Results of Operations
for FY2019

February 13, 2020
FUJI SOFT INCORPORATED

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Net sales rose due to strong performance in System Construction and sales of products of group companies.

◇ Consolidated net sales rose 13.1% year on year, to 231,074 million yen, following the strong performance of social infrastructure systems and automotive systems in embedded/control software, systems for distributors and service operators in operation software, systems for non-banks and for online services and system infrastructure construction and others in the System Construction. Products and Services also showed brisk performance.

Operating income rose due to higher sales.

◇ Operating income rose 16.4% year on year, to 13,266 million yen, reflecting the rise in sales.

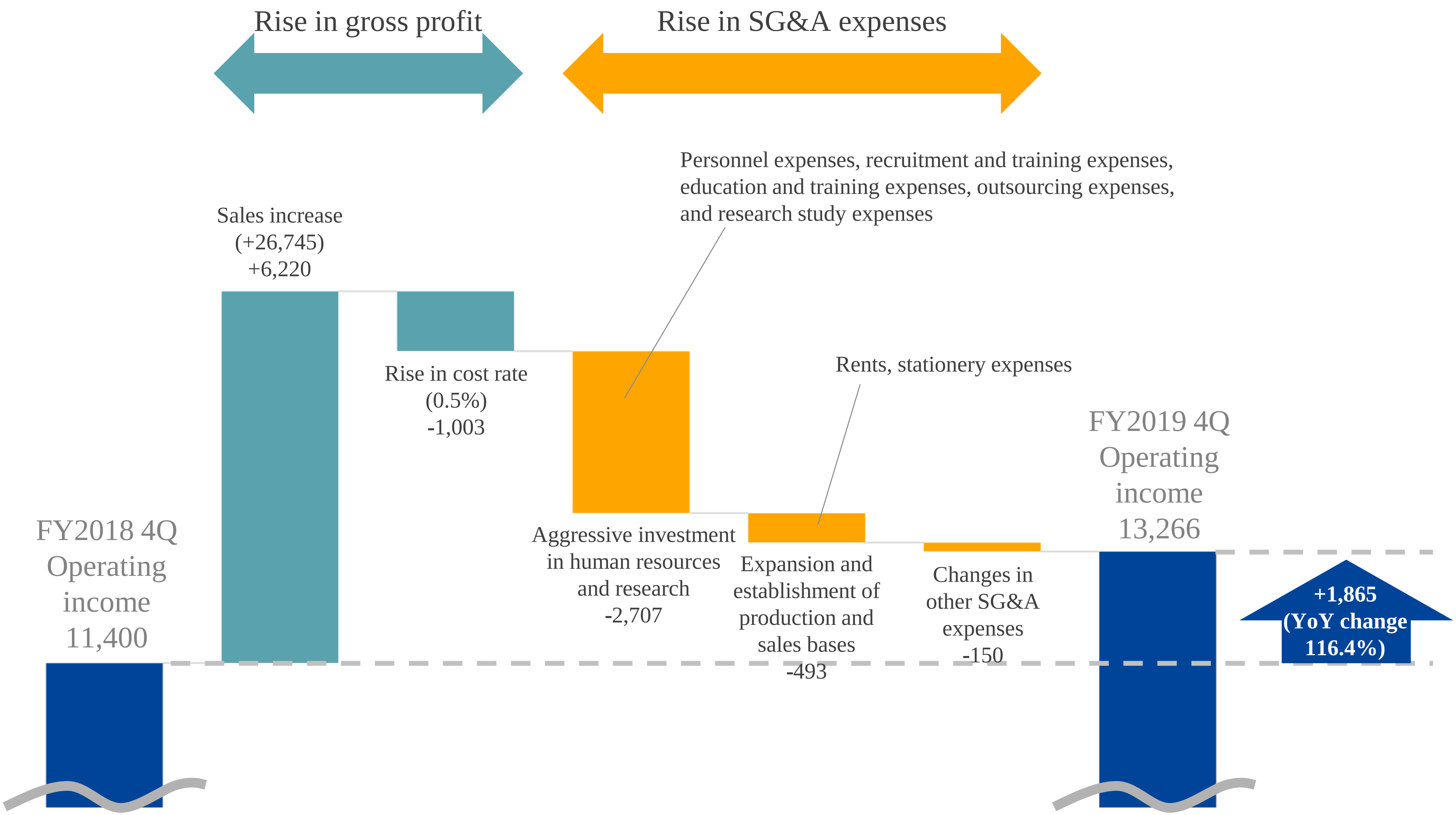
◇ Ordinary income increased 13.9% year on year, to 13,749 million yen. (Details of factors for the changes are explained in “4. Consolidated Income Statement” on page 7.)

◇ Profit attributable to owners of parent stood at 7,836 million yen, up 20.3% year on year.

(Million yen)

	FY2018 4Q results	FY2019 4Q results	YoY change (Amount)	YoY change (%)	FY2019 4Q plan	FY2019 Comparison with the plan
Net sales	204,329	231,074	+26,745	113.1%	210,500	109.8%
Operating income	11,400	13,266	+1,865	116.4%	11,700	113.4%
Operating income margin	5.6%	5.7%			5.6%	
Ordinary income	12,071	13,749	+1,678	113.9%	12,200	112.7%
Ordinary income margin	5.9%	6.0%			5.8%	
Profit attributable to owners of parent	6,516	7,836	+1,320	120.3%	6,700	117.0%
Profit margin attributable to owners of parent	3.2%	3.4%			3.2%	

Trends in Consolidated Operating Income (Jan-Dec)



1. Consolidated Financial Highlights-2 (Q4 Results Oct-Dec)

Net sales rose 10.4% year on year.

The cost of sales margin increased to 78.0%.

◇ The cost of sales margin rose from 77.0% in the same period a year earlier, to 78.0%, after growth in sales of Products and Services centering on sales of other companies' products and involvement in temporary unprofitable projects for part of the operations.

SG&A expenses increased 820 million yen year on year.

◇ SG&A expenses increased by 820 million yen year on year, to 9,931 million yen, due to investments in human resources. However, the SG&A ratio improved year-on-year (from 17.7% to 17.4%), given that intensified workstyle reform and upfront investments in the acquisition of mobile equipment and others for boosting profitability for the same period a year earlier.

◇ As a result, operating income fell 5.2% year on year, to 2,598 million yen.

(Million yen)

	FY2019 3Q results	YoY change (Amount)	YoY change (%)	FY2019 Q4 results	YoY change (Amount)	YoY change (%)
Net sales	174,153	+21,370	114.0%	56,921	+5,375	110.4%
Cost of sales	133,946	+16,832	114.4%	44,391	+4,696	111.8%
Cost of sales margin	76.9%			78.0%		
Gross profit	40,207	+4,537	112.7%	12,529	+678	105.7%
SG&A expenses	29,539	+2,530	109.4%	9,931	+820	109.0%
Operating income	10,667	+2,007	123.2%	2,598	-141	94.8%
Operating income margin	6.1%			4.6%		

2. Sales/Operating Income by Major Companies of the Group

(Million yen)

	FY2019	Net sales	Operating income	
FUJI SOFT INCORPORATED	4Q results	150,082	7,754	Sales rose, reflecting the strong performance of social infrastructure systems and automotive systems in embedded/control software, systems for distributors and service operators in operation software, systems for non-banks and for online services and system infrastructure construction, and SI business centering on license sales in the Products and Services segment, resulting in a rise in operating income.
	YoY change (amount)	+19,436	+682	
	YoY change (%)	114.9%	109.7%	
CYBERNET SYSTEMS Co., Ltd.	4Q results	21,350	2,020	Sales increased, given strong sales in CAE solution services in Japan, as well as the solid performance of development subsidiaries in the United States and sales subsidiaries in Asia. Operating income rose due to higher sales.
	YoY change (amount)	+1,631	+517	
	YoY change (%)	108.3%	134.5%	
VINX CORP.	4Q results	29,748	1,669	Sales increased, chiefly after growth in projects for cashless settlement and point-of-sales related systems and in projects responding to the consumption tax hike with a reduced tax rate. Operating income rose due to higher sales and an improvement in the cost rate.
	YoY change (amount)	+4,123	+342	
	YoY change (%)	116.1%	125.8%	
CYBER COM Co., Ltd.	4Q results	13,967	746	Sales increased thanks to strong performance in software development, including operation software projects for life insurance systems and ones for the public sector, as well as system construction projects in the service business. Operating income increased due to the rise in sales and the improved cost of sales margin, which is attributed in part to increase of sales and productivity improvement.
	YoY change (amount)	+1,895	+137	
	YoY change (%)	115.7%	122.6%	
FUJI SOFT SERVICE BUREAU INCORPORATED	4Q results	11,472	607	Sales increased, following continued briskness in BPO services for public offices and local governments, and healthy performance in services for private corporations. Operating income rose because higher sales and cost reductions absorbed an increase in SG&A expenses that is attributed in part to infrastructure construction.
	YoY change (amount)	+396	+19	
	YoY change (%)	103.6%	103.2%	

* Results from January to December, 2019 are stated in the FY2019 4Q results column.

3. Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2019 Net sales 4Q results	Component ratio	YoY change (Amount)	YoY change (%)	FY2019 Operating income 4Q results	Operating income margin	YoY change (Amount)	YoY change (%)
Consolidated total	231,074	100.0%	+26,745	113.1%	13,266	5.7%	+1,865	116.4%
SI Business	215,508	93.3%	+26,231	113.9%	11,737	5.4%	+2,040	121.0%
System Construction	131,237	56.8%	+15,885	113.8%	7,636	5.8%	+664	109.5%
Embedded/Control Software	64,670	28.0%	+5,047	108.5%	4,444	6.9%	+202	104.8%
Operation Software	66,567	28.8%	+10,838	119.4%	3,192	4.8%	+462	117.0%
Products and Services	84,270	36.5%	+10,345	114.0%	4,100	4.9%	+1,375	150.5%
Products and Services	69,284	30.0%	+10,401	117.7%	3,142	4.5%	+1,438	184.4%
Outsourcing	14,985	6.5%	-55	99.6%	958	6.4%	-63	93.8%
Facility Business	2,899	1.3%	-10	99.6%	1,211	41.8%	+79	107.1%
Other Businesses	12,667	5.5%	+524	104.3%	317	2.5%	-254	55.5%

Highlights of Sales by Segment

● Embedded/Control Software

Sales increased 8.5% year on year, reflecting bullish performance of social infrastructure systems and auto-related systems. As a result, operating income rose 4.8% year on year.

● Products and Services

Sales increased 17.7% year on year due to the strong performance of sales of other companies' products. Operating income leaped 84.4% year on year because sales grew and an investment was made to boost product quality in the same period a year earlier.

● Operation Software

Sales increased 19.4% year on year, due mainly to solid sales to manufacturers, distributors, service operators, non-banks, online businesses and sales from system infrastructure construction. Sales growth pushed operating income up 17.0% year on year.

● Outsourcing

Sales dropped 0.4% following a decline in transactions with distribution and service sectors, despite a rise in operation and maintenance projects on a non-consolidated basis, which resulted in a decrease in operating income by 6.2% year on year.

4. Consolidated Income Statement

(Million yen)

	FY2018 4Q Results	FY2019 4Q Results	YoY change (Amount)	YoY change (%)	FY2019 4Q Plan	FY2019 Comparison with the plan
Net sales	204,329	231,074	+26,745	113.1%	210,500	109.8%
Cost of sales	156,808	178,337	+21,528	113.7%	–	–
Cost of sales margin	76.7%	77.2%	(1)			
Gross profit	47,520	52,736	+5,216	111.0%	–	–
Gross profit margin	23.3%	22.8%				
SG&A expenses	36,119	39,470	+3,350 (2)	109.3%	–	–
SG&A expense ratio	17.7%	17.1%				
Operating income	11,400	13,266	+1,865	116.4%	11,700	113.4%
Operating income margin	5.6%	5.7%			5.6%	
Non-operating income	637	667	+30	104.8%	–	–
Non-operating expenses	224	420	+196 (3)	187.4%	–	–
Share of (profit) loss of entities accounted for using equity method	258	236	-21	91.6%	–	–
Ordinary income	12,071	13,749	+1,678	113.9%	12,200	112.7%
Ordinary income margin	5.9%	6.0%			5.8%	
Extraordinary income	1,129	660	-468 (4)	58.5%	–	–
Extraordinary losses	2,363	395	-1,968	16.7%	–	–
Income before income taxes	10,837	14,014	+3,177	129.3%	–	–
Total income taxes	3,732	4,523	+790	121.2%	–	–
Net income	7,104	9,490	+2,386	133.6%	–	–
Profit attributable to non-controlling interests	588	1,655	+1,066	281.2%	–	–
Profit attributable to owners of parent	6,516	7,835	+1,320	120.3%	6,700	117.0%
Profit margin attributable to owners of parent	3.2%	3.4%			3.2%	

Points of Income Statement

(1) Cost of sales margin (77.2%)

An increase follows growth in Products and Sales centered on sales of other companies' products and securing of human resources for a flexible response to temporary unprofitable projects and changes in demand trends.

(2) SG&A expenses (+3,350 million yen)

An increase in expenses due to investments in human resources for recruitment and education and active upfront investments in the establishment of bases and research and study

(3) Non-operating expenses (+196 million yen)
Share of (profit) loss of entities accounted for using equity method (-21 million yen)

Non-operating expenses surged after asset retirement for the streamlining of management and a foreign exchange loss (whereas a foreign exchange gain was posted in the same period a year earlier).
Share of (profit) loss of entities accounted for using equity method decreased due chiefly to a slide in profit of Ace Securities.

(4) Extraordinary income (-468 million yen)
Extraordinary losses (-1,968 million yen)

Extraordinary income includes the gain on sales of investment securities (while it represented the gain on sales of investment securities and the proceeds of a partial transfer of Cybernet Systems' business in the same period of the previous fiscal year).
Extraordinary losses include office transfer expenses and the impairment of investment securities (while it included the impairment loss of goodwill generated in the review of Cybernet Systems' business in the same period of the previous fiscal year).

5. Consolidated Balance Sheet

(Million yen)

	End of FY2018	End of FY2019	Change (Amount)	
Current assets	77,315	88,009	+10,693	(1)
Cash and deposits	22,554	22,278	-275	
Notes and accounts receivable – trade	44,456	49,570	+5,114	
Securities	4,000	7,000	+3,000	
Inventories	3,354	5,930	+2,575	
Other	2,950	3,229	+278	
Non-current assets	115,310	119,609	+4,298	(2)
Property, plant and equipment	82,356	86,334	+3,977	
Intangible assets	4,738	4,043	-695	
Investments and other assets	28,214	29,231	+1,017	
Total assets	192,625	207,618	+14,992	
Current liabilities	49,428	48,106	-1,321	(3)
Accounts and notes payable – trade	9,526	13,361	+3,835	
Short-term loans payable	16,207	4,159	-9,048	
Commercial papers	-	3,000	+3,000	
Accrued expenses / provision for bonus	9,155	10,476	+1,321	
Income taxes payable	2,492	3,534	+1,042	
Provision for loss on construction contracts	252	194	-58	
Other	11,793	13,380	+1,586	
Non-current liabilities	23,526	32,691	+9,164	
Long-term loans payable	13,319	22,618	+9,298	
Other	10,207	10,073	-133	
Total liabilities	72,955	80,797	+7,842	
Total net assets	119,670	126,820	+7,149	
Total liabilities and net assets	192,625	207,618	+14,992	

Points of the Balance Sheet

(1) Current assets (+10,693 million yen)

An increase in notes and accounts receivable – trade and inventories, reflecting the strong environment for orders, and an increase in certificates of deposit for the investment of short-term funds.

(2) Non-current assets (+4,298 million yen)

An increase resulting chiefly from acquisition of land for office space with a view toward strengthening the organization.

(3) Current liabilities (-1,321 million yen)
Non-current liabilities (+9,164 million yen)

Review of the balance between long- and short-term funds based on the purpose of procurement.

6. Consolidated Cash Flow Statement

(Million yen)

	FY2018 4Q results	FY2019 4Q results	YoY change (Amount)
Cash flows from operating activities	11,192	12,584	+1,392
Cash flows from investing activities	-23,424	-9,442	+13,982
Cash flows from financing activities	14,766	-1,451	-16,218
Effect of exchange rate change on cash and cash equivalents	-103	-119	
Net increase (decrease) in cash and cash equivalents	2,430	1,570	
Cash and cash equivalents at beginning of period	22,157	24,587	
Cash and cash equivalents at end of period	24,587	26,158	

Highlights of Cash Flows

- Cash flows from operating activities

  Net cash provided by operating activities stood at 12,584 million yen, with a year-on-year increase of 1,392 million yen due to an increase in money received, attributable to higher sales.

- Cash flows from investing activities

  Net cash used in investing activities came to 9,442 million yen due to the purchase of land to secure office space.
  The figure for the same period of the previous fiscal year was 23,424 million yen, mainly due to the purchase of land and buildings to secure office space.

- Cash flows from financing activities

  Net cash used in financing activities was 1,451 million yen due to the payment of dividends, etc. The figure for the same period of the previous fiscal year was 14,766 million yen, reflecting loans payable associated with the purchase of land and buildings.

7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2019 4Q 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	44,627	111.3%	225,592	116.4%	215,508	113.9%	54,712	122.6%
System Construction	31,330	114.1%	134,807	113.1%	131,237	113.8%	34,899	111.4%
Embedded/Control Software	12,759	111.6%	66,049	108.4%	64,670	108.5%	14,138	110.8%
Operation Software	18,570	116.0%	68,757	118.0%	66,567	119.4%	20,761	111.8%
Products and Services	13,297	105.2%	90,785	121.7%	84,270	114.0%	19,812	149.0%
Products and Services	10,795	111.1%	75,619	126.1%	69,284	117.7%	17,130	158.7%
Outsourcing	2,501	85.5%	15,165	103.8%	14,985	99.6%	2,681	107.2%

Highlights of Orders and Order Backlogs

•Highlights in System Construction

- Embedded/Control Software
The order backlog at the end of the term increased 10.8% year on year due to strong orders for social infrastructure systems.

- Operation Software
The order backlog at the end of the term increased 11.8% year on year thanks to solid orders, mainly from the manufacturing sector, distribution and service sectors, non-banks, and Internet businesses.

•Highlights in Products and Services

- Products and Services
The order backlog at the end of the term increased 58.7% year on year, thanks to strong sales of other companies' products and firm orders for license sales.

- Outsourcing
The order backlog at the end of the term increased 7.2% year on year, mainly due to strong orders for operation and maintenance projects, despite a decrease in group companies' transactions in the distribution and service sectors.

8. Dividend

The year-end dividend for FY2019 will be increased to 22 yen per share.

In view of the full-year results, the year-end dividend will be increased from the prospective level of 20 yen per share to 22 yen per share, making the annual dividend 42 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 (FY2019)	20.00	20.00	**22.00**	**42.00**

Business Policies and Results Forecasts for FY2020

Accomplishments of Efforts in FY2019

Management points	Results and accomplishments in FY2019
Bold efforts for new technologies: AIS-CRM	Strong performance in the automotive sector was maintained and projects involving the use of the cloud and other technologies increased. As a result, AIS-CRM contributed to a majority of non-consolidated net sales and drove the expansion of financial results.
Promotion of the high value-added system integration business	Despite efforts to win more high value-added projects and to increase productivity, profitability fluctuated following sales changes in Products and Services.
Strengthening of human resources and steady growth of the commissioned development business	Production power was enhanced due to active recruitment activities and the expansion of collaboration with partners. The cultivation of young employees and strengthened recruitment activities continued.
Aggressive promotion of the product business	A massive income increase was attained chiefly from the termination of extended support for Windows 7 and by solid sales of POS systems associated with the consumption tax rate hike.
Growth as the overall Group and aggressive global development	Most group companies achieved higher sales and profits. Average net sales among the consolidated subsidiaries achieved double-digit sales growth for the first time.

Results of Efforts Made in FY2019

Level of relative momentum of the fields served by the Company's businesses in FY2019 to FY2020
○ Very high ● High ▲Somewhat poor

		Legacy	AI	IoT	Security	Cloud & Virtualization	Robot	Mobile	Automotive
Embedded/Control Software									
Machinery manufacturing: Usually poor in growth rate		▲	●	○			▲		
Automotive: Continuously very high		○	○		○	○			
Social infrastructure systems		○	●						
Operation Software									
Finance-related businesses:	Poor	▲	●			○			
Distribution and service businesses:	High	○	●			○		○	
Manufacturing:	High	○	●	○					
System infrastructure:	Very high	○				○			
Online businesses:	Very high	○	●		○	○			
Public offices:	As usual	●							
Products & Services									
Cloud-related products:	Very high					○			
Windows 10-related products and services:	Very high	○							
FUJI SOFT products:	High	○					▲	○	

Efforts in System Infrastructure

Market trend

Revision to system foundations

- Preparation for digital transformation (DX)
- Innovation for mission-critical systems
- Timing of infrastructure replacement
- Workstyle reform

Orientations of the revision

- Introduction of cloud technologies
- On-premise virtualization
- Cloud virtualization
- Shift to hybrid cloud

Additional areas

- Modification of applications
- Use of cloud services
- Use of mobile terminals
- Construction of secure environments

Our technological competency

Vmware premier service provider
One of the few vExpert winners in Japan
VMware 2018 Regional Partner Innovation Awards

Top prize for the Modern Device Award in Microsoft Partner of the Year 2019
Japan SAM Partner Award 2016
Microsoft Partner of the Year 2016 & Data Analytics Award

AWS Advanced Consulting Partner
IoT competency
Government Competency
Managed Service Provider

Salesforce, Oracle and SAP concur:
…
Active efforts to train human resources

Efforts in Online Business

Expansion of e-commerce market
- **Expansion of market (to approx. 36 trillion yen*)**
- **Enhancement of original websites**
- **Intensification of competition**

Actions for collaboration and originality

Amazon effect

Necessity of leading partners

Ready for large-scale e-commerce development
- ✓ Plenty of experienced human resources in project management
- ✓ Engineering capabilities unique to e-commerce
- ✓ Track record in various alliances

Support for increasing competition of online business
- ✓ Analysis of website competitiveness
- ✓ Proposals and support for business revitalization
- ✓ Application of competitive services

★ ***Net Sherpa* and *Fanreco***

FUJI SOFT's track record and strengths

- \+ **Knowledge on e-commerce**
- \+ **Expertise and staff for construction of large-scale e-commerce**
- \+ **Many web system engineers**
- \+ **Advantages in new technological fields**
  - **Achievements in construction in the AI area, cyber security technologies, mobile development technologies and online marketing technologies**
- \+ **Partnerships with cloud vendors**

and more

Organization strengthened
(in January 2020 by setting up the Internet Business Department)

* Ministry of Economy, Trade and Industry: Survey of Infrastructure Development Status for Data-driven Society in Japan (2019)

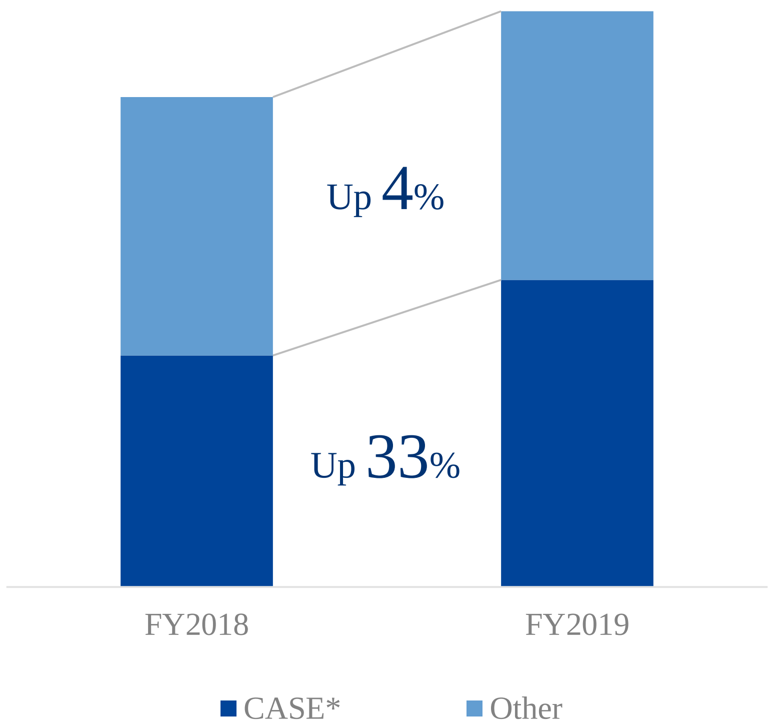
Automotive

Continued efforts to strengthen response capabilities amid growing needs for automotive software development.

Rapid growth continued mainly in ADAS and autonomous driving

- Annual net sales growth rate (on a nonconsolidated segment basis)

AD, ADAS and other advance technologies lead the growth



* Domain of new automotive technologies and services (Connected, Autonomous, Sharing and Electric)

Enhance actions to address high value-added areas

- Intensify staff development for **model base development engineers** and enhance the environment for it.
- Develop **AI engineers** and boost skills for winning orders.
- Make closer alliances with other companies with a focus on open innovation.

Simulations

- Develop autonomous driving algorithms **using GPU/AI platforms**.
- Conduct research and development on drive simulation technologies.
- Conduct research and development for cloud linkage for simulation tools.

AutomotiveSPICE & ISO 26262

- **Perform internal assessment with AutomotiveSPICE**.
- Achieve balance between quality and cost to help improve productivity.
- Make international standards into standard processes.

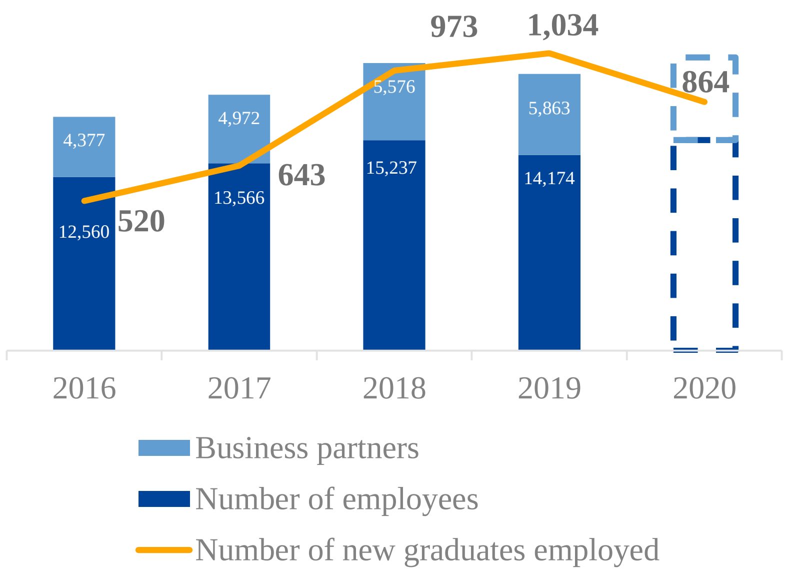
Actions for AUTOSAR

- **Acquire more projects for AUTOSAR integration based on Julinar®SPF (APTJ).**
- Increase price competitiveness by improving efficiency in software development using international standard platforms.

Hiring Human Resources (Hiring and Specialized Human Resources)

Number of employees and business partners

Strengthen readiness by increasing employees and business partners.
The rate of increase is slightly adjusted in consideration of the current demand trend.



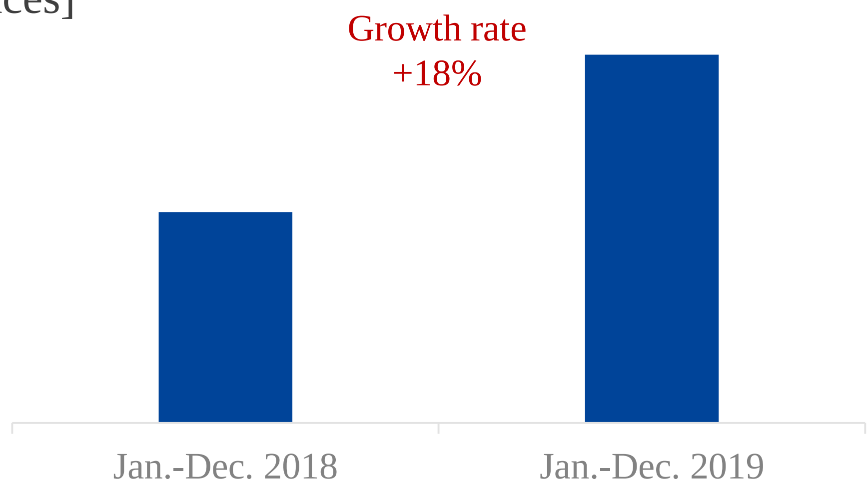
Number of people employed: Non-consolidated + Listed subsidiaries (people)
Number of employees: Consolidated as of the end of December (people)
Business partners: Number of staff on a non-consolidated basis as of the end of December 2018 (people)

Number of certified engineers (non-consolidated)

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).

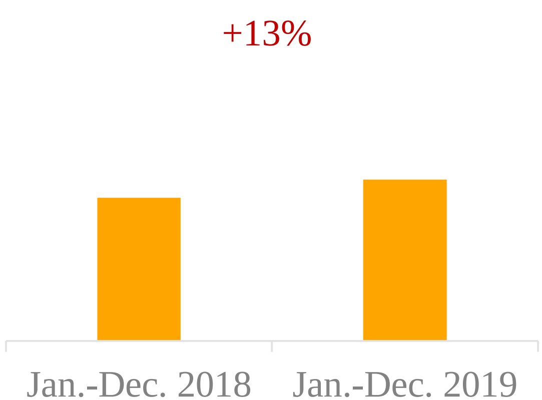
Trends in Products and Services (Sales)

[Sales in Products and Services]

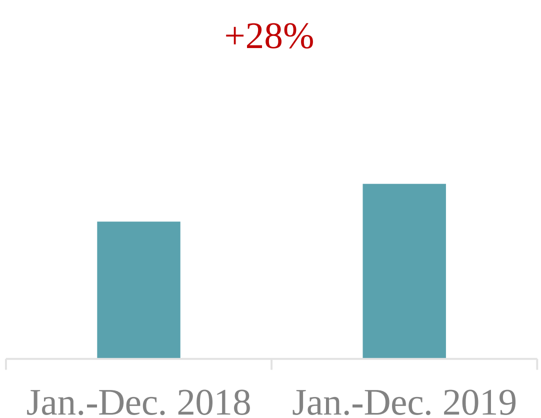


Breakdown of sales in Products and Services

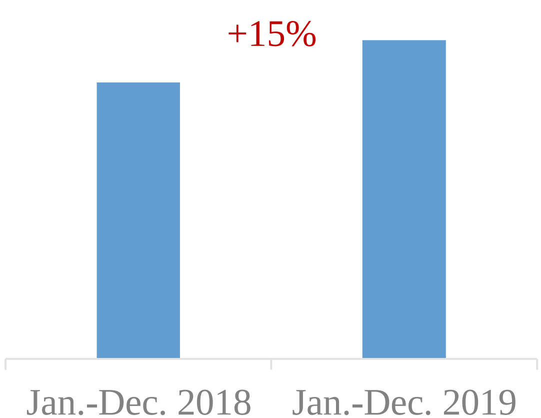
[Sales of FUJI SOFT products]



[Sales in the licensing business]



[Product sales etc.]

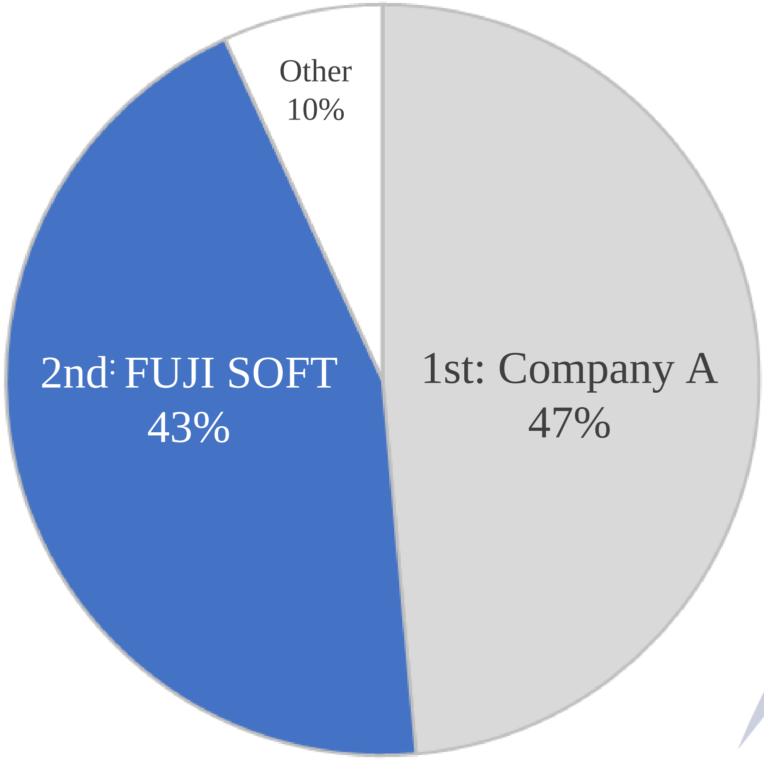


Mobile Routers

Existing models sell strongly in the market for MVNOs.
The product lineup will be enriched to prolong the growth.

- With a high sales quantity in terms of existing models, FUJI SOFT holds the second largest market share in the market for MVNOs.
- Product enhancement in adaptation to changes in users' needs produced a positive effect.
- FUJI SOFT will endeavor to meet new demand, such as models for 5G and IoT devices, with a view toward gaining a higher position in the market.

[Market share in mobile routers for MVNOs (March 2019) (Source: FUJI SOFT)]



[Trend in sales quantity by FUJI SOFT model]

Results Forecasts for FY2020

FY2020

The plan sets a net sales target that is 3.0% higher and an operating income target that is 2.5% higher than in the previous fiscal year.

(Million yen)

	FY2019 Results	FY2020 Plan	YoY change (Amount)	YoY change (%)
Net sales	231,074	**238,000**	+6,925	103.0%
Operating income	13,266	**13,600**	+333	102.5%
Operating income margin	5.7%	**5.7%**		
Ordinary income	13,749	**13,850**	+100	100.7%
Ordinary income margin	6.0%	**5.8%**		
Profit attributable to owners of parent	7,836	**8,000**	+163	102.1%
Profit margin attributable to owners of parent	3.4%	**3.4%**		

Trends of Dividends and the Plan

Annual dividend of FY2020 is planned to be 51 yen per share.

For FY2020, a commemorative dividend of 5 yen per share will be offered in commemoration of the 50th anniversary.
(Including ordinary dividend of 46 yen per share, annual dividend will be 51 yen per share.)

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

(Yen)

	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Plan
Per-share net income	161.63	185.33	208.22	250.40	255.64
Dividend per share	29	33	37	42	46
Commemorative dividend	-	-	-	-	5
Dividend payout ratio	17.9%	17.8%	17.8%	16.8%	19.9%

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* 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.