



Results of Operations for the First Three Quarters of FY2016

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FUJI SOFT INCORPORATED



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Consolidated Financial Highlights-1 (Three Quarters Results)

Net sales rose due to a strong performance in System Construction.

- ◇ Consolidated net sales rose 5.3% year on year, to 122,456 million yen, thanks to a strong performance in System Construction, especially machine control system construction.

Operating income rose due to the rise in sales

- ◇ Operating income rose 4.0% year on year, to 6,407 million yen, reflecting the rise in sales.
- ◇ Ordinary income decreased 2.5% year on year, to 6,489 million yen, partly reflecting the decrease in the share of profit of entities accounted for using the equity method.
- ◇ Profit attributable to owners of parent increased 1.2% year on year, to 3,604 million yen, due to the decrease in extraordinary losses.

(Million yen)

	FY2015 3Q results	FY2016 3Q results	YoY change (Amount)	YoY change (%)	FY2016 3Q plan	Comparison with the plan
Net sales	116,261	122,456	+6,194	105.3%	118,850	103.0%
Operating income	6,158	6,407	+249	104.0%	6,210	103.2%
Operating income margin	5.3%	5.2%			5.2%	
Ordinary income	6,654	6,489	-165	97.5%	6,320	102.7%
Ordinary income margin	5.7%	5.3%			5.3%	
Profit attributable to owners of parent	3,562	3,604	+41	101.2%	3,640	99.0%
Profit margin attributable to owners of parent	3.1%	2.9%			3.1%	



Consolidated Financial Highlights-2 (Q3 Results)

Net sales rose 6.5% year on year.

- ◇ Consolidated net sales rose 6.5% year on year, to 40,606 million yen, thanks in part to the continued strong performance of machine control system construction.

The cost of sales margin increased 1.0% year on year.

- ◇ The cost to sales ratio increased 1.0% year on year, to 76.8%, due to the impact of certain unprofitable projects.

SG&A expenses rose 529 million yen from a year ago.

- ◇ SG&A expenses rose 529 million yen from a year ago, to 7,043 million yen, due in part to an increase in personnel expenses associated with the implementation of a human resources improvement plan and improvement of working conditions, an increase in expenses associated with enhancement of sales activities, and an increase of enterprise tax that resulted from the tax system revision.

Operating income declined 12.1% year on year.

- ◇ As a result of the above, operating income declined 12.1% year on year, to 2,360 million yen.

	FY2016 2Q results	YoY change (Amount)	YoY change (%)	FY2016 Q3 results	YoY change (Amount)	YoY change (%)
Net sales	81,849	+3,709	104.7%	40,606	+2,484	106.5%
Cost of sales	62,783	+2,375	103.9%	31,202	+2,279	107.9%
Cost of sales margin	76.7%	-0.6%		76.8%	+1.0%	
Ordinary income	19,066	+1,333	107.5%	9,404	+205	102.2%
SG&A expenses	15,019	+760	105.3%	7,043	+529	108.1%
Operating income	4,046	+573	116.5%	2,360	-324	87.9%
Operating income margin	4.9%	+0.5%		5.8%	-1.2%	



Sales/Operating Income by Major Companies of the Group

(Million yen)

	FY2016	Net sales	Operating income	
FUJI SOFT INCORPORATED	3Q results	75,405	3,912	Sales rose, reflecting a strong performance particularly in the development of machine control software and software for the financial sector. Operating income declined, partly reflecting unprofitable projects that were generated while the number of orders increased due to aggressive sales activities, an increase in personnel expenses associated with the implementation of a human resources improvement plan and improvement of working conditions, and an increase of enterprise tax that resulted from the tax system revision.
	YoY change (amount)	+5,682	-66	
	YoY change (%)	108.1%	98.3%	
CYBERNET SYSTEMS Co., Ltd.	3Q results	12,333	917	Sales increased, despite a slight year-on-year decrease in overseas sales associated with the impact of the appreciation of the yen, due to the strong performance of the Mechanical CAE field, optical design field, model-based development engineering service, and security solutions in Japan. Operating income rose as the increase in sales offset an increase in personnel expenses attributable to the increase in the workforce.
	YoY change (amount)	+541	+317	
	YoY change (%)	104.6%	152.9%	
CYBER COM Co., Ltd.	3Q results	7,086	315	Sales rose thanks to strong performances in the development of control software and operation software. Operating income remained almost flat from a year ago as the increase in sales offset an increase in upfront investment mainly for the hiring and education of engineers and a rise in retirement benefit expenses.
	YoY change (amount)	+622	-0	
	YoY change (%)	109.6%	99.7%	
VINX CORP.	3Q results	19,890	1,004	Sales declined following a decrease in development projects of major customers, which more than offset orders for large new projects. Operating income decreased from a year ago reflecting the decline in sales and the strengthening of research and development and product investment.
	YoY change (amount)	-1,589	-250	
	YoY change (%)	92.6%	80.0%	
FUJI SOFT SERVICE BUREAU INCORPORATED	3Q results	5,819	107	Sales, notably sales of call center services to public offices and local governments, remained flat from a year ago. Operating income declined due to advance expenses related to orders for large new projects.
	YoY change (amount)	+43	-12	
	YoY change (%)	100.8%	89.5%	

* The fiscal year end is March at CYBER COM, VINX, and FUJI SOFT SERVICE BUREAU. Their results from January to September, 2016 are stated in the FY2016 3Q results column.



Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2016 Net sales		YoY change (Amount)	YoY change (%)	FY2016 Operating income		YoY change (Amount)	YoY change (%)
	3Q results	Component ratio			3Q results	Operating income margin		
Consolidated total	122,456	100.0%	+6,194	105.3%	6,407	5.2%	+249	104.0%
SI Business	114,145	93.2%	+5,957	105.5%	5,586	4.9%	+220	104.1%
System Construction	67,437	55.1%	+3,854	106.1%				
Embedded/Control Software	35,040	28.6%	+4,309	114.0%				
Operation Software	32,397	26.5%	-455	98.6%				
Products and Services	46,708	38.1%	+2,103	104.7%				
Products and Services	34,139	27.9%	+2,696	108.6%				
Outsourcing	12,568	10.3%	-593	95.5%				
Facility Business	2,028	1.7%	+196	110.7%	687	33.9%	+40	106.2%
Other Businesses	6,281	5.1%	+40	100.6%	134	2.1%	-9	93.5%

Highlights of Sales by Segment

• Embedded/Control Software

Sales increased 14.0% year on year, with brisk sales of machine control systems in areas such as automobile-related projects and factory automation, as well as systems at electric power companies and in the aerospace sector, offsetting declines in the mobile and telecommunication control businesses.

• Operation Software

Sales declined 1.4% year on year due to a decline in the distribution sector and other sectors, despite strong sales in the financial field.

• Products and Services

Sales increased 8.6% year on year, mainly reflecting strong sales of in-house products, including data communication terminals, and of cloud and virtualization services.

• Outsourcing

Sales fell 4.5% year on year, mainly due to a decline in transactions in the distribution sector.



Consolidated Income Statement

(Million yen)

	FY2015 3Q results	FY2016 3Q results	YoY change (Amount)	YoY change (%)	FY2016 3Q plan	Comparison with the plan
Net sales	116,261	122,456	+6,194	105.3%	118,850	103.0%
Cost of sales	89,330	93,985	+4,655	105.2%	—	—
Cost of sales margin	76.8%	76.8%				
Gross profit	26,931	28,470	+1,539	105.7%	—	—
Gross profit margin	23.2%	23.2%				
SG&A expenses	20,772	22,062	+1,290	106.2%	—	—
SG&A expense ratio	17.9%	18.0%				
Operating income	6,158	6,407	+249	104.0%	6,210	103.2%
Operating income margin	5.3%	5.2%			5.2%	
Non-operating income	312	317	+4	101.4%	—	—
Non-operating expenses	157	321	+164 (1)	204.5%	—	—
Share of (profit) loss of entities accounted for using equity method	340	86	-254 (2)	25.3%	—	—
Ordinary income	6,654	6,489	-165	97.5%	6,320	102.7%
Ordinary income margin	5.7%	5.3%			5.3%	
Extraordinary income	59	52	-6	88.9%	—	—
Extraordinary losses	386	171	-214 (3)	44.4%	—	—
Income before income taxes	6,327	6,370	+42	100.7%	—	—
Total income taxes	2,258	2,172	-85	96.2%	—	—
Net income	4,069	4,197	+128	103.2%	—	—
Profit attributable to non-controlling interests	506	593	+87	117.2%	—	—
Profit attributable to owners of parent	3,562	3,604	+41	101.2%	3,640	99.0%
Profit margin attributable to owners of parent	3.1%	2.9%			3.1%	

Points of Income Statement

(1) Non-operating expenses (up 164 million yen)

Increase in exchange losses attributed to the appreciation of the yen

(2) Share of (profit) loss of entities accounted for using equity method (down 254 million yen)

Decline in the share of profit of entities accounted for using the equity method, which is related to Ace Securities

(3) Extraordinary losses (down 214 million yen)

Declined due to a loss on the sale of shares of subsidiaries and associates posted in the previous fiscal year, although an impairment loss on goodwill and other losses were posted by subsidiaries



Consolidated Balance Sheet

	End of FY2015	End of Q3 of FY2016	(Million yen) Change (Amount)
Current assets	55,032	63,680	8,647
Cash and deposits	12,784	18,208	5,424 (1)
Notes and accounts receivable - trade	31,485	33,566	2,080 (1)
Short-term investment securities	3,800	4,500	699
Inventories	2,326	2,196	-129
Deferred tax assets	1,953	2,793	840
Other	2,683	2,415	-268
Non-current assets	98,800	96,073	-2,726
Property, plant and equipment	67,013	66,121	-892
Intangible assets	6,273	5,632	-640
Investments and other assets	25,513	24,320	-1,193 (2)
Total assets	153,833	159,754	5,921
Current liabilities	27,556	31,988	4,432
Notes and accounts payable - trade	7,625	8,726	1,101 (1)
Short-term loans payable	3,967	5,001	1,033 (1)
Commercial papers	-	-	-
Accrued expenses / provision for bonuses	5,820	8,039	2,219 (3)
Income taxes payable	1,210	2,144	933
Provision for loss on construction contracts	107	196	89
Other	8,825	7,880	-944
Non-current liabilities	22,197	21,644	-553
Long-term loans payable	11,242	11,348	106
Other	10,955	10,295	-659
Total liabilities	49,754	53,632	3,878
Total net assets	104,078	106,121	2,042
Total liabilities and net assets	153,833	159,754	5,921

Points of the Balance Sheet

(1) [Cash and deposits \(up 5,424 million yen\)](#)

[Notes and accounts receivable - trade \(up 2,080 million yen\)](#)

[Notes and accounts payable - trade \(up 1,101 million yen\)](#)

[Short-term loans payable \(up 1,033 million yen\)](#)

Increase in sales and purchases and increases in financing related to expenditure for the acquisition of fixed assets

(2) [Investments and other assets \(down 1,193 million yen\)](#)

Decrease in the market value of investment securities

(3) [Accrued expenses / provision for bonuses \(up 2,219 million yen\)](#)

Increase attributed to increase of personnel and seasonal factors



Consolidated Cash Flow Statement

(Million yen)

	FY2015 3Q results	FY2016 3Q results	YoY change (Amount)
Cash flows from operating activities	5,095	8,732	+3,636
Cash flows from investing activities	84	-2,716	-2,800
Cash flows from financing activities	-5,069	1,350	+6,420
Effect of exchange rate change on cash and cash equivalents	41	-432	
Net increase (decrease) in cash and cash equivalents	152	6,933	
Cash and cash equivalents at beginning of period	16,135	15,688	
Increase in cash and cash equivalents arising from changes in the scope of consolidation	-61	-	
Cash and cash equivalents at end of period	16,226	22,622	

Highlights of Cash Flows

● [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 8,732 million yen. In FY2015, it was 5,095 million yen, chiefly reflecting an increase in payments of income taxes associated with the change in fiscal year end.

● [Cash flows from investing activities](#)

Net cash used in investing activities came to 2,716 million yen due in part to expenditure on the acquisition of fixed assets including the Company's own products (software).

In FY2015, net cash of 84 million yen was provided, chiefly reflecting the redemption of securities and sales of shares of subsidiaries and associates.

● [Cash flows from financing activities](#)

Net cash provided by financing activities was 1,350 million yen mainly due to loans related to expenditure on the acquisition of fixed assets and proceeds from sales of shares of subsidiaries. In FY2015, net cash of 5,069 million yen was used, mainly due to the scheduled repayment of borrowings.



Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2016 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	30,688	106.8%	117,261	107.5%	114,145	105.5%	33,803	114.2%
System Construction	20,683	105.8%	69,174	107.3%	67,437	106.1%	22,419	109.8%
Embedded/Control Software	8,987	108.3%	36,011	115.2%	35,040	114.0%	9,959	112.8%
Operation Software	11,695	104.0%	33,162	99.9%	32,397	98.6%	12,460	107.5%
Products and Services	10,005	108.9%	48,087	107.8%	46,708	104.7%	11,384	124.0%
Products and Services	7,843	120.7%	34,470	109.1%	34,139	108.6%	8,174	122.8%
Outsourcing	2,161	80.2%	13,616	104.8%	12,568	95.5%	3,210	127.3%

Highlights of Orders and Order Backlogs

● Highlights in System Construction

- Embedded/Control Software
The order backlog at the end of the term increased 12.8% year on year due to strong orders in the machine control business in areas such as automobiles and factory automation.
- Operation Software
The order backlog at the end of the term increased 7.5% year on year, reflecting strong orders from public offices and in the financial sector.

● Highlights in Products and Services

- Products and Services
The order backlog at the end of the term rose 22.8% year on year due to the high order backlog at the beginning of the term, resulting from strong orders in the license business and an increase in orders for data communication terminals.
- Outsourcing
The order backlog at the end of the term increased 27.3% as orders for large projects for public offices offset the year-on-year decline in the order backlog at the beginning of the term that was attributable to a decline in transactions in the distribution industry.



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