



# Results of Operations for FY2016

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February 14, 2017

FUJI SOFT INCORPORATED



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# Consolidated Results for FY2016



# Consolidated Financial Highlights

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

- ◇ Consolidated net sales rose 6.9% year on year, to 164,218 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 4.5% year on year, to 8,798 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 0.8% year on year, to 9,166 million yen, due to a rise in non-operating income and a decline in the share of profit of entities accounted for using the equity method, reflecting fluctuations in exchange rates.
- ◇ Profit attributable to owners of parent increased 2.4% year on year, to 5,042 million yen, due to the decrease in extraordinary losses.

(Million yen)

	FY2015 Results	FY2016 Results	YoY change (Amount)	YoY change (%)	FY2016 Plan	Comparison with plan
<b>Net sales</b>	153,661	164,218	+10,556	106.9%	157,000	104.6%
<b>Operating income</b>	8,418	8,798	+380	104.5%	8,500	103.5%
Operating income margin	5.5%	5.4%			5.4%	
<b>Ordinary income</b>	9,093	9,166	+73	100.8%	8,700	105.4%
Ordinary income margin	5.9%	5.6%			5.5%	
<b>Profit attributable to owners of parent</b>	4,922	5,042	+120	102.4%	5,000	100.9%
Profit margin attributable to owners of parent	3.2%	3.1%			3.2%	



# Consolidated Results for Q4 (October – December)

Gross profit increased 5.9% year on year due to a double-digit rise in net sales.

- ◇ Net sales showed a double-digit increase of 11.7% year on year, to 41,762 million yen, mainly reflecting a rise in sales of machine control software and products and services.
- ◇ Gross profit rose 5.9% year on year, to 9,723 million yen, chiefly due to an increase in development projects with a high profit margin such as machine control software and software for in-vehicle control systems.

Operating income rose 5.8% year on year, despite an increase in SG&A expenses due to upfront investment.

- ◇ SG&A expenses increased 413 million yen year on year, to 7,331 million yen, due to a rise in upfront investment for the development of the personnel system and aggressive sales activities.
- ◇ Operating income rose 5.8% year on year, to 2,391 million yen, due to the double-digit increase in net sales, despite the rise in SG&A expenses mentioned above.

(Million yen)						
	FY2016 3Q results	YoY change (Amount)	YoY change (%)	FY2016 4Q results	YoY change (Amount)	YoY change (%)
<b>Net sales</b>	122,456	+6,194	105.3%	41,762	+4,362	111.7%
<b>Cost of sales</b>	93,985	+4,655	105.2%	32,039	+3,817	113.5%
Cost of sales margin	76.8%			76.7%		
<b>Gross profit</b>	28,470	+1,539	105.7%	9,723	+545	105.9%
<b>SG&amp;A expenses</b>	22,062	+1,290	106.2%	7,331	+413	106.0%
<b>Operating income</b>	6,407	+249	104.0%	2,391	+131	105.8%
Operating income margin	5.2%			5.7%		



## (Reference) Consolidated Results for Q3

(extracts from results briefing materials dated November 10)

### 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.

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



# Sales/Operating Income by Major Companies of the Group

(Million yen)

	FY2016	Net sales	Operating income	
<b>FUJI SOFT INCORPORATED</b>	4Q results	100,878	5,568	Sales rose, reflecting a strong performance particularly in the development of machine control software and software for the financial sector. Operating income increased due to higher sales, despite the effects of unprofitable projects that were generated during the period and an increase in personnel expenses associated with the implementation of a human resources improvement plan and the improvement of working conditions.
	YoY change (amount)	+8,227	+210	
	YoY change (%)	108.9%	103.9%	
<b>CYBERNET SYSTEMS Co., Ltd.</b>	4Q results	16,031	1,027	Sales increased due to the strong performance of the IT solution field, model-based development engineering service, and overseas subsidiaries, as well as the steady performance of multi-physics analysis tools, which are the mainstay products, despite the effect of currency translation due to the appreciation of the yen. Operating income rose as the increase in sales offset an increase in personnel expenses attributable to the planned increase in the workforce.
	YoY change (amount)	+513	+175	
	YoY change (%)	103.3%	120.6%	
<b>CYBER COM Co., Ltd.</b>	4Q results	9,520	527	Sales rose thanks to strong performances in the development of control software and operation software. Operating income increased due to higher sales, despite an increase in upfront investment mainly for the enhancement of the hiring and education of engineers and a rise in retirement benefit expenses.
	YoY change (amount)	+878	+12	
	YoY change (%)	110.2%	102.3%	
<b>VINX CORP.</b>	4Q results	27,116	1,319	Sales declined in the first half following a decrease in development projects of major customers, but increased in the second half due to the cultivation of existing customers. Operating income decreased from a year ago as a result of strengthening research and development and investments in next-generation products, although the income was on a recovery trend given the reduction of administrative expenses in the full year and the upturn of gross profit in the second half.
	YoY change (amount)	-524	-266	
	YoY change (%)	98.1%	83.2%	
<b>FUJI SOFT SERVICE BUREAU INCORPORATED</b>	4Q results	8,064	182	Sales increased because sales remained firm in projects for public offices and local governments in the call center services and BPO services fields. Operating income declined from the previous year due to advance expenses related to orders for large new projects.
	YoY change (amount)	+243	-22	
	YoY change (%)	103.1%	89.0%	

\* The fiscal year end is March at CYBER COM, VINX, and FUJI SOFT SERVICE BUREAU. Their results from January to December, 2016 are stated in the FY2016 4Q 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 (%)
	Results	Component ratio			Results	Operating income margin		
<b>Consolidated total</b>	164,218	100.0%	+10,556	106.9%	8,798	5.4%	+380	104.5%
<b>SI Business</b>	152,824	93.1%	+10,042	107.0%	7,517	4.9%	+228	103.1%
<b>System Construction</b>	90,566	55.2%	+5,791	106.8%	5,140	5.7%	+23	100.5%
Embedded/Control Software	47,329	28.8%	+5,523	113.2%	3,369	7.1%	+741	128.2%
Operation Software	43,237	26.3%	+268	100.6%	1,771	4.1%	-717	71.2%
<b>Products and Services</b>	62,258	37.9%	+4,251	107.3%	2,376	3.8%	+204	109.4%
Products and Services	45,692	27.8%	+4,876	111.9%	1,379	3.0%	+284	126.0%
Outsourcing	16,565	10.1%	-625	96.4%	997	6.0%	-79	92.6%
<b>Facility Business</b>	2,708	1.6%	+230	109.3%	1,026	37.9%	+120	113.3%
<b>Other Businesses</b>	8,684	5.3%	+283	103.4%	254	2.9%	+31	114.3%

## Highlights of Sales by Segment

### • Embedded/Control Software

Sales increased 13.2% 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. Operating income rose due to an increase in development projects with a high profit margin.

### • Operation Software

Sales increased 0.6% year on year due to strong sales to the financial sector and public offices, despite a decline in sales to the distribution sector and other sectors.

Operating income declined, mainly due to the effect of unprofitable projects generated during the period.

### • Products and Services

Sales increased 11.9% year on year, mainly reflecting strong sales of in-house products, including data communication terminals, and of cloud and virtualization services. Operating income rose thanks to sales of CAE products with a high profit margin.

### • Outsourcing

Sales fell 3.6% year on year, mainly due to a decline in transactions in the distribution sector. Operating income declined due to lower sales.





# Consolidated Income Statement

(Million yen)

	FY2015 Results	FY2016 Results	YoY change (Amount)	YoY change (%)	FY2015 Plan	Comparison with the plan
Net sales	153,661	164,218	+10,556	106.9%	157,000	104.6%
Cost of sales	117,552	126,024	+8,472	107.2%	—	—
Cost of sales margin	76.5%	76.7%				
Gross profit	36,109	38,193	+2,084	105.8%	—	—
Gross profit margin	23.5%	23.3%				
SG&A expenses	27,691	29,394	+1,703	106.2%	—	—
SG&A expense ratio	18.0%	17.9%				
Operating income	8,418	8,798	+380	104.5%	8,500	103.5%
Operating income margin	5.5%	5.4%			5.4%	
Non-operating income	490	558	+68	114.0%	—	—
Non-operating expenses	230	180	-49	78.4%	—	—
Share of (profit) loss of entities accounted for using equity method	415	-10	-425	—	—	—
Ordinary income	9,093	9,166	+73	100.8%	8,700	105.4%
Ordinary income margin	5.9%	5.6%			5.5%	
Extraordinary income	82	168	+86	205.3%	—	—
Extraordinary losses	420	327	-92	78.0%	—	—
Income before income taxes	8,755	9,007	+252	102.9%	—	—
Total income taxes	3,069	3,190	+121	103.9%	—	—
Net income	5,685	5,817	+131	102.3%	—	—
Profit attributable to non- controlling interests	763	774	+11	101.5%	—	—
Profit attributable to owners of parent	4,922	5,042	+120	102.4%	5,000	100.9%
Profit margin attributable to owners of parent	3.2%	3.1%			3.2%	

## Points of Income Statement

- (1) [Non-operating income \(+68 million yen\)](#)  
[Non-operating expenses \(-49 million yen\)](#)

Changes in foreign exchange gains and losses attributable to fluctuations in exchange rates

- (2) [Share of \(profit\) loss of entities accounted for using equity method \(-425 million yen\)](#)

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



# Consolidated Balance Sheet

	End of FY2015	End of FY2016	(Million yen) Change (Amount)
<b>Current assets</b>	55,032	67,350	12,317
Cash and deposits	12,784	19,134	6,350 (1)
Notes and accounts receivable - trade	31,485	36,727	5,242 (1)
Short-term investment securities	3,800	4,500	699
Inventories	2,326	2,577	251
Deferred tax assets	1,953	2,254	301
Other	2,683	2,156	-526
<b>Non-current assets</b>	98,800	96,513	-2,286
Property, plant and equipment	67,013	65,796	-1,216
Intangible assets	6,273	5,949	-323
Investments and other assets	25,513	24,766	-747
<b>Total assets</b>	153,833	163,863	10,030
<b>Current liabilities</b>	27,556	37,461	9,905
Notes and accounts payable - trade	7,625	9,444	1,819 (1)
Short-term loans payable	3,967	9,410	5,442 (2)
Commercial papers	-	-	-
Accrued expenses / provision for bonuses	5,820	6,826	1,005 (3)
Income taxes payable	1,210	2,153	943
Provision for loss on construction contracts	107	267	160
Other	8,825	9,358	533
<b>Non-current liabilities</b>	22,197	17,400	-4,797
Long-term loans payable	11,242	6,723	-4,518 (2)
Other	10,955	10,676	-278
<b>Total liabilities</b>	49,754	54,861	5,107
<b>Total net assets</b>	104,078	109,001	4,923
<b>Total liabilities and net assets</b>	153,833	163,863	10,030

## Points of the Balance Sheet

(1) Cash and deposits (+6,350 million yen)

Notes and accounts receivable - trade (+5,242 million yen)

Notes and accounts payable - trade (+1,819 million yen)

Increase in sales and purchases

(2) Short-term loans payable (+5,442 million yen)

Long-term loans payable (-4,518 million yen)

Raising and repayment of funds related to capital investment

(3) Accrued expenses / provision for bonuses (+1,005 million yen)

Increase attributable to the increase in personnel and the improvement of working conditions



# Consolidated Cash Flow Statement

(Million yen)

	FY2015 Results	FY2016 Results	Component ratio
Cash flows from operating activities	7,595	9,530	+1,934
Cash flows from investing activities	-549	-4,337	-3,787
Cash flows from financing activities	-7,414	1,076	+8,491
Effect of exchange rate change on cash and cash equivalents	-16	-167	
Net increase (decrease) in cash and cash equivalents	-385	6,102	
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	15,688	21,790	

## Highlights of Cash Flows

### ● [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 9,530 million yen. In FY2015, it was 7,595 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 4,337 million yen, due in part to expenditure on the acquisition of fixed assets including the Company's own products (software) and payments into time deposits.

### ● [Cash flows from financing activities](#)

Net cash provided by financing activities was 1,076 million yen, mainly due to loans related to expenditure on the acquisition of fixed assets and proceeds from sales of shares of subsidiaries related to IPO. In FY2015, net cash of 7,414 million yen was used, mainly due to the scheduled repayment of borrowings.



# Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	Order backlog at beginning of term	YoY change (%)	FY2016 Results					
			Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
<b>SI Business Total</b>	30,688	106.8%	157,113	108.6%	152,824	107.0%	34,976	114.0%
<b>System Construction</b>	20,683	105.8%	93,687	109.0%	90,566	106.8%	23,803	115.1%
Embedded/Control Software	8,987	108.3%	48,322	113.7%	47,329	113.2%	9,981	111.1%
Operation Software	11,695	104.0%	45,364	104.5%	43,237	100.6%	13,822	118.2%
<b>Products and Services</b>	10,005	108.9%	63,425	107.8%	62,258	107.3%	11,172	111.7%
Products and Services	7,843	120.7%	46,017	109.1%	45,692	111.9%	8,168	104.1%
Outsourcing	2,161	80.2%	17,408	104.5%	16,565	96.4%	3,004	139.0%

## Highlights of Orders and Order Backlogs

### ● Highlights in System Construction

- Embedded/Control Software  
The order backlog at the end of the term increased 11.1 % 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 18.2 % 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 4.1% 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 39.0% 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.



# Business Policies and Results Forecasts for FY2017

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# AIS-CRM (Challenge to New Technologies: To Increase Added Value)

**Advanced technology field/know-how**  
to develop embedded/control software

**Product field/proposal power**  
of software/hardware products

**System construction field/know-how**  
cultivated in the development of operation software

Manufacturing: Automobiles/robots/electronics/medical equipment/complex machines, etc.

Social infrastructure: Transportation/electric power/telecommunications, etc.

Financial industry: Fintech, distribution/service industry,  
Internet business, public services, public administration, medical/nursing care, education

## AIS-CRM

[AI, IoT, Security, Cloud, Robot, Mobile, AutoMotive]

**Mobile**

Mobile SI

iOS

Android

Windows10

**AutoMotive**

Automobiles

Various types  
of devices

ASIC/FPGA

Fog computing

**IoT**

IoT SI

IoT services

Cloud AI

AI-BOT

**Robot**

Robot SI

Industrial robots

PALRO

Front-end AI

**AI**

AI SI

**Cloud**

Cloud SI

AWS

Azure

SFDC

Google

CONCUR



Original AI

**Security**

Security SI

Web

Servers

Internet

Clients

Various types of  
embedded devices



# Footsteps for the Last Several Years and Points in FY2017

## –FY2014: Recovery from the global financial crisis

- Promoted C (cloud), R (robots) and M (mobile) businesses as areas of focus to work on, in addition to the past efforts for “JPPGG.”

J: Strengthening the foundations of the contract business  
 P: Becoming a prime vendor  
 P: Creating products  
 G: Globalization  
 G: Bolstering Group capabilities

## FY2015–FY2016: Efforts to strengthen human resources

- Promoted the use of human resources as an operational force early by recruiting and cultivating a volume of human resources and improving the curriculum to strengthen human resources.
- Continuously worked to create products, bolster Group capabilities and become globalized.

### <Business environment>

- Further development of ICT
- Shortage of human resources
- Labor issues  
(Reduction of overtime work, way of working reforms)

**Established the foundations for growth and expanded added value.**

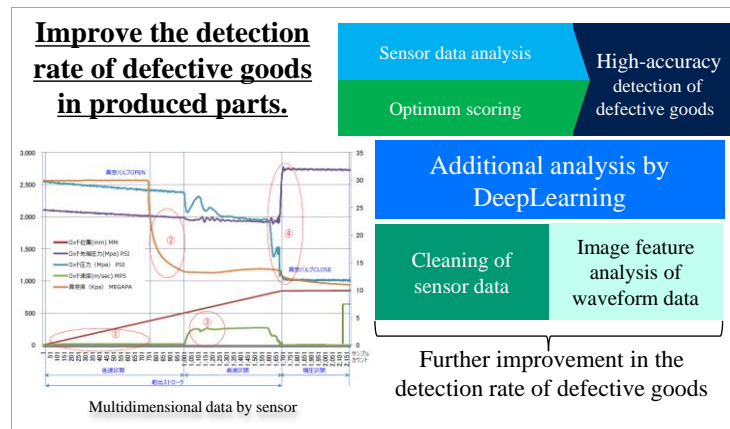
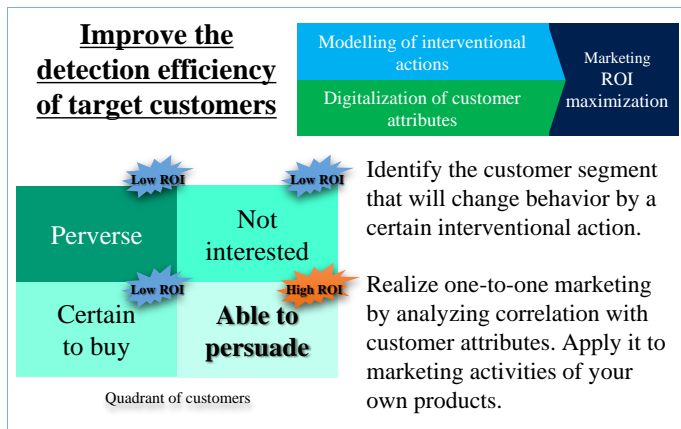
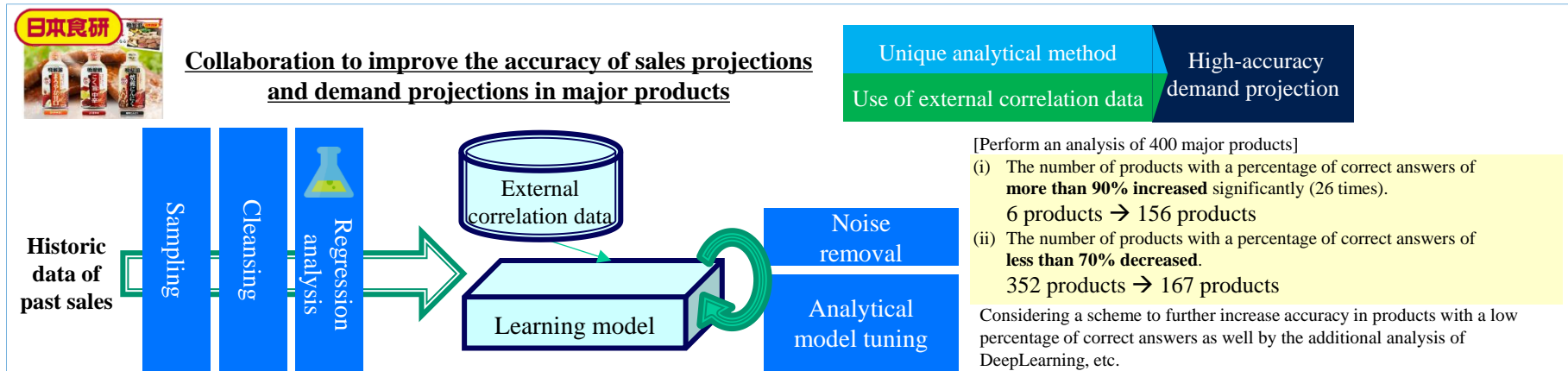
## Management points in FY2017

- ⊙ Bold efforts for new technologies: AIS-CRM
- ⊙ Promotion of the high value-added system integration business
- ⊙ Strengthening of human resources and the steady growth of the commissioned development business
- ⊙ Aggressive promotion of the product business
- ⊙ Growth as the overall Group and aggressive global development



# Examples of New Technology SI (AI/IoT Fields)

## ■ Introduction of Cortana Intelligence Suite in collaboration with Microsoft



In addition, conducting demonstration experiments with numerous other customers in various business types and business categories.

...





# In-Vehicle Software

## <Results for the fiscal year under review>

### **Development of a system to enhance production capacity**

Increased engineers in light of the expansion of development needs.

Added development bases in Nagoya and Osaka, and expanded the floor area in Fukuoka.

### **Strengthened cultivation of engineers**

Worked to raise the level and improve the productivity and quality of engineers by clarifying the basic skills they require and providing education on special in-vehicle skills.

### **Investment in APTJ and support for human resources**

Underwrote private placement of APTJ.

Dispatched officers and engineers.

## <Policies for the next fiscal year>

### **Maintain double-digit growth.**

Expand production power and maintain strong growth by continuing to enhance the recruitment of engineers and strengthening collaboration with development bases.

### **Enhance the skill system and process.**

Further improve productivity and quality by developing the skill system of highly specialized in-vehicle software technologies and establishing the company standards for the development process.

### **Develop a standard platform.**

Joint development of a standard platform for in-vehicle software based on AUTOSAR, with APTJ playing the central role (scheduled in 2018).



# Status of Products and Services Field (Focused Products)

palro®



## <Current status>

Number of units introduced in elderly care facilities and financial institutions

**More than 700 units**  
(cumulative total)

## <Future efforts>

Promote dissemination into the nursing care field through adoption in a large-scale substantial research of the Japan Agency for Medical Research and Development and the special project to support the introduction of nursing-care robots, etc. of the Ministry of Health, Labour and Welfare, and accelerate the response to new needs for use in the financial field, etc.

モアノート  
moreNOTE®



Number of file management and delivery services of mobile content introduced  
**Approx. 1,500 companies**  
(cumulative total)

**No.1 share in terms of the number of services introduced!**

\* First inquiry ranking in 2016 in the paperless meetings section of IT Trend, including companies that introduced SYNCNEL

Further increase the share as a major product to achieve changes in the way of working and paperless operation.

みらいスクールステーション®



Introduced at  
**more than 700 schools**  
(cumulative total)

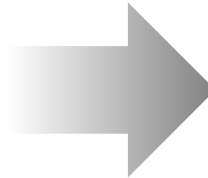
Promote response to the market and proposals on the use of ICT in anticipation of the policy of "Education Informatization for the 2020s."



# Hiring Human Resources

Hired 520 new graduates in the fiscal year under review.

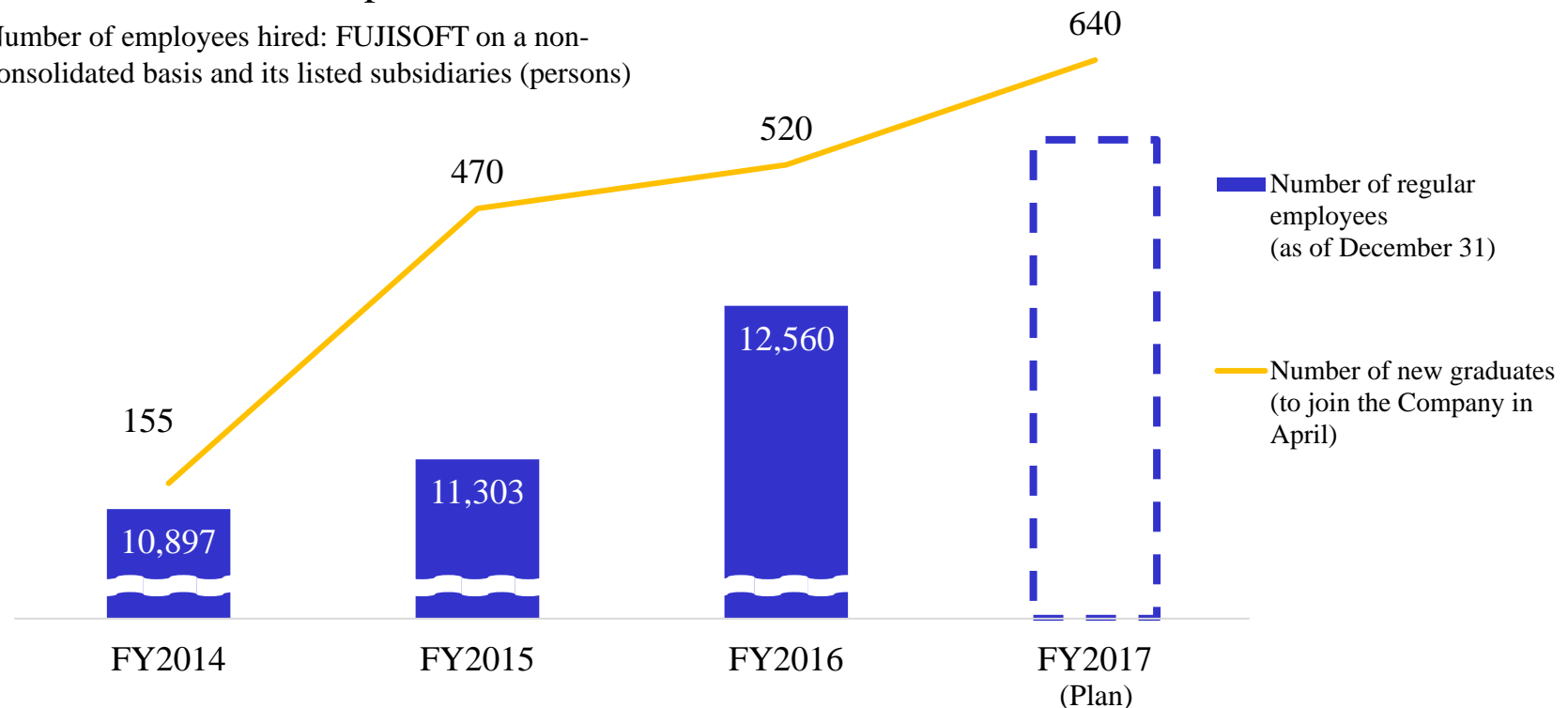
\* The number of new graduates hired is for FUJISOFT on a non-consolidated basis and its listed subsidiaries.



Plan to hire 640 new graduates in April 2017. Cultivate human resources able to respond to market needs within a short period of time.

## <Recruitment results and plan>

Number of employees hired: FUJISOFT on a non-consolidated basis and its listed subsidiaries (persons)





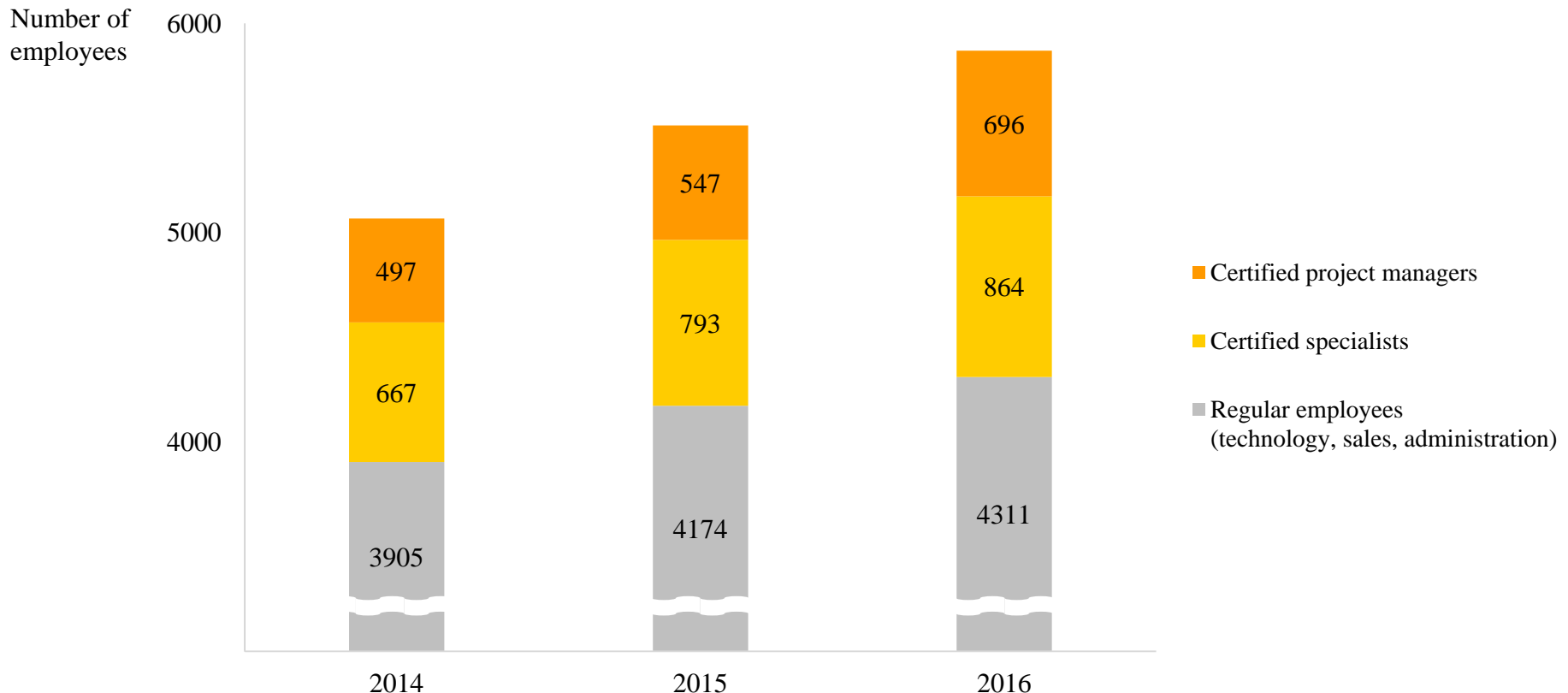
# Cultivation of Specialized Human Resources

- Promoting the initiative to develop the industry-ready human resources by OJT.
- Foster engineers with a high level of specialty through the recognition system of their skills and project management ability, etc.



- Accelerate the cultivation of human resources able to respond to technical fields with high market needs by enhancing the education curriculum and the skill recognition system.

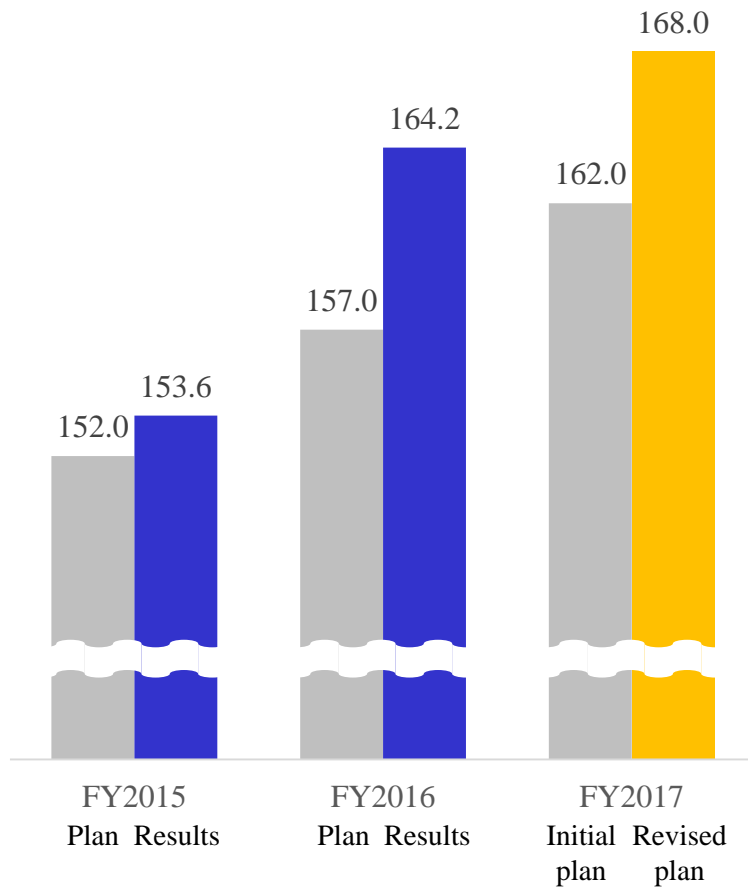
## <Number of certified engineers (non-consolidated)>



# Changes in Results/Forecasts (FY2015–FY2017)

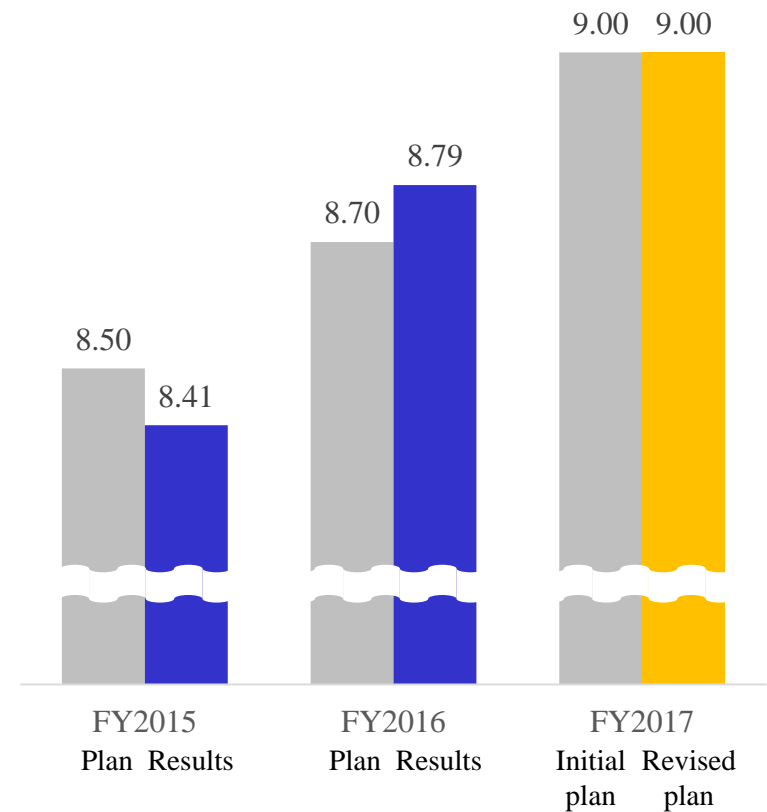
## Consolidated Net Sales

(Billion yen)



## Consolidated Operating Income

(Billion yen)





## Results Forecasts for FY2017

(Million yen)

	FY2016 Results	FY2017 Plan	YoY change (Amount)	YoY change (%)
<b>Net sales</b>	164,218	168,000	+3,781	102.3%
<b>Operating income</b>	8,798	9,000	+201	102.3%
Operating income margin	5.4%	5.4%		
<b>Ordinary income</b>	9,166	9,300	+133	101.5%
Ordinary income margin	5.6%	5.5%		
<b>Net income</b>	5,042	5,100	+57	101.1%
Net income margin	3.1%	3.0%		



# Dividend

Annual dividend of FY2017 is planned to be 30 yen per share.

Our basic policy is consistently returning profits to shareholders, while securing sufficient internal reserves in preparation for active business development and potential risks.

## Trends in per-share net income, dividend and dividend payout ratio (consolidated)

(Yen)

	FY2013 Results	FY2014 Results	FY2015 Results	FY2016 Results	FY2017 Plan
<b>Per-share net income</b>	118.73*	156.55	158.06	161.63	163.25
<b>Dividend per share</b>	21	28	28	29	30
<b>Dividend payout ratio</b>	17.7%	17.9%	17.7%	17.9%	18.4%

\* Results for nine months



## Advanced BYOD company



\* 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.