091	1,297,936
Profit attributable to non-controlling interests	94,542	118,852
Profit attributable to owners of parent	1,070,549	1,179,083

Consolidated statements of comprehensive income
 Consolidated first quarter results

	(Thousand yen)	
	Q1 FY2015 (From January 1, 2015 to March 31, 2015)	Q1 FY2016 (From January 1, 2016 to March 31, 2016)
Net income	1,165,091	1,297,936
Other comprehensive income		
Valuation difference on available-for-sale securities	120,313	-533,495
Deferred gains or losses on hedges	-	-56,971
Foreign currency translation adjustment	-238,886	-83,901
Remeasurements of defined benefit plans, net of tax	-31,046	57,907
Share of other comprehensive income of entities accounted for using equity method	57,413	-91,546
Total other comprehensive income	-92,207	-708,007
Comprehensive income	1,072,884	589,928
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,097,039	490,468
Comprehensive income attributable to minority interests	-24,154	99,459

(3) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Note when there is a considerable change in the amount of shareholders' equity)

Not applicable.

(Segment Information)

[Segment Information]

I. Q1 FY2015 (From January 1, 2015 to March 31, 2015)

1. Information on Sales and Profit and Loss by Reported Segment

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	36,319,137	572,313	36,891,451	2,241,752	39,133,203	–	39,133,203
Inter-segment sales or transfers	20,941	167,270	188,212	266,977	455,189	-455,189	–
Total	36,340,079	739,584	37,079,663	2,508,729	39,588,393	-455,189	39,133,203
Segment profit	1,925,936	138,735	2,064,672	53,996	2,118,669	947	2,119,617

Notes:

1. "Others" is a business segment that is not included in the reported segments and includes the data entry business and contact center business etc.
2. An adjustment of segment profit of 947 thousand yen includes an elimination of inter-segment transactions of 947 thousand yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

2. Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.

II. Q1 FY2016 (From January 1, 2016 to March 31, 2016)

1. Information on Sales and Profit and Loss by Reported Segment

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	38,301,014	702,545	39,003,560	2,257,971	41,261,531	–	41,261,531
Inter-segment sales or transfers	26,647	159,944	186,591	226,019	412,610	-412,610	–
Total	38,327,661	862,489	39,190,151	2,483,990	41,674,142	-412,610	41,261,531
Segment profit	2,033,254	170,648	2,203,903	56,783	2,260,686	983	2,261,669

Notes:

1. "Others" is a business segment that is not included in the reported segments and includes the data entry business and contact center business etc.
2. An adjustment of segment profit of 983 thousand yen includes an elimination of inter-segment transactions of 983 thousand yen.
3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

2. Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.