



Results of Operations for FY2017

February 15, 2018
FUJI SOFT INCORPORATED



Contents

P 2. Consolidated Results for FY2017

P 12. Business Policies and Results Forecasts for FY2018



Consolidated Results for FY2017



Consolidated Financial Highlights-1 (Four Quarters Results)

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

- ◇ Consolidated net sales rose 10.1% year on year, to 180,773 million yen, thanks to the strong performance in System Construction, especially machine control system construction and auto-related system construction as well as distribution and services, as in the previous quarter.

Operating income rose due to the rise in sales

- ◇ Operating income rose 10.3% year on year, to 9,707 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 11.9% year on year, to 10,260 million yen, reflecting the rise in operating income and an increase in the share of profit of entities accounted for using the equity method, including Ace Securities.
- ◇ Profit attributable to owners of parent stood at 5,797 million yen, up 15.0% year on year.

(Million yen)

	FY2016 4Q results	FY2017 4Q results	YoY change (Amount)	YoY change (%)	FY2017 4Q plan	Comparison with the plan
Net sales	164,218	180,773	+16,554	110.1%	168,000	107.6%
Operating income	8,798	9,707	+908	110.3%	9,000	107.9%
Operating income margin	5.4%	5.4%			5.4%	
Ordinary income	9,166	10,260	+1,093	111.9%	9,300	110.3%
Ordinary income margin	5.6%	5.7%			5.5%	
Profit attributable to owners of parent	5,042	5,797	+755	115.0%	5,100	113.7%
Profit margin attributable to owners of parent	3.1%	3.2%			3.0%	



Consolidated Financial Highlights-2 (Q4 Results)

Net sales rose 10.1% year on year.

- ◇ Consolidated net sales rose 10.1% year on year, to 45,964 million yen, thanks to the continued strong performance in System Construction.

The cost of sales margin improved to 75.9%.

- ◇ The cost of sales margin improved to 75.9% due to higher productivity through the cultivation of human resources and the curbing of unprofitable projects.

SG&A expenses increased 816 million yen year on year.

- ◇ SG&A expenses increased 816 million yen, to 8,148 million yen, due mainly to a rise in taxes and public charges as a result of the tax system revision and the spending of expenses associated with a new office.

Operating income increased significantly by 22.2% year on year.

	(Million yen)					
	FY2017 3Q results	YoY change (Amount)	YoY change (%)	FY2017 Q4 results	YoY change (Amount)	YoY change (%)
Net sales	134,808	+12,352	110.1%	45,964	+4,201	110.1%
Cost of sales	103,813	+9,827	110.5%	34,892	+2,853	108.9%
Cost of sales margin	77.0%			75.9%		
Gross profit	30,995	+2,525	108.9%	11,071	+1,348	113.9%
SG&A expenses	24,211	+2,148	109.7%	8,148	+816	111.1%
Operating income	6,784	+376	105.9%	2,923	+531	122.2%
Operating income margin	5.0%			6.4%		



Sales/Operating Income by Major Companies of the Group

(Million yen)

	FY2017	Net sales	Operating income	
FUJI SOFT INCORPORATED	4Q results	112,371	5,802	Sales rose, reflecting strong performances in the SI Business, primarily strong machine control, distribution and service, and license sales. Operating income increased due to the rise in sales and improvements in the cost rate in contract and development and the product cost rate, despite costs for upfront investment in the establishment/improvement of the production/sales systems and research and development.
	YoY change (amount)	+11,492	+233	
	YoY change (%)	111.4%	104.2%	
CYBERNET SYSTEMS Co., Ltd.	4Q results	17,987	1,504	Sales increased in all segments, particularly in the mainstay MCAE field and IT solution field in Japan. Operating income rose due to the increase in sales, despite a rise in personnel expenses due to the planned increase in the workforce.
	YoY change (amount)	+1,955	+476	
	YoY change (%)	112.2%	146.3%	
VINX CORP.	4Q results	26,682	1,147	Sales declined, due mainly to the effect of the prolonged period from orders to the posting of sales associated with the shift to stock-type business (service business), despite the further cultivation of existing major customers. Operating income decreased due to the decline in sales and an increase in expenses for large development investment projects.
	YoY change (amount)	-434	-172	
	YoY change (%)	98.4%	87.0%	
CYBER COM Co., Ltd.	4Q results	10,782	494	Sales increased thanks to the expansion of control software development and operation software development and the solid performance of the service business, including the construction of networks. Operating income decreased due to an increase in expenses associated with the relocation of the head office and investments in research and development.
	YoY change (amount)	+1,261	-33	
	YoY change (%)	113.3%	93.6%	
FUJI SOFT SERVICE BUREAU INCORPORATED	4Q results	9,828	452	Sales rose, reflecting continued growth in projects for public offices in call center services and BPO services. Operating income increased due to the contribution of spot projects related to the provisional welfare benefit and the Lower House election, etc.
	YoY change (amount)	+1,763	+269	
	YoY change (%)	121.9%	248.0%	

* Because each company's accounts closing date differs, results from January to December, 2017 are stated in the FY2017 4Q results column.



Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2017 Net sales		YoY change (Amount)	YoY change (%)	FY2017 Operating income		YoY change (Amount)	YoY change (%)
	Results	Component ratio			Results	Operating income margin		
Consolidated total	180,773	100.0%	+16,554	110.1%	9,707	5.4%	+908	110.3%
SI Business	167,376	92.6%	+14,551	109.5%	8,048	4.8%	+531	107.1%
System Construction	101,617	56.2%	+11,050	112.2%	5,416	5.3%	+275	105.4%
Embedded/Control Software	53,065	29.4%	+5,735	112.1%	3,249	6.1%	-120	96.4%
Operation Software	48,552	26.9%	+5,314	112.3%	2,167	4.5%	+396	122.4%
Products and Services	65,759	36.4%	+3,501	105.6%	2,632	4.0%	+255	110.7%
Products and Services	50,716	28.1%	+5,023	111.0%	1,945	3.8%	+566	141.1%
Outsourcing	15,043	8.3%	-1,522	90.8%	686	4.6%	-310	68.8%
Facility Business	2,696	1.5%	-12	99.5%	1,112	41.2%	+85	108.3%
Other Businesses	10,699	5.9%	+2,015	123.2%	546	5.1%	+291	214.4%

Highlights of Sales/Operating Income by Segment

● Embedded/Control Software

Sales increased 12.1% year on year due to brisk sales of machine control systems and auto-related systems and firm sales of social infrastructure systems. Operating income fell, affected by upfront investment for the establishment/improvement of the production/sales systems and the expansion of production bases and by the effect of unprofitable projects in Q1.

● Operation Software

Sales increased 12.3% year on year because sales to a wide range of sectors, particularly to the distribution, services and financial sectors, exceeded the year-ago level. Operating income rose due to the increase in sales.

● Products and Services

Sales increased 11.0% year on year, mainly because license sales, PALRO and robot development business sales substantially exceeded the year-ago level. Operating income rose substantially due to higher sales.

● Outsourcing

Sales declined 9.2% year on year due to a decline in transactions in the distribution and services sectors. Operating income fell due to higher expenses related to data center renovation and the decrease in sales.



Consolidated Income Statement

(Million yen)

	FY2016 Results	FY2017 Results	YoY change Amount)	YoY change (%)	FY2017 Plan	Comparison with the plan
Net sales	164,218	180,773	+16,554	110.1%	168,000	107.6%
Cost of sales	126,024	138,706	+12,681	110.1%	—	—
Cost of sales margin	76.7%	76.7%				
Gross profit	38,193	42,066	+3,873	110.1%	—	—
Gross profit margin	23.3%	23.3%				
SG&A expenses	29,394	32,359	+2,964 (1)	110.1%	—	—
SG&A expense ratio	17.9%	17.9%				
Operating income	8,798	9,707	+908	110.3%	9,000	107.9%
Operating income margin	5.4%	5.4%			5.4%	
Non-operating income	558	548	-9	98.3%	—	—
Non-operating expenses	180	243	+62	134.6%	—	—
Share of (profit) loss of entities accounted for using equity method	-10	246	+256	—	—	—
Ordinary income	9,166	10,260	+1,093	111.9%	9,300	110.3%
Ordinary income margin	5.6%	5.7%			5.5%	
Extraordinary income	168	685	+516 (2)	—	—	—
Extraordinary losses	327	921	+593	281.1%	—	—
Income before income taxes	9,007	10,023	+1,016	111.3%	—	—
Total income taxes	3,190	3,066	-124	96.1%	—	—
Net income	5,817	6,957	+1,140	119.6%	—	—
Profit attributable to non-controlling interests	774	1,160	+385	149.7%	—	—
Profit attributable to owners of parent	5,042	5,797	+755	115.0%	5,100	113.7%
Profit margin attributable to owners of parent	3.1%	3.2%			3.0%	

Points of Income Statement

(1) SG&A expenses (+2,964 million yen)

Reflected the establishment/improvement of the production/sales systems due to sales expansion, an increase in costs for sales promotion, and research and development expense as well as higher business tax due to tax system reform

(2) Extraordinary income (+516 million yen) Extraordinary losses (+593 million yen)

The major factor for the increase in extraordinary income was a rise in gain on sales of investment securities.

The increase in extraordinary losses was due mainly to the retirement of idle assets.



Consolidated Balance Sheet

	End of FY2016	End of FY2017	(Million yen) Change (Amount)
Current assets	67,350	72,457	+5,107
Cash and deposits	19,134	18,851	-283
Notes and accounts receivable - trade	36,727	40,288	+3,560 (1)
Securities	4,500	5,200	+ 700
Inventories	2,577	3,248	+ 671
Deferred tax assets	2,254	2,435	+ 180
Other	2,156	2,434	+ 277
Non-current assets	96,513	102,110	+5,597
Property, plant and equipment	65,796	65,220	-576
Intangible assets	5,949	6,821	+872
Investments and other assets	24,766	30,068	+5,302 (2)
Total assets	163,863	174,568	+ 10,704
Current liabilities	37,461	39,197	+1,736
Accounts and notes payable - trade	9,444	9,977	+532
Short-term loans payable	9,410	6,964	-2,445 (3)
Commercial papers	—	1,500	+1,500 (3)
Accrued expenses / provision for bonus	6,826	7,751	+ 924
Income taxes payable	2,153	2,102	-50
Provision for loss on construction contracts	267	173	-94
Other	9,358	10,728	+1,370
Non-current liabilities	17,400	16,959	-441
Long-term loans payable	6,723	4,182	-2,541 (3)
Other	10,676	12,776	+2,100 (4)
Total liabilities	54,861	56,156	+1,294
Total net assets	109,001	118,411	+9,409
Total liabilities and net assets	163,863	174,568	+10,704

Points of the Balance Sheet

(1) Notes and accounts receivable - trade (+3,560 million yen)

Increase in notes and accounts receivable - trade due to a rise in sales

(2) Investments and other assets (+5,302 million yen)

Increase due to a rise in the price of investment securities, etc.

(3) Short-term loans payable (-2,445 million yen)

Commercial papers (+1,500 million yen)

Long-term loans payable (-2,541 million yen)

Scheduled repayments of loans payable and financing focused on the interest rate differential

(4) Other non-current liabilities (+2,100 million yen)

Increase in deferred tax liabilities associated with a rise in the price of investment securities, etc.



Consolidated Cash Flow Statement

(Million yen)

	FY2016 Results	FY2017 Results	YoY change (Amount)
Cash flows from operating activities	9,530	9,244	-285
Cash flows from investing activities	-4,337	-3,862	+475
Cash flows from financing activities	1,076	-4,462	-5,539
Effect of exchange rate change on cash and cash equivalents	-167	49	
Net increase (decrease) in cash and cash equivalents	6,102	968	
Increase in cash and cash equivalents resulting from merger	-	59	
Cash and cash equivalents at beginning of period	15,688	21,790	
Cash and cash equivalents at end of period	21,790	22,819	

Highlights of Cash Flows

● [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 9,244 million yen, with a year-on-year decrease of 285 million yen due mainly to an increase in the payment of income tax.

● [Cash flows from investing activities](#)

Net cash used in investing activities came to 3,862 million yen, chiefly reflecting investments in the Company's own products (software) and equipment, upfront investments in the growth field, and proceeds from sales of shares.

● [Cash flows from financing activities](#)

Net cash used in financing activities was 4,462 million yen, mainly due to loan repayments. This compares to net cash provided by financing activities of 1,076 million yen the previous fiscal year, chiefly reflecting loans and proceeds from sales of shares of subsidiaries.



Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2017 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	34,976	114.0%	172,494	109.8%	167,376	109.5%	40,094	114.6%
System Construction	23,803	115.1%	105,263	112.4%	101,617	112.2%	27,450	115.3%
Embedded Control Software	9,981	111.1%	54,520	112.8%	53,065	112.1%	11,436	114.6%
Operation Software	13,822	118.2%	50,743	111.9%	48,552	112.3%	16,014	115.9%
Products and Services	11,172	111.7%	67,231	106.0%	65,759	105.6%	12,644	113.2%
Products and Services	8,168	104.1%	52,266	113.6%	50,716	111.0%	9,718	119.0%
Outsourcing	3,004	139.0%	14,964	86.0%	15,043	90.8%	2,926	97.4%

Highlights of Orders and Order Backlogs

•Highlights in System Construction

- Embedded/Control Software
The order backlog at the end of the term increased 14.6% 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 15.9% year on year due to strong orders from the distribution and services sectors as well as in the financial sector.

•Highlights in Products and Services

- Products and Services
The order backlog at the end of the term increased 19.0% year on year, reflecting strong license sales.
- Outsourcing
The order backlog at the end of the term decreased 2.6% year on year due to a decline in orders for the distribution and services sectors.



Dividend

The year-end dividend for FY2017 will be increased to 18 yen per share, which will result in an increase in the annual dividend to 33 yen per share.

The forecast year-end dividend was 15 yen per share. In comprehensive consideration of the full-year results, the year-end dividend will be increased to 18 yen per share.

■ Trends in dividend (consolidated)

(Yen)

	End of interim period	Most recent prospective dividend	Determined amount of year-end dividend	Annual dividend
Dividend per share (FY2017)	15.00	15.00	18.00	33.00



Business Policies and Results

Forecasts for FY2018



Accomplishments of Efforts in FY2017 and Toward FY2018

Management points

Results and accomplishments in FY2017

**Bold efforts for new technologies:
AIS-CRM**



In the field of CRM, automobiles and the cloud have been established as a growth business, and in the field of AIS, products and commissioned development are at the stage of commercialization as a result of promoting research and studies and the cultivation of core human resources.

P.14 to 17

Promotion of the high value-added system integration business



Focused on the acquisition of high value-added SI projects in areas where needs are high and the Company has strengths, and maintained the cost rate amid the increasing maintenance costs of the production and sales systems associated with rising demand.

P.18

Strengthening of human resources and steady growth of the commissioned development business



Strengthened the production and sales bases through the active recruitment of personnel and stronger collaboration with business partners.

P.19 to 20

Aggressive promotion of the product business



Sales increased 11% along with a rise in SI needs. Profitability improved in the Company's own products.

P.21 to 22

Growth as the overall Group and aggressive global development



Most of group companies achieved higher sales and profit, with the exception of some companies.
In global development, sales also increased in China and North America as a result of promoting the establishment of bases in growth markets such as Southeast Asia.

Resolute Efforts for New Technology: AIS-CRM

With a combination of the embedded technologies of the Company and big data analysis, among other factors, the world of IoT to be provided through a one-stop service

Integration of front-end AI, cloud AI, AI-BOT and various other kinds of AI



AI
インテグレーション

Integration of the cloud services appropriate for various types of industries and business models



Cloud computing
インテグレーション

Capability to construct a system
that was developed through the development of operation software

Advanced technical know-how
for the development of embedded/control software



Auto-Motive
インテグレーション

Capability to provide products
Software/hardware products

Active response to software for automobiles, which continues to develop

Utilization of the communication robot (PALRO) realized with advanced intelligent technologies
Software technology for supporting the industrial robot area



Robot
インテグレーション

Mobile
インテグレーション



Optimal integration of various types of mobile terminals continuing to evolve

Appropriate response to various threats arising from the development of new technologies

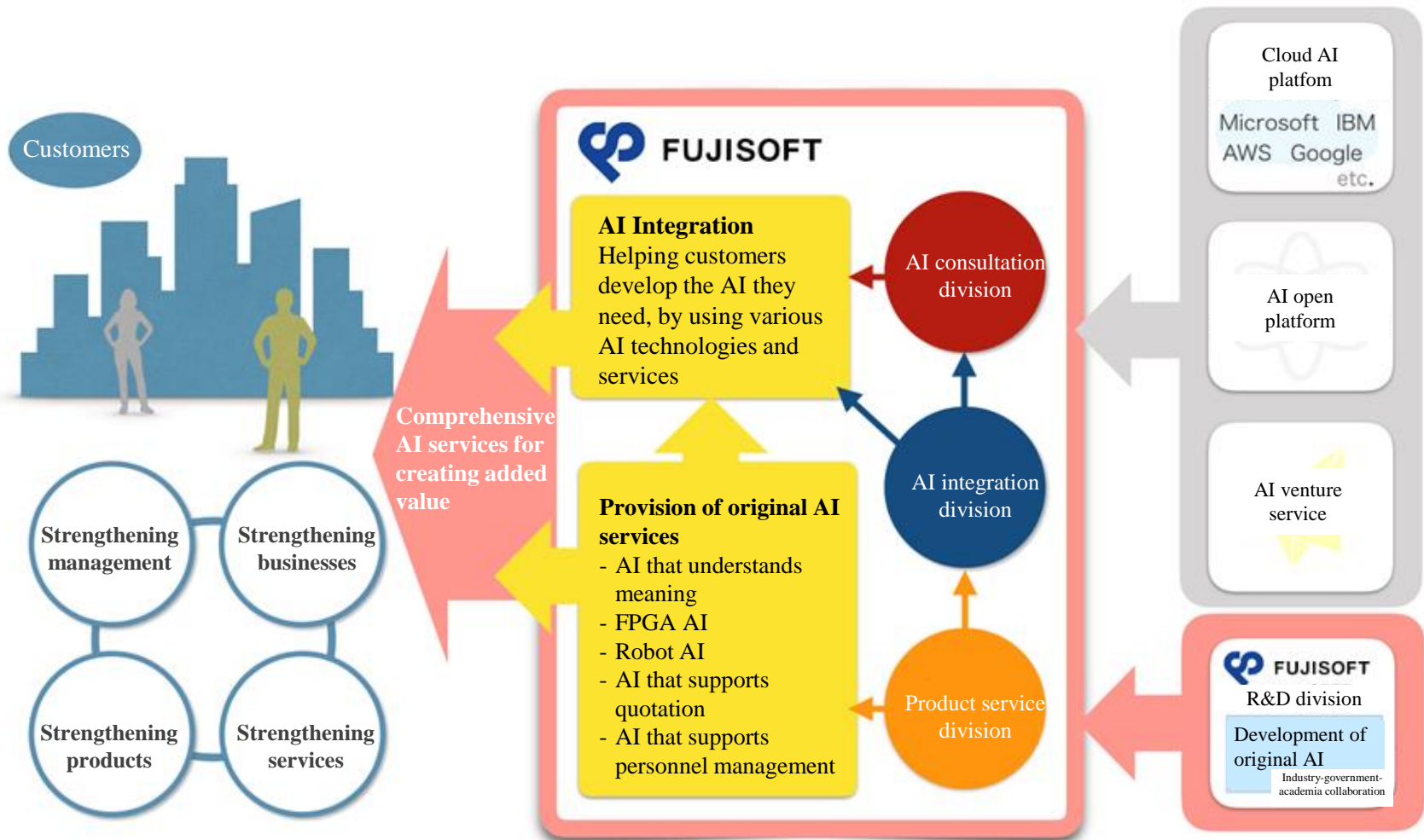


IoT
インテグレーション

Security
インテグレーション

AI Strategies of FUJISOFT

Making use of AI technologies and services to support customer's business in further value creation





Automotive

Toward sustainable growth by exercising strong ability to satisfy customer needs

2017 -

2020 -

Trends in the auto market

New added value of automobiles (CASE)

Connected, Autonomous,
Shared & Services, Electric

Development system to support new software technologies extensively and on a large scale

Trends in in-vehicle software

Selection of elemental technologies of CASE

AUTOSAR, Adaptive, GPU/FPGA
AI, Deep Learning, Security

Internationally standardized de facto technologies
Sophistication and accumulation of core technologies
Development system to utilize them on a large scale

Efforts of FUJISOFT

Enhancement of in-vehicle software engineers

End of 2017: 1,200 people → Increase of 15% annually

Enhancement of production bases

Expansion of Nagoya/Kariya/Ota/Osaka/Fukuoka

Research investment in elemental technologies

AUTOSAR (APTJ), AI (Tokyo Institute of Technology)
Deep Learning, security structure with dedicated personnel

Improvement in the productivity and quality of in-vehicle software

Automotive SPICE assessment
ISO26262 functional safety, DEOS activity

Internationally standardized de facto technologies

Sophistication and accumulation of core technologies

Development system to utilize them on a large scale

Establishing the self-manufacturing technology as business

AUTOSAR integration
CASE infrastructure solution

Robots (Other than PALRO)

Efforts for industrial robots

Plan to commercialize the robot SI business and the Company's own solutions mainly for factory automation, while responding to software development needs for industrial robots for which more sophisticated control mechanisms are required.

Commissioned development (current status)

- Control software
- Man machine interface
- Semiconductor manufacturing equipment

Robot SI business

- SI related to platform developed by industrial robot manufacturers
- System development using open source

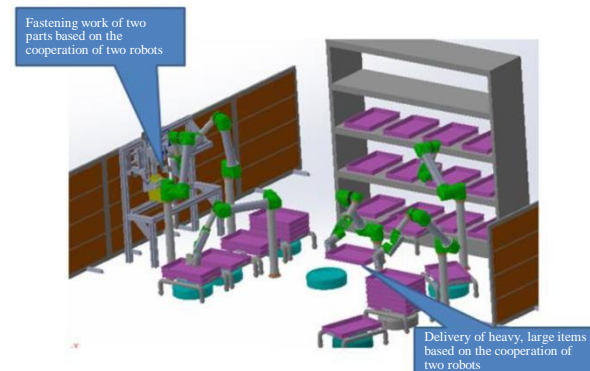
The Company's own solutions

- Development of the Company's own solutions using IoT technology and its own expertise and software

Commenced research consigned by NEDO on the next-generation industrial robot

Commenced the development of a hardware platform with high reusability that will realize the next-generation flexible manufacturing system (FMS), research consigned by the New Energy and Industrial Technology Development Organization (NEDO).

Aim to reduce introduction and operation costs in high-mix low-volume production by 30% through open-source existing robots and the collaborative control of multiple robots and aim to apply them in a wide range of sectors such as manufacturing and food.





Efforts to Promote the Higher Value-Added SI Business

Framework to acquire high value-added projects

Strengthening of production capacity and productivity

- Mass hiring and the early use of new employees as an operational force
- Expansion of business partners
- Establishment and expansion of production bases
- Use of near shore and off shore
- Cultivation of PM and specialists

Business expansion in growth areas

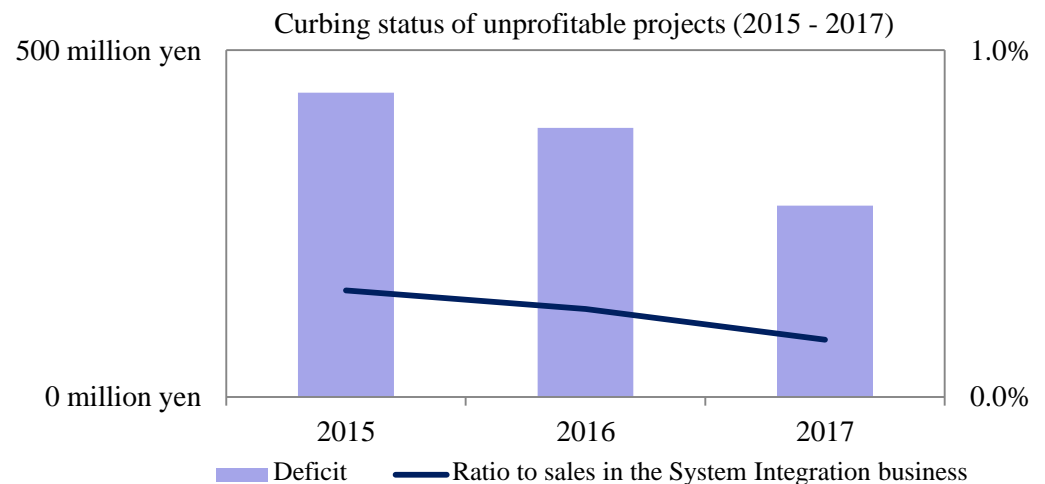
- Shift of management sources to promising markets.
- * e.g. Business areas that continue to grow due to the advancement of rapid digitalization, and needs to use IT to respond to the labor shortage and work style reforms, etc.

Acquisition of high value-added projects

- Growth in the size of development projects
- Batching (upstream – downstream processes)
- Company-led projects based on development in its own base

Efforts to curb unprofitable projects

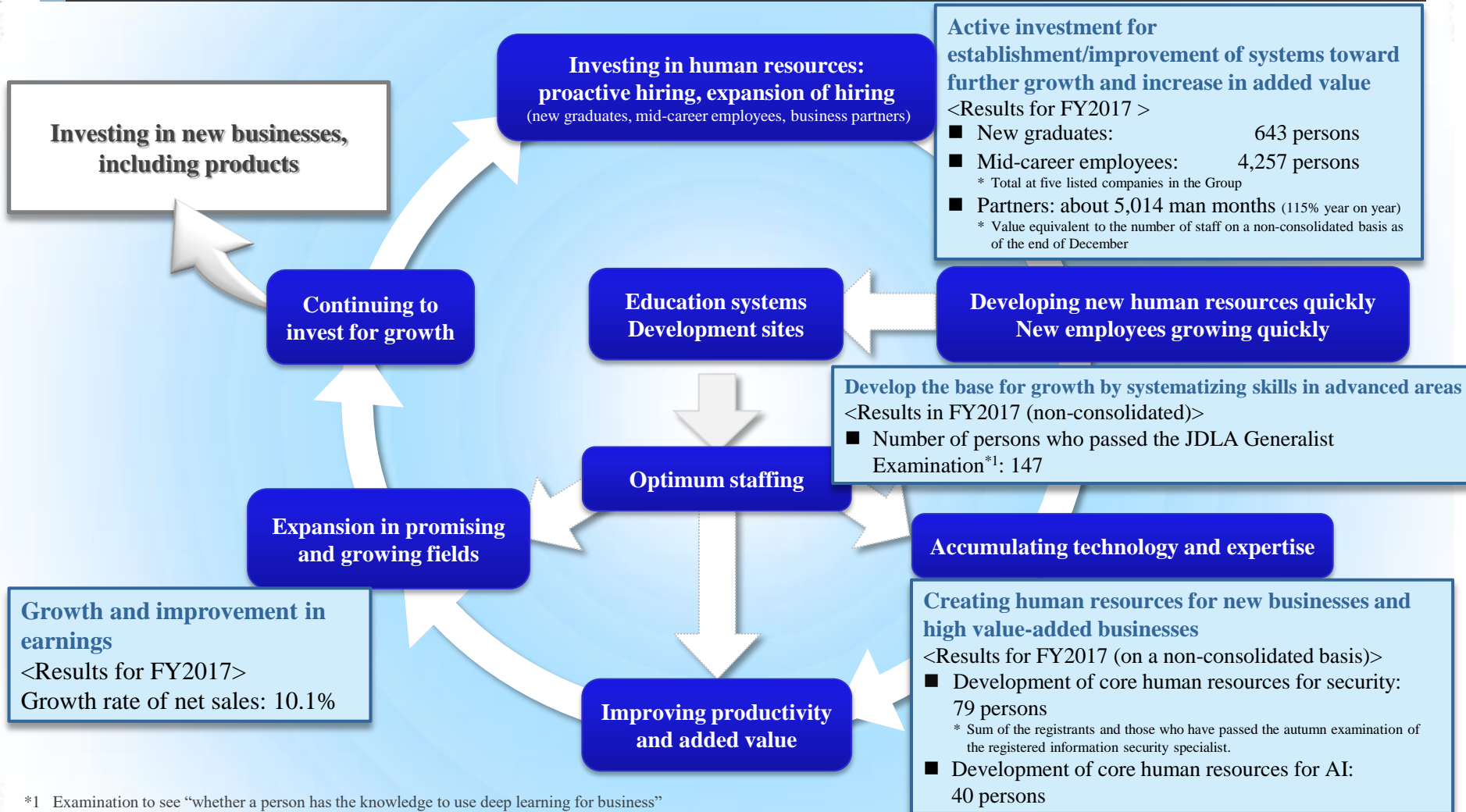
- Monitoring of signs of trouble occurring on site and at the management level
- Standardization of development processes and tools
- Introduction of advanced development frameworks tailored to the area of technology





Strengthening of Human Resources and Contract and Development Business

Expanding the cycle for business expansion through the strengthening of human resources



*1 Examination to see “whether a person has the knowledge to use deep learning for business” provided by the Japan Deep-Learning Association (JDLA).

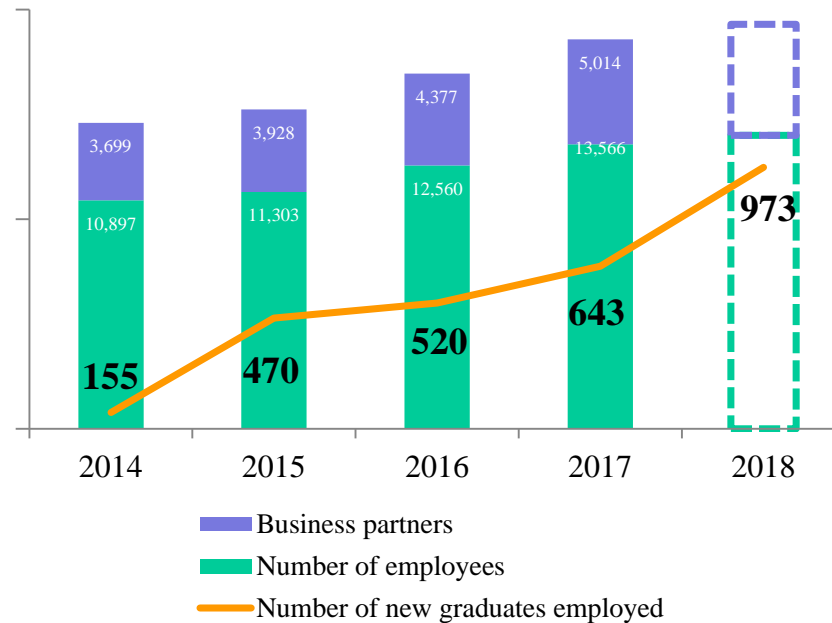


Hiring Human Resources (Hiring and Specialized Human Resources)

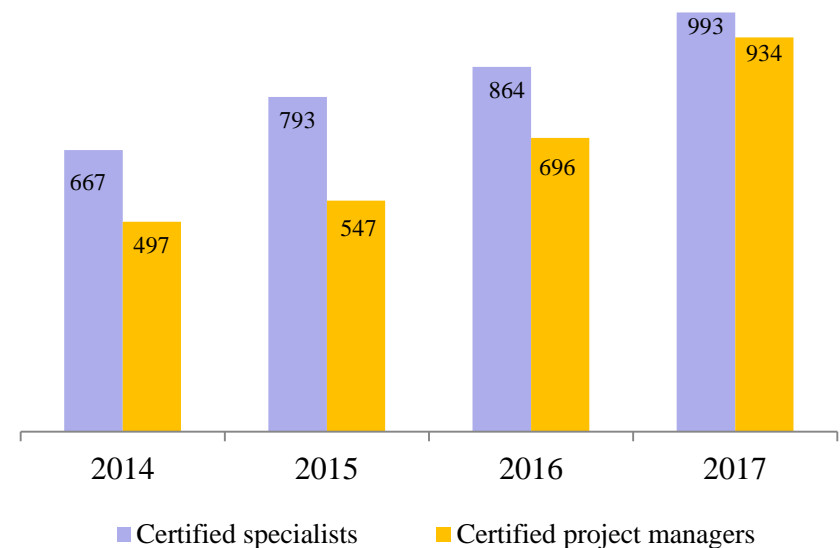
Strengthen readiness by increasing employees and business partners.
Continue active recruitment in light of the market expansion.

Accelerate the cultivation of human resources who are able to respond to high value-added businesses by increasing their motivation to improve skills by clarifying the skill level based on the certification system of the Project Manager (PM) and Specialist (SP).

<Number of employees and business partners>



<Number of certified engineers (non-consolidated)>

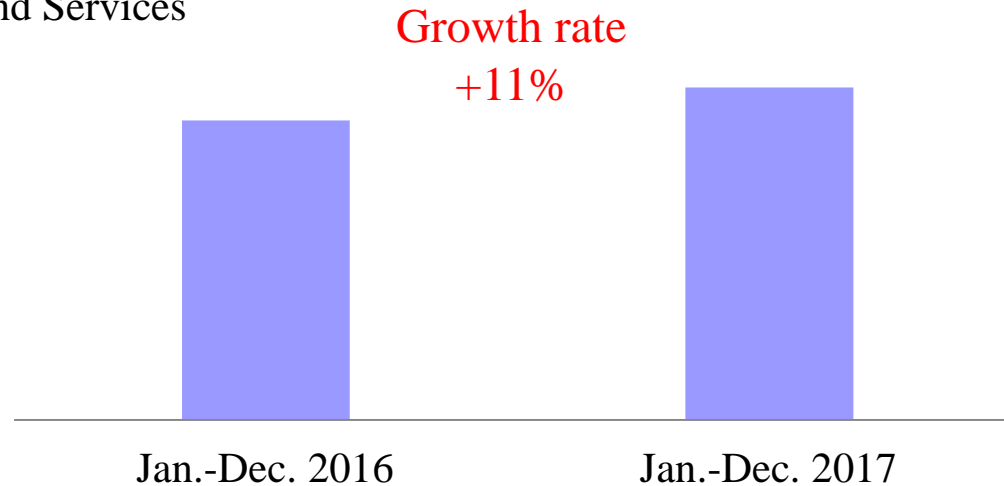


Number of people employed: Non-consolidated + Listed subsidiaries (people)
 Number of employees: Consolidated as of the end of December (people)
 Business partners: Equivalent to the non-consolidated number of people as of the end of December (people)



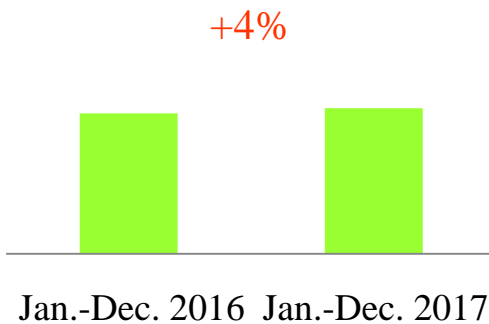
Trends in Products and Services (Sales)

Sales in Products and Services

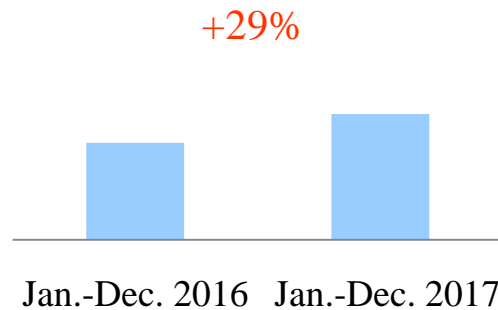


Breakdown of sales in Products and Services

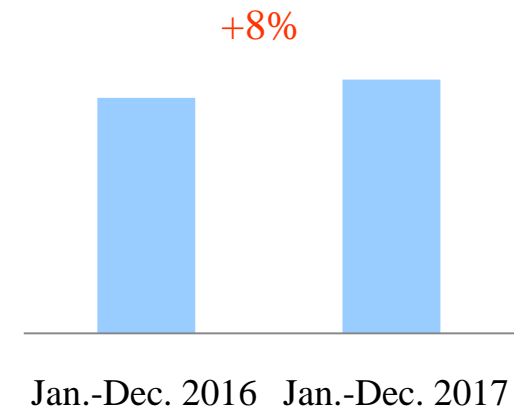
Sales of FUJI SOFT products



Sales in the licensing business



Product sales etc.

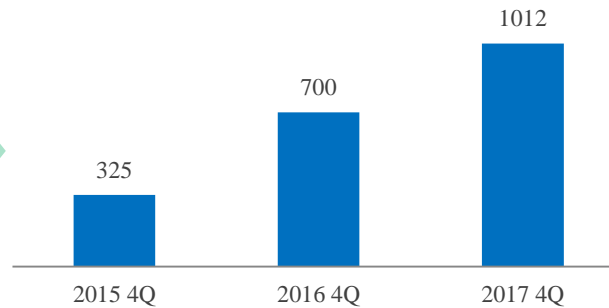


Trends in Products and Services (Priority Products)

palro



Change in the number of installations



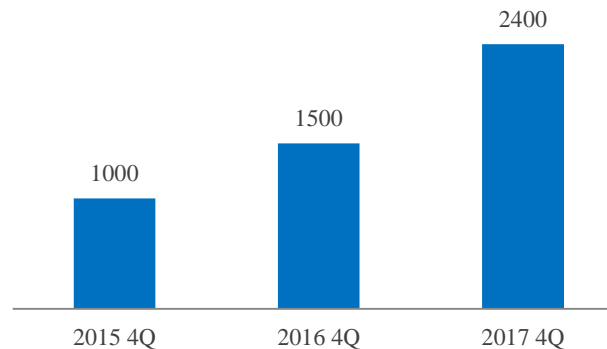
Current situation

Number of facilities and financial institutions that have introduced PALRO

Over 1,000 units (cumulative total)

(At the time of the announcement of the financial statements for the fiscal year ended December 31, 2016: over 700 units)

moreNOTE®



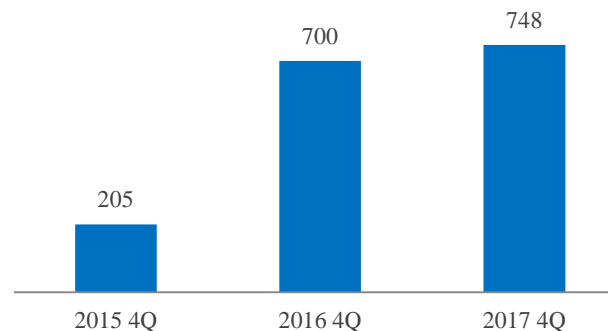
Number of companies that have introduced the file management and sharing service for mobile content

About 2,400 companies
(cumulative total)

* Total number of companies that introduced moreNOTE and SYNCNEL

(At the time of the announcement of the financial statements for the fiscal year ended December 31, 2016: about 1,500 companies)

みらいスクールステーション®



Number of schools that have introduced Mirai School Station

748 (cumulative total)

(At the time of the announcement of the financial statements for the fiscal year ended December 31, 2016: about 700 schools)

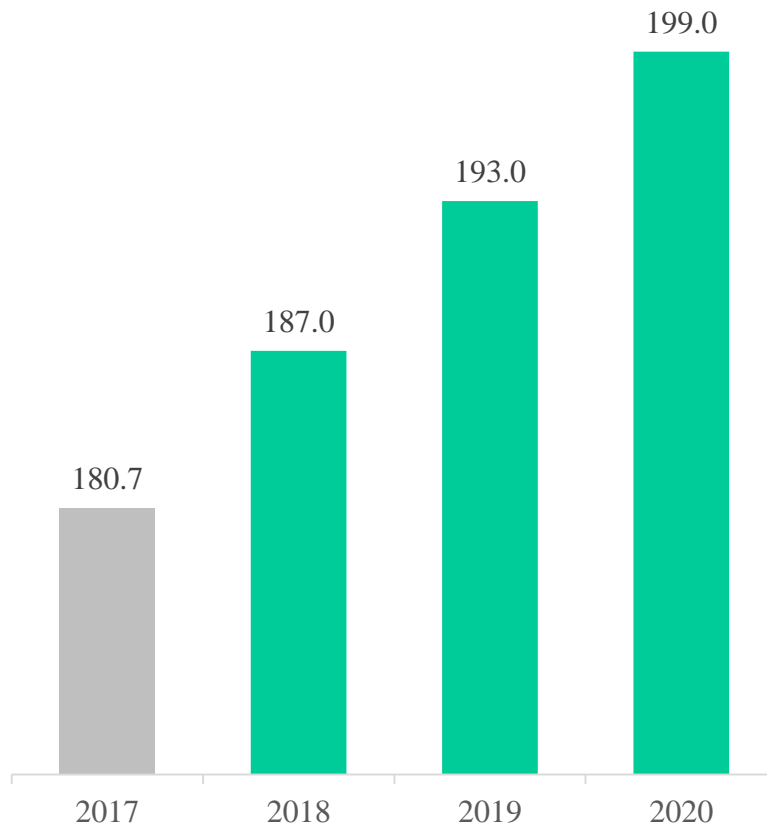


Changes in Results/Forecasts (FY2018–FY2020)

Consolidated Net Sales

(Billion yen)

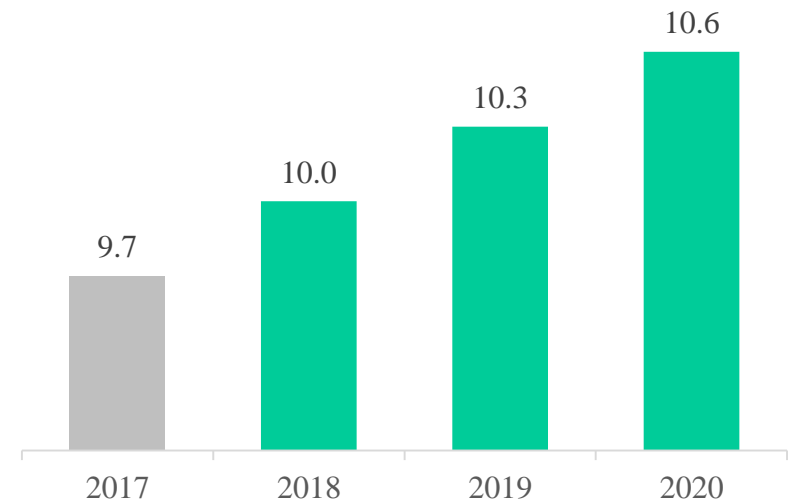
Net Sales



Consolidated Operating Income

(Billion yen)

Operating Income





Results Forecasts for FY2018

(Million yen)

	FY2017 Results	FY2018 Plan	YoY change (Amount)	YoY change (%)
Net sales	180,773	187,000	+6,226	103.4%
Operating income	9,707	10,000	+292	103.0%
Operating income margin	5.4%	5.3%		
Ordinary income	10,260	10,300	+39	100.4%
Ordinary income margin	5.7%	5.5%		
Profit attributable to owners of parent	5,797	5,900	+102	101.8%
Profit margin attributable to owners of parent	3.2%	3.2%		



Dividend

Annual dividend of FY2018 is planned to be 36 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)

	FY2014 Results	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Plan
Per-share net income	156.55	158.06	161.63	185.33	188.53
Dividend per share	28	28	29	33	36
Dividend payout ratio	17.9%	17.7%	17.9%	17.8%	19.1%



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.