

Results of Operations for the First Quarter of FY2009

July 31, 2009

FUJISOFT INCORPORATED



FS04DVRHM,
a 4 channel car digital video recorder based on the H264 system



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Q1 FY2009 Consolidated Financial Highlights

Net sales declined 6.4% year on year, reflecting challenges in the development of embedded software.

- ◇ Sales of embedded software fell more than 20% from the year-ago period, with manufacturer confidence in product development yet to recover in the first quarter under review.
- ◇ However, sales of operating software and other software that includes package software increased from the level of a year ago.

Operating income and ordinary income fell substantially, on a rise in the cost of sales margin.

- ◇ The cost of sales margin rose 3% from the year-ago level, reflecting a fall in the utilization rate of engineers associated with shrinking orders. Despite cuts in SG&A expenses, operating income and ordinary income declined significantly year on year.

Real estate rent income was recorded in net sales.

- ◇ As the impact of rent income from real estate owned by the Company has become significant, rent income has been recorded in net sales from the current fiscal year (ending March 2010).
The impact on consolidated results of posting real estate rent income in net sales is 462 million yen in terms of net sales and 234 million yen in terms of operating income. With respect to business segment, rent income is classified as “Other Business.”



Q1 FY2009 Consolidated Financial Results

(Million yen)

	FY2009		FY2008		YoY change (Amount)	YoY change (%)
	Q1 Results	Component ratio	Q1 Results	Component ratio		
Net sales	35,958	100.0%	38,401	100.0%	-2,442	93.6%
Cost of sales	28,124	78.2%	28,858	75.2%	-733	97.5%
Gross profit	7,833	21.8%	9,542	24.8%	-1,708	82.1%
SG&A expenses	7,768	21.6%	8,712	22.7%	-944	89.2%
Operating income	65	0.2%	829	2.2%	-764	7.9%
Ordinary income	40	0.1%	794	2.1%	-754	5.1%
Net income	59	0.2%	-311	-0.8%	371	-



Major Factors for Change in Consolidated Sales by Segment

(Million yen)

	FY2009		FY2008		YoY change (Amount)	YoY change (%)
	Q1 Results	Component ratio	Q1 Results	Component ratio		
Sales total	35,958	100.0%	38,401	100.0%	-2,442	93.6%
Software Development Related Business	28,442	79.1%	31,249	81.4%	-2,806	91.0%
Embedded Software	10,905	30.3%	14,939	38.9%	-4,033	73.0%
Operation Software	11,559	32.1%	11,015	28.7%	543	104.9%
Other Software	5,977	16.6%	5,294	13.8%	682	112.9%
Outsourcing Business	6,468	18.0%	6,509	17.0%	-40	99.4%
Other Business	1,047	2.9%	642	1.7%	404	163.0%

* From the current fiscal year (ending March 2010), real estate rent income is posted in "Other Business" instead of non-operating income (See page 2 for details).

Highlights of Sales by Segment

● Embedded software

Sales declined more than 20% year on year, as manufacturers still lacked the confidence needed to develop products in the first quarter under review, in both telecommunications control systems and machine control systems.

● Other software

Sales exceeded the year-ago level thanks to the solid performance of the security solution business and others.

● Operation software

Overall sales of operating software increased year on year, with solid demand related to life insurance and non-life insurance in the financial sector, and firm sales to certain customers in the distribution sector.

● Outsourcing Business

Sales were nearly flat from the same period of the previous fiscal year in both system maintenance and operation and office services.



Consolidated Selling, General & Administrative Expenses

	FY2009 Q1 (Results)	FY2008 Q1 (Results)	YoY change (Amount)	YoY change (%)
SG&A expenses	7,768	8,712	-944	89.2%
Personel	4,572	5,188	-615	88.1%
Expenses	3,195	3,524	-329	90.7%

● Major account items showing the YoY decrease and factors for the decrease

(Million yen)

	FY2009 Q1 (Results)	FY2008 Q1 (Results)	YoY change (Amount)	YoY change (%)	Factors
Salary/bonuses	3,300	3,992	-691	82.7%	Reduction of overtime, and lower bonus payments, etc.
Advertising and publicity expenses	121	245	-123	49.6%	Shrinkage of advertising activities
Office work outsourcing fee	496	566	-70	87.6%	Compressed fees through the review of operations
Depreciation expense	349	405	-56	86.1%	Decline in depreciation related to Akihabara Building, etc.
Training expenses/ education costs	278	320	-41	86.9%	Fewer new and mid-career recruits and improved training efficiency



Major Factors for Change in Consolidated Non-Operating Income/Loss

(Million yen)

	FY2009 Q1 Results	FY2008 Q1 Results	YoY change
Operating income	65	829	7.9%
Operating income margin	0.2%	2.2%	-
Non-operating income/loss	-25	-35	71.7%
Ordinary income	40	794	5.1%
Ordinary income margin	0.1%	2.1%	-
Extraordinary gains/losses	183	-3	-
Income before income taxes and minority interests	223	790	28.2%
Income taxes	48	749	6.5%
Minority interests	115	353	32.7%
Net income	59	-311	-
Net income margin	0.2%	-	-

Points in Non-Operating Income/Loss

- **Non-operating income**
(down 56.2% year on year)
Declined with the posting of real estate rent income (462 million yen) in net sales.
- **Non-operating loss**
(down 54.3% year on year)
Fall associated with the shift of real estate rental costs (227 million yen) to cost of sales.

Points in Extraordinary Gains/Losses

- **Extraordinary gains**
Occurrence of gains on sales of investment securities (258 million yen)

Points in Minority Interests

A fall in profits at consolidated subsidiaries such as Vinculum Japan, which have minority shareholders



Consolidated Balance Sheet

(Million yen)

	FY2009 Q1 Results	FY2008 Q1 Results	YoY change (Amount)
Current assets	64,906	68,149	-3,242
Cash and deposits	25,258	25,354	-95
Notes and accounts receivable	25,109	30,261	-5,152
Inventories	5,241	3,734	1,507
Fixed assets	109,828	109,646	181
Tangible fixed assets	78,543	79,138	-594
Intangibles fixed assets	10,058	10,100	-41
Investments and other assets	21,225	20,408	817
Total assets	174,735	177,795	-3,060
Current liabilities	67,713	83,749	-16,036
Short-term loans	37,009	55,315	-18,305
Long-term loans payable within one year	5,069	1,686	3,382
Long-term liabilities	28,159	15,809	12,350
Long-term loans	19,736	7,839	11,896
Total liabilities	95,873	99,559	-3,685
Common stock	26,200	26,200	-
Capital surplus	28,438	28,438	-
Retained earnings	31,106	31,525	-418
Valuation difference of available-for-sale securities	158	-890	1,049
Total net assets	78,861	78,236	625
Total liabilities and net assets	174,735	177,795	-3,060

Points of the Balance Sheet

● Current assets

Decrease in notes and accounts receivable due to seasonal factors

● Liabilities

Shift from short-term loans to long-term loans

(The current ratio improved with the higher ratio of long-term loans to interest-bearing debt)



Consolidated Cash Flow Statement

(Million yen)

	FY2009 Q1 Results	FY2008 Q1 Results	YoY change (Amount)
Cash flows from operating activities	3,474	2,450	1,023
Cash flows from investing activities	94	-2,832	2,927
Cash flows from financing activities	-3,678	-4,238	560
Exchange difference of cash and cash equivalents	13	-2	15
Increase/decrease in cash and cash equivalents	-95	-4,623	4,527
Cash and cash equivalents at beginning of period	25,465	21,667	3,798
Cash and cash equivalents at end of period	25,369	17,043	8,325

Highlights of Cash Flows

- Cash flows from operating activities Improved by decreasing expenditure, despite falling income
- Cash flows from investing activities Fall in securities investment and an increase in gains on the sale of investment securities
- Cash flows from financing activities Decrease in the acquisition of treasury stock
- Cash and cash equivalents at end of period Increase in cash to respond to changes in the financial situation



State of Consolidated Orders and Order Backlog

(Million yen)

	Order backlog at beginning of period	Orders received	Net sales	Order backlog at end of period
		YoY change (%)	YoY change (%)	YoY change (%)
Software Development Business	24,649	28,100 89.2%	28,442 91.0%	24,306 87.9%
Embedded Software	9,368	9,752 68.5%	10,905 73.0%	8,215 71.8%
Operation Software	10,578	12,864 106.7%	11,559 104.9%	11,882 106.2%
Other Software	4,702	5,484 105.8%	5,977 112.9%	4,208 83.7%

State of Orders Received and Order Backlog

● Embedded Software

Because of a fall in the amount of development undertaken by manufacturers, orders and the order backlog declined, both in telecommunications control systems and other embedded software systems.

● Operation Software

Except for manufacturing-related orders (down 46.4% year on year), orders increased from the year-ago level. The order backlog was unchanged.

● Other Software

Although orders were firm in the first quarter under review compared with a year ago, the order backlog decreased year on year, influenced by a fall at Cybernet Systems Co., Ltd., which had enjoyed a large order backlog in the previous year.

Topics

Car digital video recorder (DVR)

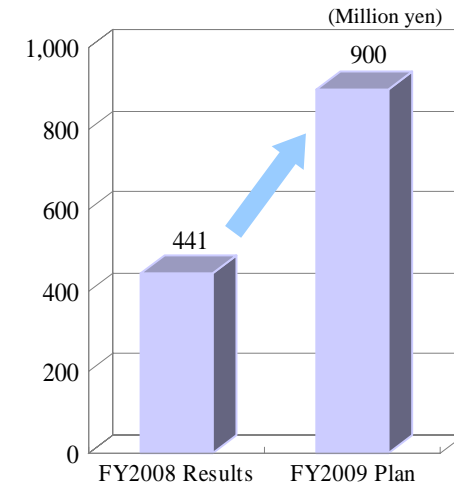
- Leading private railroad and bus companies have introduced the DVR. Their industry peers may introduce the system going forward. FS04DVRHM, a constant recording type 4 channel car digital video that we launched in November, has been adopted by leading private railroad and bus companies. It is expected that moves to tighten safety standards will pick up in the transportation industry, and we will actively seek to expand sales of in-car surveillance camera solutions.



Google Apps

- Orders are firm as customers increasingly look to reduce system operation costs. As companies cut costs, they find it necessary to introduce superior systems and to reduce in-house system operation costs. Orders for Google Apps Premier Edition rose steadily in the first quarter under review, as a system to meet these needs. We were the first company in our industry to begin selling the system, and we now have a strong track record with it across an array of industries. We have built widespread trust with the expertise we gained by introducing a system with 10,000 IDs for our internal use.

Overall sales of DVR





Policies for the future

Strengthening the basis for stable earnings and securing growth engines

The Company will continue to strengthen the basis for stable earnings and secure new growth engines.

To enable stable earnings, we seek to improve profitability in the short term by bolstering the contract business, presently a core operation for the Company.

We also aim to tap new growth engines as a source of income over the longer term. We have selected the following businesses below as key, given their market growth rates.

Promising candidates for growth engines

- **Distribution cloud**
(Distribution BMS, digital signage, value-added services)
- **Thin client + SaaS**
(Thin client terminals, MVNO, value-added services)
- **Overseas markets**
(New businesses based on an alliance with a hardware vendor in Taiwan, mobile phone markets in emerging countries)



Growth Engine (1): Distribution Cloud

Distribution Cloud

Distribution cloud solutions offering competitive advantages will be provided by tapping the FUJISOFT Group's excellent technology and expertise in distribution software development and cloud computing technology.

- **Distribution BMS**

Distributions systems conforming to Distribution BMS, a new EDI specification in the distribution industry, will be offered in SaaS form.

- **Digital Signage**

Solutions using the embedded and video technology of the Company will be offered in the digital signage market, which is expected to grow with demand from distribution-related companies going forward.

- **Value-added services**

The FUJISOFT Group will provide services that only it can offer, given its experience supplying distribution systems to a broad array of distributors, ranging from large chain stores to small retailers.

Growth Engine (2): Thin Client + SaaS

Thin Client + SaaS

Solutions related to thin client and SaaS—which are set to begin experiencing widespread take up—will be provided using the technology and expertise obtained from the development of telecommunications control systems.

- **Thin client terminals**

Communication modules and thin client terminals will be offered together.

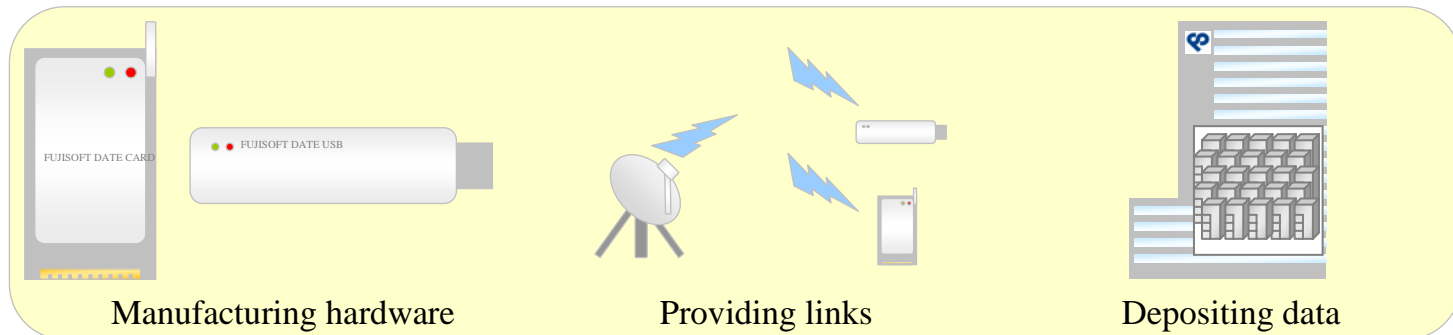
- **MVNO**

MVNO will provide telecommunications services that meet market needs.

- **Value-added services**

Other systems, software, and services using the telecommunications control technology of the FUJISOFT Group will be developed.

Example: One-stop thin-client solutions





Growth Engine (3): Overseas Markets

Overseas Markets

Embedded solutions will be offered to countries with strong market growth, leveraging the outstanding technical capabilities and expertise of the Company.

- **New businesses based on an alliance with a hardware vendor in Taiwan**

More flexibility in manufacturing hardware with the Company's software mounted will be possible through an alliance with a hardware vendor in Taiwan. This will expand the potential for new businesses in diverse areas such as mobile devices and digital consumer electronics.

- **Mobile phone market in emerging countries**

The Company's mobile solutions, including FSmobile and thin client data cards, will be offered to emerging markets where demand for mobile phones is growing rapidly.



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New answer is here

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