

# Results of Operation for the First Three Quarters of FY2009

February 3, 2010

**FUJISOFT INCORPORATED**

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# Financial Results for the First Three Quarters of FY2009

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## First Three Quarters of FY2009 Consolidated Financial Highlights

**Net sales fell 14.0% year on year, primarily because of a fall in orders in the manufacturing sector.**

- ◇ Group-wide sales of embedded software development fell approx. 30% year on year, owing to a rapid slowdown in development projects by manufacturers.

**Net income rose 3 billion yen, mainly reflecting the posting of a gain on the sale of real estate by subsidiaries.**

- ◇ Gross profit fell 5.5 billion yen year on year, reflecting the lower working rate of engineers stemming from a decrease in orders and an allowance posted for losses on certain unprofitable projects, among other factors. However, the fall in operating income was kept to 2.6 billion yen by cutting SG&A expenses about 2.8 billion yen.
- ◇ Net income increased 3.0 billion yen over the previous year, thanks to the posting of a gain on the sale of real estate by Tosho Computer Systems and operating compensation paid to Cybernet Systems following the termination of the MATLAB agency agreement.

(Million yen)

	<b>FY2009</b> 4/09-12/09	<b>FY2008</b> 4/08-12/08	<b>YoY change</b> (Amount)	<b>YoY change</b> (%)
<b>Net sales</b>	<b>104,557</b>	<b>121,619</b>	<b>-17,062</b>	<b>86.0%</b>
<b>Operating income</b>	<b>2,005</b>	<b>4,698</b>	<b>-2,693</b>	<b>42.7%</b>
Operating income margin	1.9%	3.9%	-1.9%	-
<b>Ordinary income</b>	<b>2,101</b>	<b>4,256</b>	<b>-2,154</b>	<b>49.4%</b>
Ordinary income margin	2.0%	3.5%	-1.5%	-
<b>Net income</b>	<b>2,731</b>	<b>-348</b>	<b>3,079</b>	<b>-</b>
Net income margin	2.6%	-	-	-



## Major Factors for Change in Consolidated Sales by Segment

(Million yen)

	FY2009		FY2008		YoY change (Amount)	YoY change (%)
	4/09-12/09	Component ratio	4/08-12/08	Component ratio		
<b>Total net sales</b>	<b>104,557</b>	<b>100.0%</b>	<b>121,619</b>	<b>100.0%</b>	<b>-17,062</b>	<b>86.0%</b>
<b>Software Development Related</b>	<b>82,313</b>	<b>78.7%</b>	<b>98,878</b>	<b>81.3%</b>	<b>-16,564</b>	<b>83.2%</b>
Embedded Software	31,841	30.5%	45,156	37.1%	-13,315	70.5%
Operation Software	34,550	33.0%	36,798	30.3%	-2,248	93.9%
Other Software	15,921	15.2%	16,923	13.9%	-1,001	94.1%
<b>Outsourcing Business</b>	<b>19,061</b>	<b>18.2%</b>	<b>20,940</b>	<b>17.2%</b>	<b>-1,879</b>	<b>91.0%</b>
<b>Other Businesses</b>	<b>3,182</b>	<b>3.0%</b>	<b>1,800</b>	<b>1.5%</b>	<b>1,381</b>	<b>176.7%</b>

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

### Highlights of Sales by Segment

#### ● Embedded software

Sales fell about 30% year on year, reflecting the curbing of product development, downsizing of development projects, and demands for price cuts by manufacturers.

#### ● Other software

Sales fell from a year ago, attributable to a decline in sales of goods in association with systems integration and the end of the sale of MATLAB by Cybernet, despite the continued strength in the performance of the security solution business.

#### ● Operation software

Although sales from certain customers in the distribution sector were firm, sales fell below the previous year as the environment for orders worsened in manufacturing and other sectors.

#### ● Outsourcing Business

Sales declined because of a decrease in system operations of certain customers.



## Major Factors for Change in Sales by Listed Companies of the Group

(Million yen)

	FY2009	FY2008	YoY change (Amount)	YoY change (%)
	4/09-12/09	4/08-12/08		
<b>FUJISOFT INCORPORATED</b> (TSE 1st Section)	<b>50,599</b>	<b>60,382</b>	<b>-9,783</b>	83.8%
<b>CYBERNET SYSTEMS Co., Ltd.</b> (TSE 1st Section)	<b>10,907</b>	<b>14,058</b>	<b>-3,150</b>	77.6%
<b>VINCULUM JAPAN Corporation</b> (JASDAQ)	<b>6,907</b>	<b>10,043</b>	<b>-3,136</b>	68.8%
<b>CYBER COM Co., Ltd.</b> (JASDAQ)	<b>4,643</b>	<b>6,299</b>	<b>-1,656</b>	73.7%

### Points in Sales by Listed Companies of the Group

#### ● CYBERNET SYSTEMS Co., Ltd.

Sales of new licenses worsened, attributable to the continued postponing and freezing of budget execution by key customers.

In the renewal of maintenance contracts, a number of licenses were reviewed, and licenses were cancelled from the second quarter.

#### ● CYBER COM Co., Ltd.

Sales fell, reflecting the continued downsizing, postponing, and freezing of orders in embedded software development.

#### ● VINCULUM JAPAN Corporation

Sales declined, due primarily to the postponing and freezing of investments by and requests for discounts from customers in the distribution industry suffering from weak consumption, in addition to the absence of sales from large-scale projects (IT systems integration for major distribution and retail businesses) posted in the previous fiscal year.



# Consolidated Selling, General & Administrative Expenses

(Million yen)

	FY2009 4/09-12/09	FY2008 4/08-12/08	YoY change (Amount)	YoY change (%)
<b>SG&amp;A expenses</b>	<b>21,416</b>	<b>24,240</b>	<b>-2,824</b>	<b>88.3%</b>
<b>Labor costs</b>	<b>12,463</b>	<b>13,804</b>	<b>-1,340</b>	<b>90.3%</b>
Major account items showing the YoY decrease				
Salary/bonuses	9,091	10,699	-1,607 (1)	85.0%
<b>Expense</b>	<b>8,952</b>	<b>10,436</b>	<b>-1,483</b>	<b>85.8%</b>
Major account items showing the YoY decrease				
Training expenses/education costs	370	780	-410 (2)	47.5%
Advertising and publicity expenses	332	690	-358 (3)	48.1%
Office work outsourcing fee	1,414	1,693	-278 (4)	83.5%
Traveling and transportation expenses	440	647	-206 (5)	68.1%
Depreciation	1,128	1,239	-110 (6)	91.1%

## Factors for the Fall in Major Account Items

- (1) **Salary/bonuses**  
(decrease of 1,607 million yen year on year)  
Decline with reduction in overtime, lower bonus payments, and other factors
- (2) **Training expenses/education costs**  
(decrease of 410 million yen year on year)  
Fewer new and mid-career recruits and improved training efficiency
- (3) **Advertising and publicity expenses**  
(decrease of 358 million yen year on year)  
Shrinkage of advertising activities
- (4) **Office work outsourcing fee**  
(decrease of 278 million yen year on year)  
Compressed fees through the review of operations
- (5) **Traveling and transportation expenses**  
(decrease of 206 million yen year on year)  
Decrease in transportation expenses in association with reviews of internal events
- (6) **Depreciation**  
(decrease of 110 million yen year on year)  
Decline in depreciation related to Akihabara Building, etc.



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

	(Million yen)			
	FY2009 4/09-12/09	FY2008 4/08-12/08	YoY change (Amount)	YoY change (%)
<b>Operating income</b>	<b>2,005</b>	<b>4,698</b>	<b>-2,693</b>	<b>42.7%</b>
Operating income margin	1.9%	3.9%	-1.9%	-
<b>Non-operating income</b>	<b>953</b>	<b>1,704</b>	<b>-750 (1)</b>	<b>56.0%</b>
<b>Non-operating expenses</b>	<b>857</b>	<b>2,146</b>	<b>-1,289 (2)</b>	<b>39.9%</b>
<b>Ordinary income</b>	<b>2,101</b>	<b>4,256</b>	<b>-2,154</b>	<b>49.4%</b>
Ordinary income margin	2.0%	3.5%	-1.5%	-
<b>Extraordinary gains</b>	<b>2,786</b>	<b>-</b>	<b>2,786 (3)</b>	<b>-</b>
<b>Extraordinary losses</b>	<b>296</b>	<b>1,925</b>	<b>-1,628 (4)</b>	<b>15.4%</b>
<b>Income before income taxes and minority interests</b>	<b>4,591</b>	<b>2,330</b>	<b>2,261</b>	<b>197.0%</b>
Total income taxes	835	1,969	-1,134	42.4%
Minority interests	1,025	709	315	144.6%
<b>Net income</b>	<b>2,731</b>	<b>-348</b>	<b>3,079</b>	<b>-</b>
Net income margin	2.6%	-	-	-

## Points in Non-Operating Income/Loss

- (1) **Non-operating income**  
(down 750 million yen year on year)  
Decrease with a shift of real estate rent income to sales
- (2) **Non-operating expenses**  
(down 1,289 million yen year on year)  
Decrease associated with the shift of real estate rental costs to cost of sales
- (3) **Extraordinary gains**  
(up 2,786 million yen year on year)  
Sale of fixed assets (real estate) of Tosho Computer Systems (up 1,651 million yen) and operating compensation paid to Cybernet Systems (up 800 million yen)
- (4) **Extraordinary losses**  
(down 1,628 million yen year on year)  
- The absence of a loss on the valuation of securities (1,457 million yen) posted in the previous fiscal year  
- Loss on disposal of fixed assets, loss on liquidation of subsidiaries and affiliates, and other losses (296 million yen)



# Consolidated Balance Sheet

(Million yen)

	FY2009 4/09-12/09	FY2008 4/08-12/08	YoY change (Amount)
<b>Current assets</b>	<b>56,193</b>	<b>68,149</b>	<b>-11,955</b>
Cash on time deposits	16,456	25,354	-8,897 (1)
Notes and accounts receivable-trade	24,963	30,261	-5,298 (2)
Work in process	5,565	3,027	2,537
<b>Fixed assets</b>	<b>113,028</b>	<b>109,646</b>	<b>3,381</b>
Tangible fixed assets	78,299	79,138	-838
Intangible fixed assets	12,826	10,100	2,726 (3)
Investments and other assets	21,901	20,408	1,493
<b>Total assets</b>	<b>169,222</b>	<b>177,795</b>	<b>-8,573</b>
<b>Current liabilities</b>	<b>57,696</b>	<b>83,749</b>	<b>-26,053</b>
Accounts payable-trade	6,571	9,946	-3,374 (2)
Short-term loans	32,633	55,315	-22,681 (4)
Long-term loans payable within one year	6,003	1,686	4,316 (4)
Accrued expenses	4,484	9,827	-5,342 (2)
<b>Long-term liabilities</b>	<b>29,660</b>	<b>15,809</b>	<b>13,851</b>
Long-term loans	20,638	7,839	12,798 (4)
<b>Total liabilities</b>	<b>87,357</b>	<b>99,559</b>	<b>-12,201</b>
Common stock	26,200	26,200	-
Capital surplus	28,438	28,438	-
Retained earnings	33,619	31,525	2,093
Valuation difference of available-for-sale securities	-25	-890	864
<b>Total net assets</b>	<b>81,864</b>	<b>78,236</b>	<b>3,628</b>
<b>Total liabilities and net assets</b>	<b>169,222</b>	<b>177,795</b>	<b>-8,573</b>

## Points of the Balance Sheet

- Cash on time deposits**  
(down 8,897 million yen from the end of the previous fiscal term)  
Cash plus marketable securities declined
- Notes and accounts receivable and payable-trade and accrued expenses**  
Decreased following a decrease in orders received
- Intangible fixed assets**  
(up 2,726 million yen from end of previous fiscal year)  
Goodwill posted following the consolidation of Cybernet Systems and Vinculum Japan
- Short- and long-term loans**  
The ratio of short-term loans improved.  
Total loans were lowered (down 5,567 million yen)





## Consolidated Cash Flow Statement

(Million yen)

	FY2009 4/09-12/09	FY2008 4/08-12/08	YoY change (Amount)
<b>Cash flows from operating activities</b>	<b>1,834</b>	<b>1,927</b>	<b>-92</b>
<b>Cash flows from investing activities</b>	<b>-3,720</b>	<b>-7,484</b>	<b>3,763</b>
<b>Cash flows from financing activities</b>	<b>-7,036</b>	<b>-720</b>	<b>-6,315</b>
Increase/decrease in cash and cash equivalents	-8,993	-6,292	-2,701
Cash and cash equivalents at beginning of period	25,465	21,667	3,798
<b>Cash and cash equivalents at end of period</b>	<b>16,472</b>	<b>15,375</b>	<b>1,096</b>

### Highlights of Cash Flows

- **Cash flows from operating activities**  
- Net cash provided by operating activities was about the same level as a year ago, reflecting a fall in taxes paid and other factors, despite a decline in operating income.
- **Cash flows from investing activities**  
- Payments for the purchases of securities and investment securities declined.
- **Cash flows from financing activities**  
- Payments increased due to reductions in loans.  
- Payments for purchases of treasury stock fell.



# Forecasts for FY2009

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# Orders and Order Backlogs for Consolidated Software Development

(Million yen)

FY2009 4/09-12/09								
	Order backlog at beginning of period	YoY change (%)	Orders received	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of period	YoY change (%)
<b>Software Development Business</b>	<b>24,649</b>	<b>89.9%</b>	<b>82,090</b>	<b>83.2%</b>	<b>82,313</b>	<b>83.2%</b>	<b>24,426</b>	<b>89.7%</b>
Embedded Software	9,368	77.2%	31,299	71.5%	31,841	70.5%	8,826	82.3%
Operation Software	10,578	104.3%	35,366	91.2%	34,550	93.9%	11,394	94.0%
Other Software	4,702	91.5%	15,424	95.3%	15,921	94.1%	4,204	95.7%

## State of Orders and Order Backlog

### ● Embedded software development

Orders and order backlogs from the telecommunications control systems and other embedded systems fell because of a decrease in manufacturers' development volumes. However, the fall in orders appears to have bottomed out.

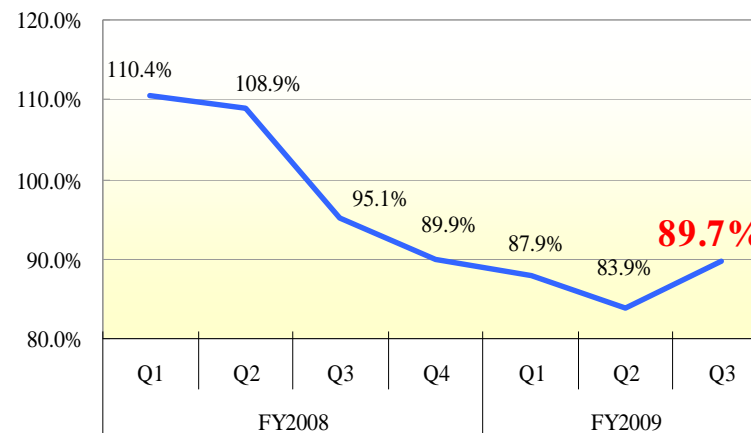
### ● Operation software development

Orders centering on the financial business (86.8% year on year) and manufacturing business (53.6% year on year) decreased, although the distribution business (129.9%) was good. Order backlogs from the financial system business and manufacturing business were below the year-ago level.

### ● Other software development

Both orders and order backlogs declined from a year ago, reflecting a fall in sales of goods associated with systems integration, and the end of sales of MATLAB.

### ■ Trends in year-on-year changes in order backlogs for consolidated software development



**The fall appears to have bottomed out.**



## Full-Year Forecasts for FY2009 (figures in October 30, 2009 announcement)

(Million yen)

	Consolidated			Non-consolidated		
		YoY change (Amount)	YoY change (%)		YoY change (Amount)	YoY change (%)
<b>Net sales</b>	<b>145,000</b>	<b>-20,081</b>	<b>87.8%</b>	<b>73,000</b>	<b>-9,153</b>	<b>88.9%</b>
<b>Cost of sales</b>	<b>111,500</b>	<b>-14,228</b>	<b>88.7%</b>	<b>56,200</b>	<b>-6,035</b>	<b>90.3%</b>
Cost of sales margin	76.9%			77.0%		
<b>Gross of profit</b>	<b>33,500</b>	<b>-5,853</b>	<b>85.1%</b>	<b>16,800</b>	<b>-3,117</b>	<b>84.3%</b>
Gross profit ratio	23.1%			23.0%		
<b>SG&amp;A expenses</b>	<b>29,900</b>	<b>-2,140</b>	<b>93.3%</b>	<b>16,450</b>	<b>-1,944</b>	<b>89.4%</b>
SGA ratio	20.6%			22.5%		
<b>Operating income</b>	<b>3,600</b>	<b>-3,712</b>	<b>49.2%</b>	<b>350</b>	<b>-1,172</b>	<b>23.0%</b>
Operating income margin	2.5%			0.5%		
<b>Ordinary income</b>	<b>3,600</b>	<b>-2,996</b>	<b>54.6%</b>	<b>350</b>	<b>-2,711</b>	<b>11.4%</b>
Ordinary income margin	2.5%			0.5%		
<b>Net income</b>	<b>3,700</b>	<b>2,816</b>	<b>418.8%</b>	<b>400</b>	<b>259</b>	<b>283.7%</b>
Net income margin	2.6%			0.5%		

### Notes to Full-Year Financial Forecasts

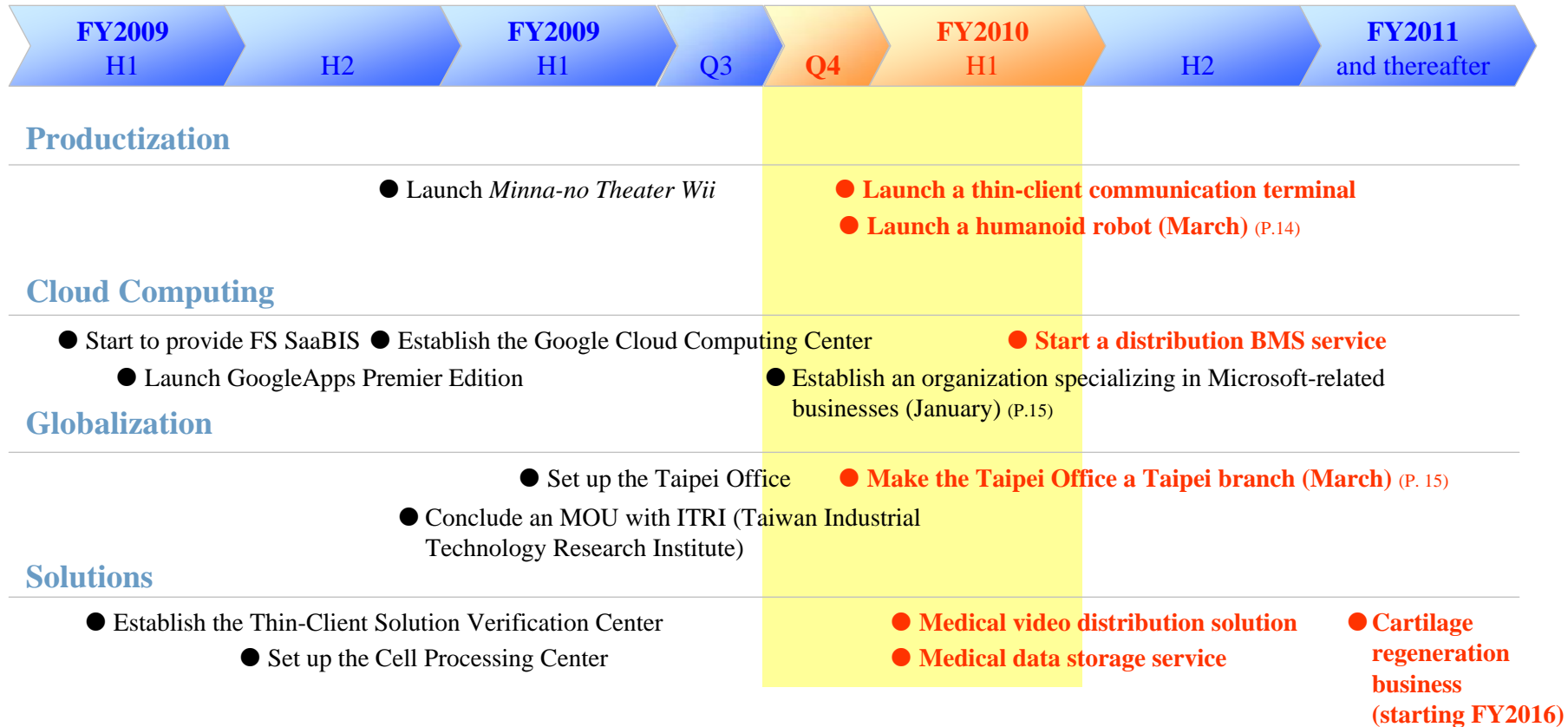
#### ● Q4 forecasts (Please refer to supplementary results documentation too.)

The Company expects net sales, operating income, and net income for the fourth quarter (January through March) to be down 6.9%, 39.0%, and 21.4% year on year, respectively. The full-year forecasts announced on October 30 last year have not been changed.



# New Business Roadmap (Non-Consolidated)

Red text shows plans.



**Projects in which the Company has made research and development investments will be launched in Q4 or FY2010, and are expected to add to results from the second half of FY2010.**



# Topics

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# Topics

## Launching Humanoid Robot PALRO



palro.

### ● Low price offered for a wide range of sales targets

On March 15, FUJISOFT is launching a small humanoid robot named PALRO<sup>®</sup>, which has been developed as a result of the fusion of technologies developed over many years in its work on embedded software with intelligence technologies.

Thanks to our software development capabilities, PALRO<sup>®</sup> has impressive functionality and scalability, but will be offered at a low price that puts it within reach of general consumers. The Company has made this low price possible by boldly using general-purpose components.

We will launch initial sales for educational institutions where demand is high, and will begin sales to general consumers before the end of FY2010. FUJISOFT plans to apply the robot technology used for PALRO to different business fields.

Name	PALRO
Size	Height: about 39.8cm Weight: 1.6kg
Concept	Personal home concierge
Functions	<ul style="list-style-type: none"> <li>- Dialogue function involving facial recognition, sound/voice recognition, and text speech</li> <li>- Movement functions including walking, getting up, and passive activities</li> <li>- Locomotive function involving present location recognition, automatic map generation, and path search</li> <li>- Other functions including still image shooting, e-mail forwarding, and home appliance control</li> </ul>
Target customer segment	Robot fans (main targets), as well as senior citizens, general households, and educational institutions
Target unit sales	1,000 for the first year
Other	To be sold to educational institutions first (Selling price for educational institutions: 298,000 yen (including tax))

## Topics

### Setting Up an Organization Specializing in Microsoft-Related Businesses

To bolster our ability to make proposals to our customers, we set up a department on January 1 that is specializing in Microsoft-related solution services.

The department will conduct consulting and development related to Azure as part of the cloud computing strategy that FUJISOFT is pursuing. The department will also offer Microsoft product migration services, and other services including consulting and development related to Microsoft products.

The department is planning to promote vigorous marketing activities. It is holding a seminar on Microsoft-related services in Osaka on February 26.

### Taipei Office Becoming a Branch

FUJISOFT opened the Taipei Office, its first overseas office, in Taipei, Taiwan on September 1 last year. The office has formed alliances with local enterprises for the embedded software business. Anticipating business expansion, the Company is planning to upgrade the office to a branch in March this year.

From the next fiscal year, FUJISOFT will develop overseas operations in other markets.



The building housing the Taipei Office, and the office interior





# FUJISOFT

New answer is here

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