

VERISERVE

# Financial Results for the First Half of Fiscal Year Ending March 2018

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*October 25, 2017*

VeriServe Corporation

## Financial Results of Operations for the 1st Half of Fiscal Year Ending March 2018

- ◆ **Executive Summary**
- ◆ **Highlights for the First Half of Fiscal Year Ending March 2018**
- ◆ **Appendix**
  - **Information of Shareholders**
  - **TOPIC**



# Executive Summary

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Results of Operations	<ul style="list-style-type: none"> <li>❑ <b>Net Sales</b>                    <u><b>5,187</b></u> Million JPY      &lt;YoY <u>+1.7%</u>&gt;</li> <li>❑ <b>Operating Income</b>   <u><b>620</b></u> Million JPY      &lt;YoY <u>-2.0%</u>&gt;</li> <li>❑ <b>Net Income</b>                    <u><b>408</b></u> Million JPY      &lt;YoY <u>-3.4%</u>&gt;</li> </ul> <ul style="list-style-type: none"> <li>■ Automotive : Despite of ending of large projects, net sales is upheld high level and exceeds the previous quarter by starting of new projects.</li> <li>■ Enterprise system : Although some projects are decreasing, net sales is upheld the same level as the previous quarter because of continuously acquiring new projects.</li> </ul>
	<ul style="list-style-type: none"> <li>❑ <b>Backlog</b>   <u><b>2,548</b></u> Million JPY      &lt;YoY <u>+23.1%</u>&gt;</li> </ul> <p>Automotive backlog accounts for around half. Large projects ended but some new projects are acquired.</p>
Dividend per Share	Dividend per Share <u><b>10 JPY per share</b></u> <YoY <u>+5 JPY</u> >
FY2017 (March, 2018) Full-year Forecast	<p><u><b>No change from the forecast at the beginning of the year.</b></u></p> <ul style="list-style-type: none"> <li>Net sales                    <u><b>11,500</b></u> million JPY      &lt;YoY <u>+8.8%</u>&gt;</li> <li>Operating Income        <u><b>1,500</b></u> million JPY      &lt;YoY <u>+5.9%</u>&gt;</li> </ul>

## Outline for the First Half of FY2017

**Net sales** 5,187 million JPY <YoY +86 million JPY>

**Operating Income** 620 million JPY <YoY -12 million JPY>

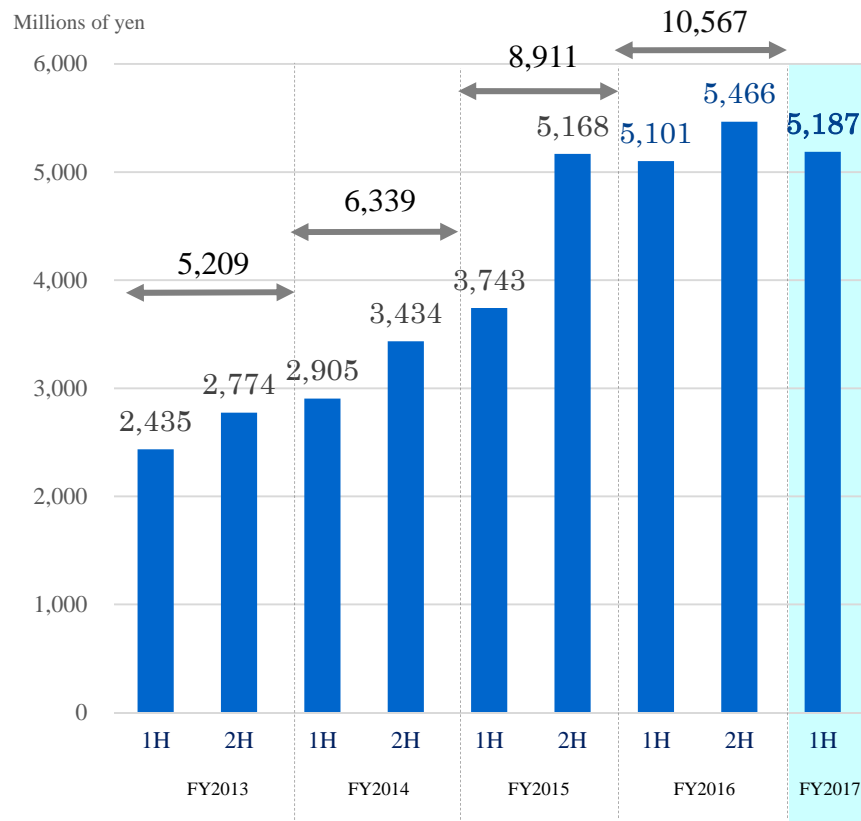
- Automotive : Despite of ending of large projects, net sales is upheld high level and exceeds the previous quarter by starting of new projects.
- Enterprise system : Although some projects are decreasing, net sales is upheld the same level as the previous quarter because of continuously acquiring new projects.
- Digital devices : Steady net sales level is continuing.

(millions of Yen)	FY2016 1 <sup>st</sup> half Apr.2016- Sep.2016	FY2017 1 <sup>st</sup> Half Apr.2017- Sep.2017	Increase /Decrease (YoY)		Forecast	
			Amount	Change%	FY2017 Full year	Progress rate
<b>Net Sales</b>	<b>5,101</b>	<b>5,187</b>	86	1.7%	<b>11,500</b>	45.1%
<b>Operating I n c o m e</b>	<b>633</b> 12.4%	<b>620</b> 12.0%	-12	-2.0%	<b>1,500</b>	41.4%
<b>Ordinary I n c o m e</b>	<b>636</b> 12.5%	<b>623</b> 12.0%	-12	-2.0%	<b>1,510</b>	41.3%
<b>Net Income</b>	<b>423</b> 8.3%	<b>408</b> 7.9%	-14	-3.4%	<b>1,040</b>	39.3%

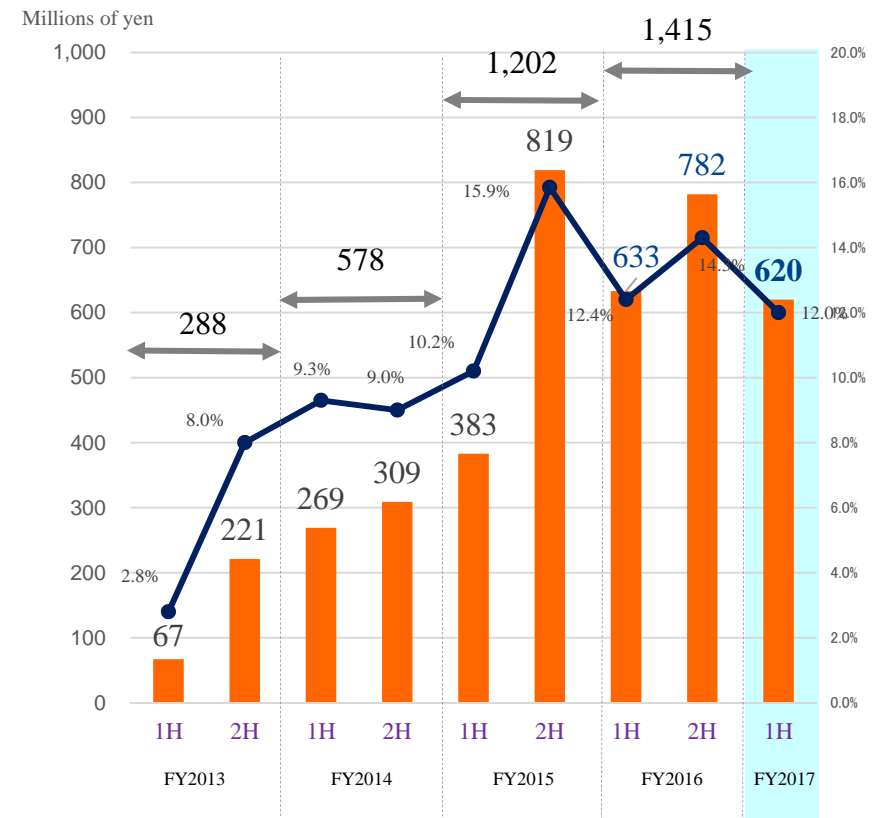


# Trend of Net Sales and Operating Income (Half period)

## Net Sales



## Operating income / margin

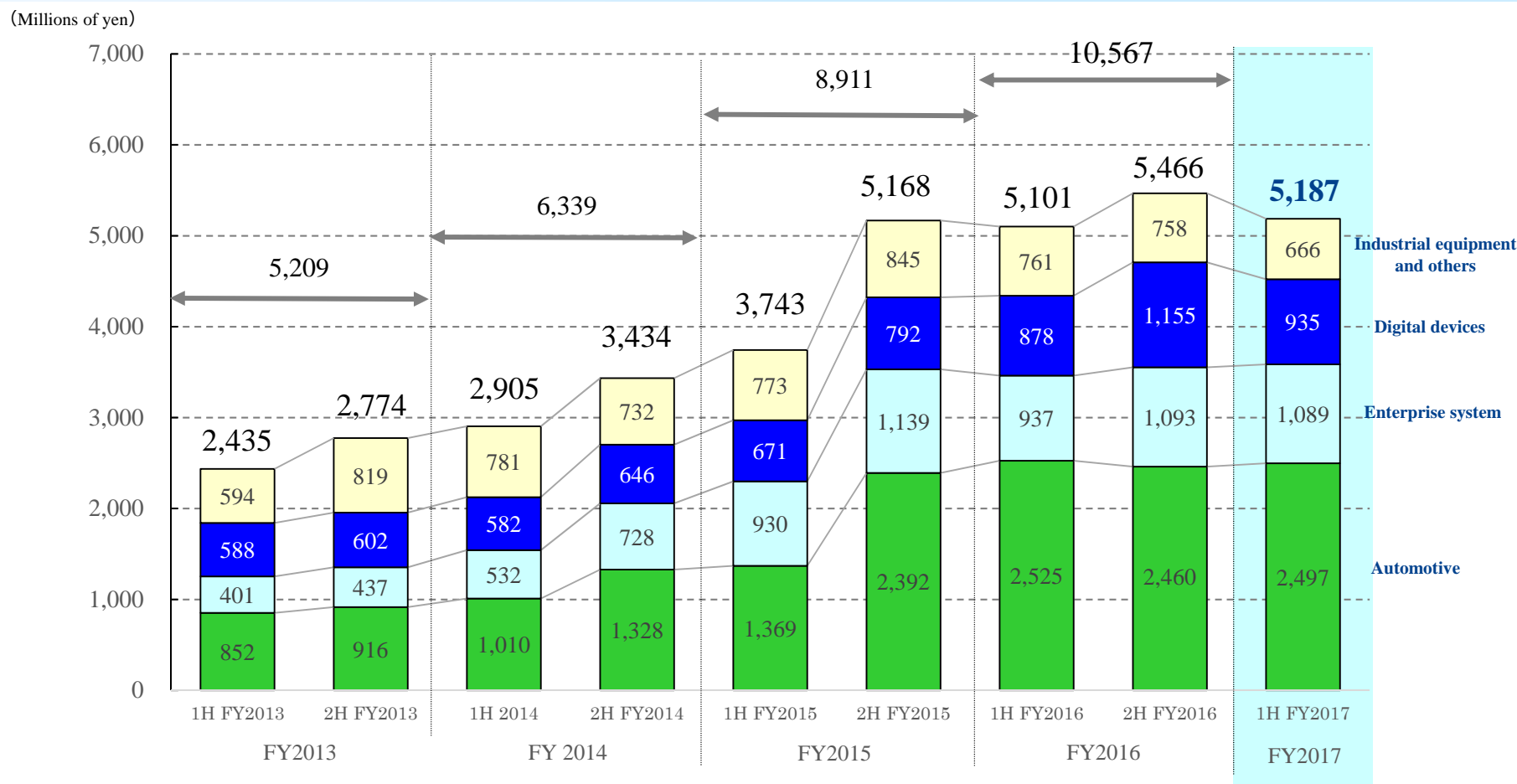


※ We have changed to non-consolidated accounts from FY2015.

# Trend in Net Sales by our customers products

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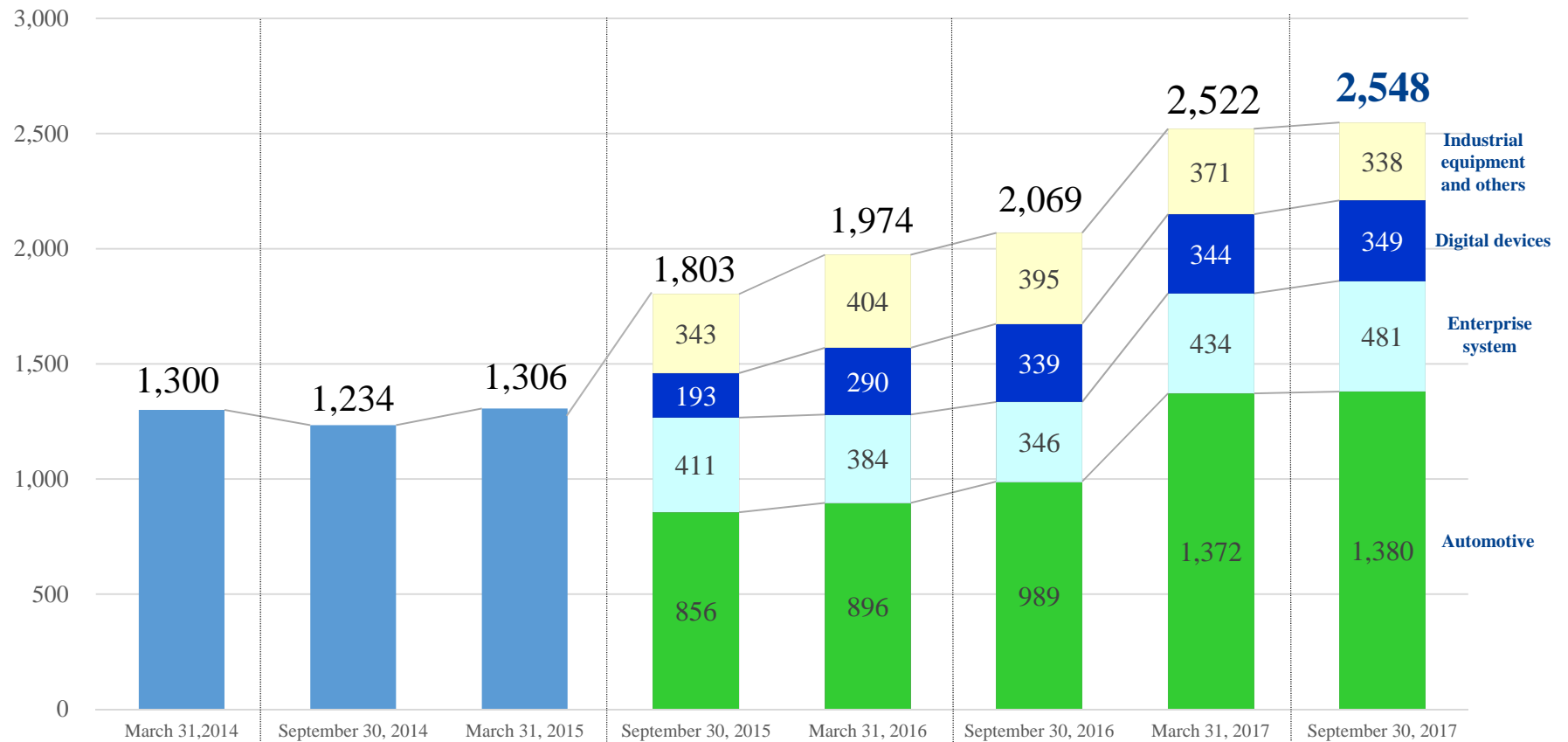
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# Backlog

- Backlog **2,548 million JPY** (YoY **+23.1%**)
- Automotive backlog accounts for around half. Large projects ended but some new projects are acquired.

(Millions of yen)





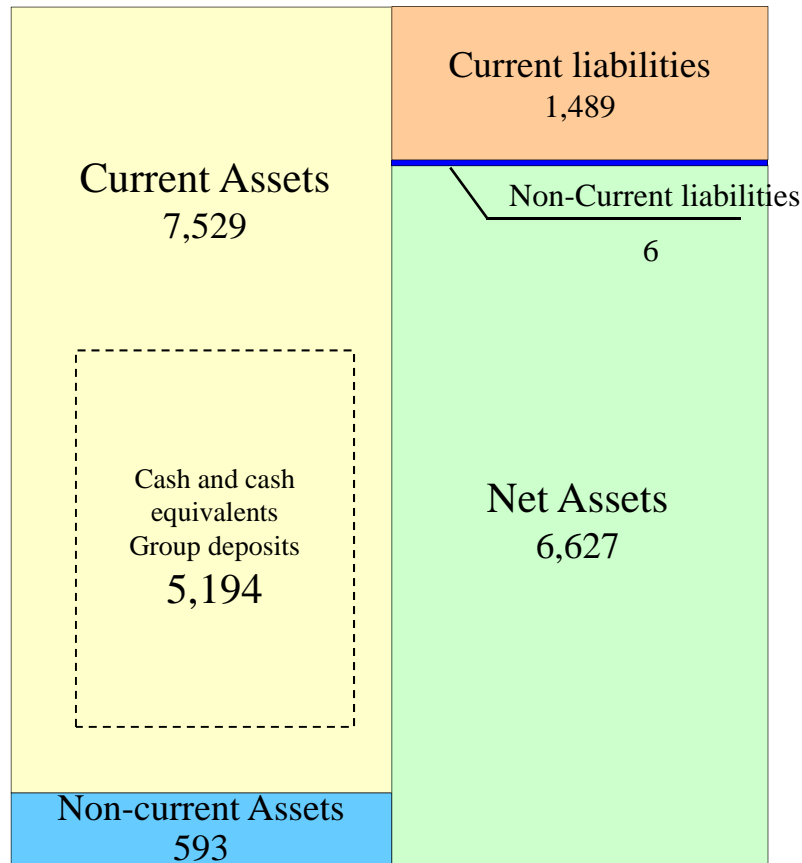
# Trend of Balance Sheets (summary)

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(Millions of yen)

**As of March 31,2017**

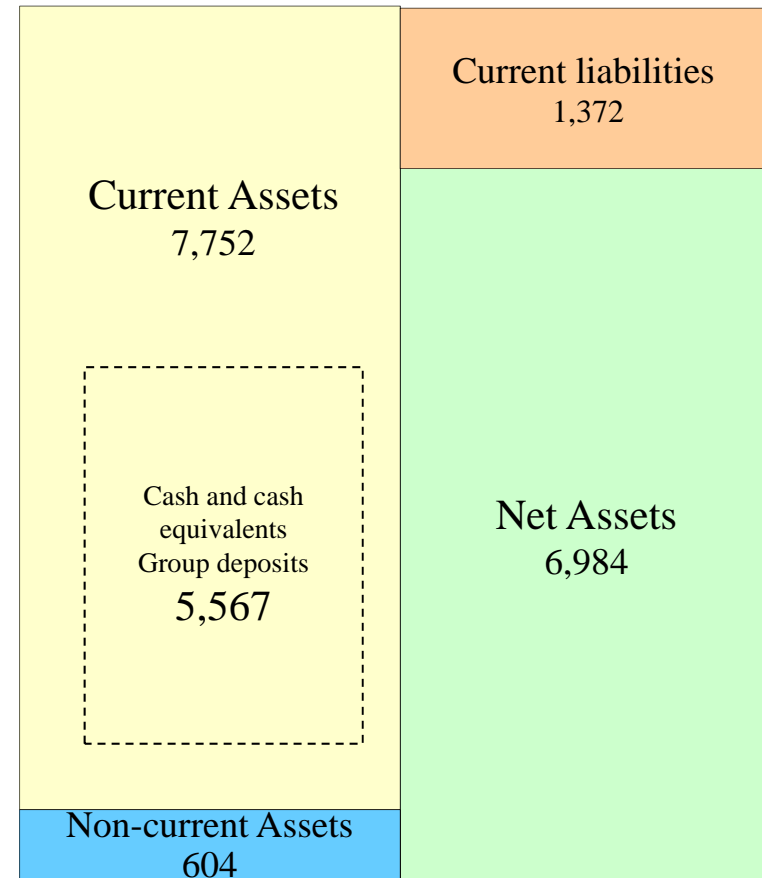
**Total Assets 8,123**



Equity ratio 81.6%  
Net assets per share 1,270.46yen

**As of September 30,2017**

**Total Assets 8,356**



Equity ratio 83.6%  
Net assets per share 1,338.80yen



# Cash Flow Position

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(Millions of yen)

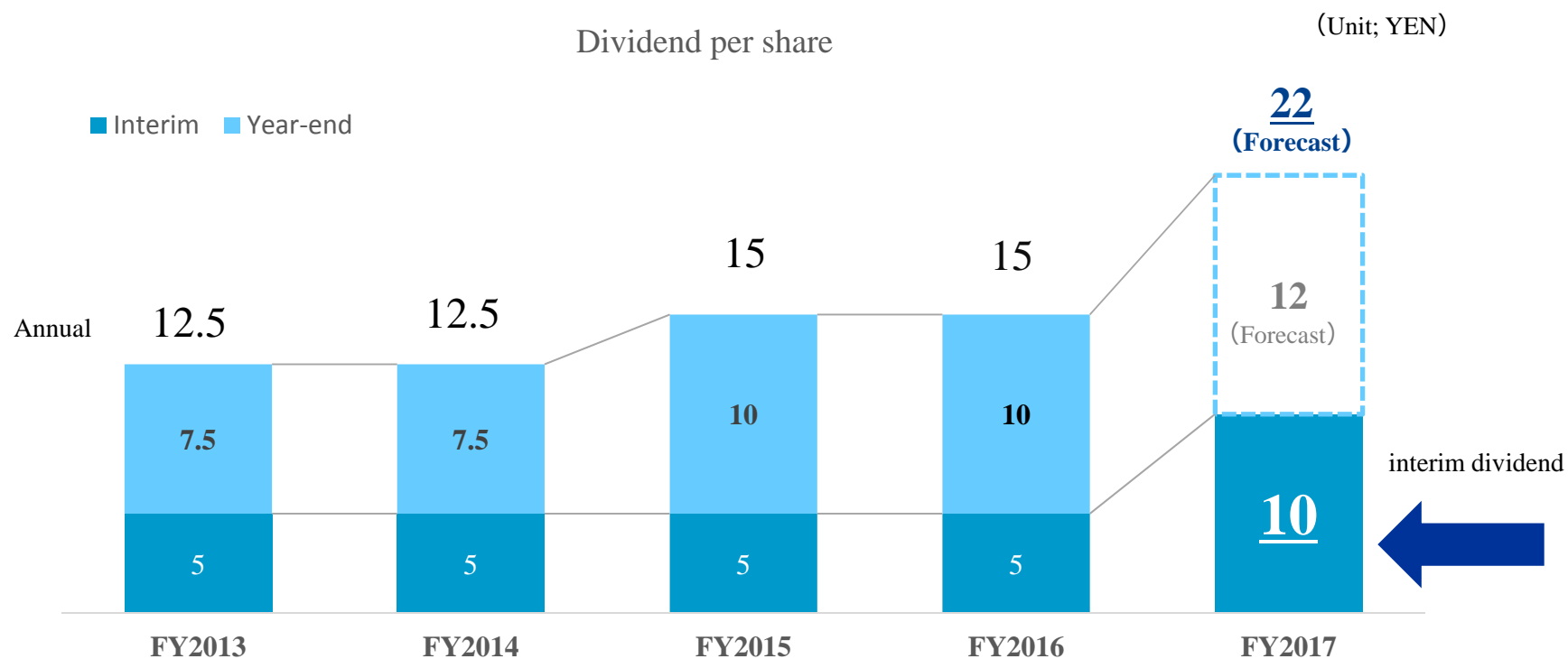
	From Apr.1 2017 to Sep.30,2017	Main factors
Cash flows from operating activities	<b>484</b>	Income before income taxes 622M JPY Decrease (increase) in notes and accounts receivable-trade 216M JPY Depreciation and amortization 51M JPY Decrease (increase) in inventories -54M JPY Decrease (increase) in prepaid expenses - 65M JPY Decrease (increase) in consumption taxes refund receivable - 60M JPY Income taxes paid - 260M JPY
Cash flows from investing activities	<b>-59</b>	Purchase of property, plant and equipment - 7 M JPY Purchase of intangible assets -44M JPY Payments for lease deposits - 8 M JPY
Cash flows from financing activities	<b>-52</b>	Cash dividends paid - 52 Million
Effect of exchange rate change on cash and cash equivalents	<b>-</b>	
Increase (decrease) in cash and cash equivalents	<b>373</b>	
Cash and cash equivalents at beginning of period	<b>5,194</b>	
Cash and cash equivalents at end of period	<b>5,567</b>	

# Dividend per share

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- Interim dividend payment will be made **¥10 JPY per share** as scheduled.

(Day of payment : December 4, 2017)



\* This statement of dividends per share is stated at the level after considering the stock split

# Non-consolidated Financial Forecasts for FY2017 (the year ending March 31, 2018 )

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No change from the forecast at the beginning of the year.

Millions of yen	Forecasts for the year ending March 31, 2018	
	Full year	YoY
Net Sales	<b>11,500</b>	<b>8.8%</b>
Operating Income	<b>1,500</b>	<b>5.9%</b>
Ordinary Income	<b>1,510</b>	<b>6.2%</b>
Net Income	<b>1,040</b>	<b>6.4%</b>



# Information of Shareholders

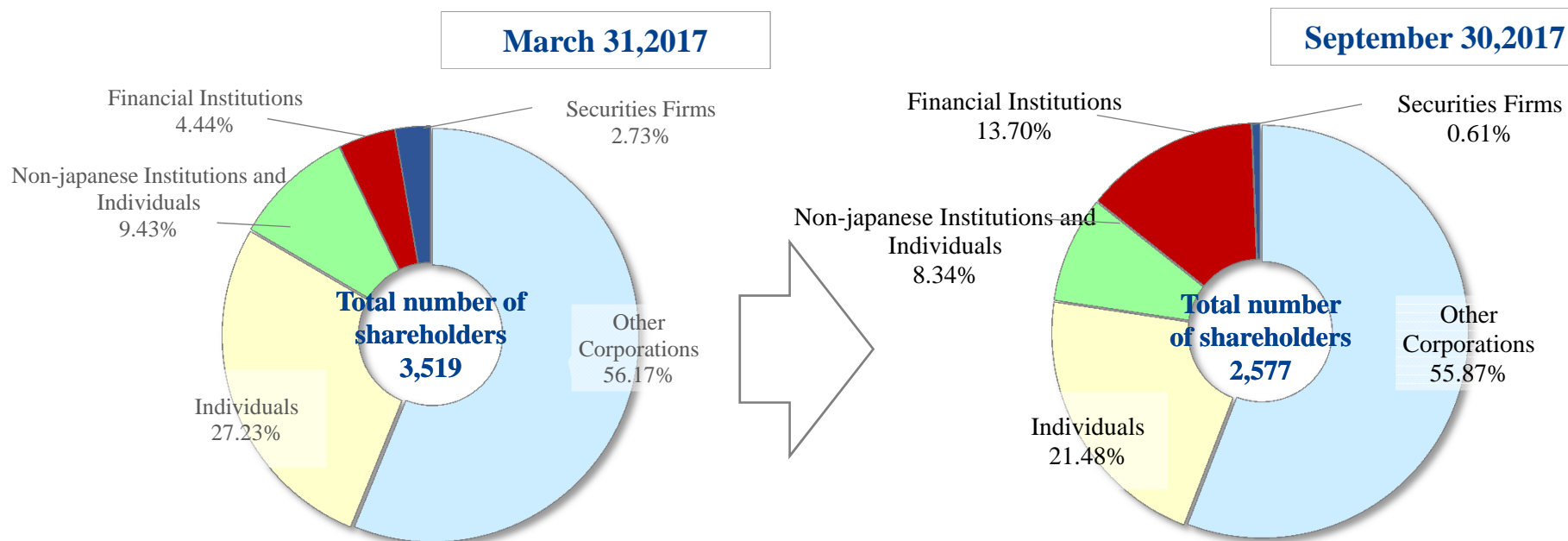
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- Total number of issued shares
- Total number of shareholders  
(include shares less than 1 unit )
- Number of shareholders (more than one unit)
- Distribution of stock ownership by owners

**5,216,800** shares

**2,578**

**2,470**



※ Excluding Treasury Stock : 44shares

※ Excluding Treasury Stock : 76shares



# Major Shareholders

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#	Shareholder	Number of Shares	Percentage of Total Shares in issue
1	SCSK Corporation	2,900,000	55.59%
2	State Street Bank and Trust Company 505224	385,000	7.38%
3	The Master trust Bank of Japan Ltd.(Trust Account)	324,200	6.21%
4	Japan Trustee Services Bank, Ltd.(Trust Account)	219,800	4.21%
5	VeriServe Employee Stock Ownership Association	202,500	3.88%
6	Japan Trustee Services Bank, Ltd.(Trust Account5)	42,200	0.81%
7	Japan Trustee Services Bank, Ltd.(Trust Account1)	37,500	0.72%
8	Japan Trustee Services Bank, Ltd.(Trust Account2)	29,500	0.57%
9	Tomoyasu Fushimi	26,200	0.50%
10	Yutaka Takahashi	24,384	0.47%

As of September 30,2017

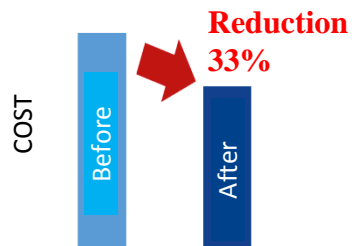
## QualityForward Test management cloud service launched (July 10<sup>th</sup>, 2017)

We starts providing cloud base test management service "Quality Forward" on July 10<sup>th</sup>.

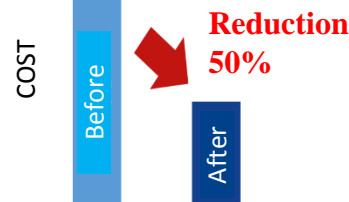
"Quality Forward" provides superior test management functionalities. Test mangers are free from complicated reporting work and all stake holders can acknowledge the progress of testing in real time from anywhere. Especially large scale testing project can enjoy significant benefit.



### Case1: Project A (Average Project)



### Case2: Project B (Large Project)



Cost reduction case in test project  
(comparison value of our company)

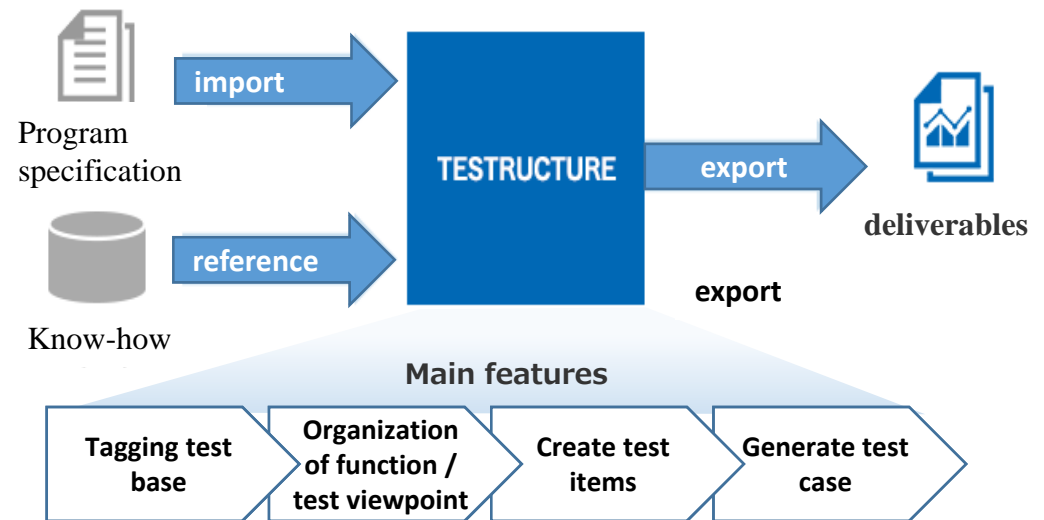
## Features

- The progress of test execution and results are displayed in the progress bar on dash board window in real time.
- Visualizing the progress of test execution, schedule, registration and modification status of bugs.
- Spread sheet user interface is available. Test engineers can easily handle test management on QF service as usual.

## Notice of launching "TESTSTRUCTURE " as test design support tool (September 1<sup>st</sup>, 2017)

We started providing test design support tool, "TESTSTRUCTURE “, on September 1<sup>st</sup>, 2017.

"TESTSTRUCTURE" is a packaged software based on patented technology that supports test design work with traceability. It enables to visualize the intellectual process of test design work, improve the quality of test design standardization and reuse test cases.



Note : Regarding patent technology on "TESTSTRUCTURE", we acquired a domestic patent (patent number 6148362) on May 26, 2017.

**Events and seminars exhibited in the first half**

- July 21, 2017 Co-organized by Black Duck Software Inc. "Open Source Seminar"
- July 12 and 13,2017 Exhibited in "Embedded Technology West 2017"
- June 28, 2017 Lecture at "Information Security Management Forum 2017"
- June 23, 2017 Lecture at "Software Test Symposium 2017 Kansai"
- May 30 and 31, 2017 Exhibited in "IoT Japan Nagoya 2017"
- May 26, 2017 Lecture at "Software Test Symposium 2017 Tohoku"





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< Disclaimer >

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