



Results of Operations

for the First Quarter of FY2014

May 13, 2014

FUJISOFT INCORPORATED



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From FY2013, the fiscal year end changed to December .

The YoY change (amount) and YoY change (%) in this material are comparisons with the same period of the previous year (results for the fourth quarter of the fiscal year ended March 31, 2013: from January 1, 2013 to March 31, 2013) corresponding to the first quarter under review (from January 1, 2014 to March 31, 2014).

* In the Summary of Consolidated Financial Results for the First Quarter, percent increase/decrease over the same quarter of the previous year (%) is omitted, as the period of the previous first quarter (from April 1, 2014 to June 30, 2014) to be compared is different from the first quarter under review.



Consolidated Financial Highlights

Net sales rose, reflecting generally strong performances at the Company and at each consolidated subsidiary.

- ◇ Consolidated net sales rose 8.5% year on year, reflecting generally strong performances at the Company and at each consolidated subsidiary.

Operating income rose, and ordinary income and net income fell due to deterioration of equity in earnings of affiliates.

- ◇ Operating income climbed 14.7% year on year, to ¥2,253 million, with decreased income at CYBERNET SYSTEMS offset by increased income at the Company and other major subsidiaries.
- ◇ Ordinary income and net income fell due to deterioration of equity in earnings of affiliates.

(Million yen)

	Jan.-Mar. 2013 Result	FY2014 Q1 Result	YoY change (Amount)	YoY change (%)	FY2014	
					Q1 Plan	Comparison with the plan
Net sales	36,093	39,154	+3,060	108.5%	37,000	105.8%
Operating income	1,965	2,253	+288	114.7%	2,000	112.7%
Operating income margin	5.4%	5.8%	+0.3		5.4%	
Ordinary income	2,589	2,206	-383	85.2%	1,900	116.1%
Ordinary income margin	7.2%	5.6%	-1.5		5.1%	
Net income	1,506	1,246	-259	82.8%	1,000	124.7%
Net income margin	4.2%	3.2%	-1.0		2.7%	



Sales/Operating Income by Major Companies of the Group

(Million yen)

	Net sales				Operating income			
	Jan.-Mar. 2013 Result	FY2014 Q 1 Result	YoY change (Amount)	YoY change (%)	Jan.-Mar. 2013 Result	FY2014 Q 1 Result	YoY change (Amount)	YoY change (%)
FUJISOFT INCORPORATED	21,548	23,216	+1,668	107.7%	1,131	1,300	+168	114.9%
CYBERNET SYSTEMS Co., Ltd.	3,615	3,880	+265	107.3%	351	109	-241	31.1%
VINX CORP.	7,346	7,226	-119	98.4%	381	572	+191	150.3%
CYBER COM Co., Ltd.	1,877	2,037	+159	108.5%	42	57	+14	133.6%

* The results of VINX CORP. for the previous fiscal year are the simple aggregation of the results of former VINCULUM JAPAN Corporation and former VIXUS INCORPORATED.

* The fiscal year of FUJISOFT INCORPORATED and CYBERNET SYSTEMS ends in December, and that of VINX and CYBER COM ends in March.

The result for VINX and CYBER COM in the FY2014 1Q column is the result for the fourth quarter of the fiscal year ended March 31, 2014.

Highlights in Sales/Operating Income by Major Companies of the Group

● FUJISOFT INCORPORATED

Sales increased, with Internet, finance and communication control businesses and the license business making up for decreased sales in the mobile business, which was hit by contraction in the mobile phone business at major customers. Operating income increased, reflecting increased sales and the continued curbing of administrative expenses initiated the previous year, which offset higher costs in areas such as promotional expenses for the Company's own products and expenses related to increased hiring.

● CYBERNET SYSTEMS Co., Ltd.

Sales rose on the back of brisk new license sales in manufacturing, such as automobiles and machinery, and in education. Operating income declined due to higher SG&A expenses, mainly linked to an increase in personnel aimed at strengthening the sales force.

● VINX CORP.

Sales decreased largely owing to slow progress on new large contracts for specific customers in Japan, despite special demand associated with the change in the consumption tax rate.

Operating income increased, reflecting headway with improving the cost ratio and increasing business efficiency and improvement of profit margins due to the effects of business integration, which outweighed higher costs associated with the rapid expansion of overseas business.

● CYBER COM Co., Ltd.

Sales grew, reflecting solid performances in router switch development and communication carrier base station business and good results in server network construction business. Operating income rose, chiefly due to the effect of cost reductions.



Consolidated Sales by Segment

(Million yen)

	Jan.-Mar. 2013		FY2014		YoY change (Amount)	YoY change (%)
	Results	Component ratio	Q1 Results	Component ratio		
Total net sales	36,093	100.0%	39,154	100.0%	+3,060	108.5%
SI Business	33,737	93.5%	36,411	93.0%	+2,673	107.9%
System Construction	20,293	56.2%	20,422	52.2%	+128	100.6%
Embedded/Control Software	10,356	28.7%	9,411	24.0%	-945	90.9%
Operation Software	9,937	27.5%	11,011	28.1%	+1,074	110.8%
Products and Services	13,443	37.2%	15,988	40.8%	+2,545	118.9%
Products and Services	8,456	23.4%	11,186	28.6%	+2,730	132.3%
Outsourcing	4,987	13.8%	4,802	12.3%	-185	96.3%
Facility Business	528	1.5%	486	1.2%	-41	92.1%
Other Businesses	1,826	5.1%	2,255	5.8%	+428	123.5%

Highlights of Sales by Segment

● Embedded/Control Software

Sales declined 9.1% year on year, primarily reflecting a substantial decrease in sales in the mobile business due to the effect of mobile phone business contraction at major customers, despite a continuation of the previous year's strong performance in areas such as automobile-related and communication control business.

● Operation Software

Sales rose 10.8% year on year, reflecting growth in the Company's Internet business and distribution system development contracts at Vinx.

● Products and Services

Sales jumped 32.2% year on year mainly due to a strong performance in the Company's license business.

● Outsourcing

Sales declined 3.7% year on year chiefly due to the adverse effect of a major company's business integration.



Consolidated Income Statement

(Million yen)

	Jan.-Mar. 2013	FY2014	YoY change (Amount)	YoY change (%)	FY2014	
	Results	Q1 Results			Q1 Plan	Comparison with the plan
Net sales	36,093	39,154	+3,060	108.5%	37,000	105.8%
Cost of sales	27,658	30,288	+2,629	109.5%	28,200	107.4%
Cost of sales margin	76.6%	77.4%	+0.7 (1)		76.2%	
Gross profit	8,434	8,865	+431	105.1%	8,800	100.7%
Gross profit margin	23.4%	22.6%	-0.7		23.8%	
SG&A expenses	6,468	6,612	+143 (2)	102.2%	6,800	97.2%
SG&A expense ratio	17.9%	16.9%	-1.0		18.4%	
Operating income	1,965	2,253	+288	114.7%	2,000	112.7%
Operating income margin	5.4%	5.8%	+0.3		5.4%	
Non-operating income	*1 138	92	-46	66.8%	-	-
Non-operating expenses	121	*2 126	+5	104.6%	-	-
Share of (profit) loss of entities accounted for using equity method	606	-13	-619 (3)	-	-	-
Ordinary income	2,589	2,206	-383	85.2%	1,900	116.1%
Ordinary income margin	7.2%	5.6%	-1.5		5.1%	
Extraordinary income	29	31	+1	104.9%	-	-
Extraordinary losses	700	49	-650 (4)	7.1%	-	-
Income before income taxes	1,919	2,187	+268	114.0%	-	-
Total income taxes	350	755	+405	215.7%	-	-
Minority interests in income	62	186	+123	297.5%	-	-
Net income	1,506	1,246	-259	82.8%	1,000	124.7%
Net income margin	4.2%	3.2%	-1.0		2.7%	

Points in Income Statement

(1) Cost of sales margin (+0.7 pt)

Increased as a result of a rise in the ratio of the Company's license sales.

(2) SG&A expenses (up 143 million yen)

SG&A expenses increased overall due to higher selling expenses to strengthen sales.

(3) Share of (Profit) Loss of Entities

Accounted for Using Equity Method
(down 619 million yen)

Deteriorated (down 639 million yen) as a result of decreased profits at Ace Securities.

(4) Extraordinary losses (down 650 million yen)

In the previous year, a loss on the impairment of fixed assets (TSE computer system: 534 million yen) and expenses related to the merger of subsidiaries (Vinx: 117 million yen) were recorded.

*1 Figures indicate those after excluding share of profit of entities accounted for using equity method (606 million yen).

*2 Figures indicate those after excluding share of loss of entities accounted for using equity method (13 million yen).



Consolidated Balance Sheet

(Million yen)

	End of FY2013	End of Q1 of FY2014	Change (Amount)
Current assets	51,907	54,342	+2,434
Cash and deposits	14,345	12,724	-1,620
Notes and accounts receivable - trade	28,260	32,482	+4,222(1)
Short-term investment securities	2,302	2,200	-102
Inventories	2,119	1,798	-320
Deferred tax assets	1,742	2,477	+735
Other	3,137	2,659	-478
Non-current assets	102,615	101,618	-997
Property, plant and equipment	69,493	69,062	-430
Intangible assets	8,100	7,649	-451
Investments and other assets	25,020	24,906	-114
Total assets	154,522	155,960	+1,437
Current liabilities	39,855	45,367	+5,512
Accounts payable - trade	7,433	10,298	+2,865(1)
Short-term loans payable	15,507	13,095	-2,412(2)
Commercial papers	4,000	7,000	+3,000(2)
Accrued expenses / provision for bonuses	5,746	7,291	+1,545
Income taxes payable	275	1,508	+1,232
Provision for loss on construction contracts	79	120	+40
Other	6,812	6,053	-759
Non-current liabilities	19,595	15,183	-4,411
Long-term loans payable	9,426	5,340	-4,085(2)
Other	10,169	9,843	-325
Total liabilities	59,450	60,551	+1,100
Total net assets	95,072	95,409	+337
Total liabilities and net assets	154,522	155,960	+1,437

Points of the Balance Sheet

(1) Notes and accounts receivable – trade

[\(Increase of 4,222 million yen from the end of the previous fiscal term\)](#)

Accounts payable – trade

[\(Increase of 2,865 million yen from the end of the previous fiscal term\)](#)

Increase in notes and accounts receivable - trade and accounts payable - trade as a result of growth in license sales.

(2) Short-term loans payable

[\(Decrease of 2,412 million yen from the end of the previous fiscal term\)](#)

Commercial papers

[\(Increase of 3,000 million yen from the end of the previous fiscal term\)](#)

Long-term loans payable

[\(Decrease of 4,085 million yen from the end of the previous fiscal term\)](#)

Declined by 3,497 million yen in total as loans were repaid as scheduled.



Consolidated Cash Flow Statement

(Million yen)

	Jan.-Mar. 2013 Results	FY2014 Q1 Results
Cash flows from operating activities	4,798	3,752
Cash flows from investing activities	-535	-1,598
Cash flows from financing activities	-2,290	-3,883
Effect of exchange rate change on cash and cash equivalents	93	-2
Net increase (decrease) in cash and cash equivalents	2,066	-1,731
Cash and cash equivalents at beginning of period	11,631	14,342
Increase in cash and cash equivalents from newly consolidated subsidiary	-	15
Cash and cash equivalents at end of period	13,698	12,626

Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities declined because tax payments increased due to a change in the timing of tax payments associated with the change in fiscal year end.

- [Cash flows from investing activities](#)

Net cash used in investing activities increased due to an increase in investment of surplus funds (acquisition of investments in securities) at subsidiaries and expenditure for the acquisition of fixed assets including the Company's own products and capital investment.

- [Cash flows from financing activities](#)

As in the previous year, loans continued to be repaid.

Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	FY2014 Q1 Results						
	Order backlog at beginning of term	Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
SI Business Total	26,337	37,076	106.8%	36,411	107.9%	27,001	97.9%
System Construction	16,830	21,014	105.5%	20,422	100.6%	17,422	105.6%
Embedded/Control Software	7,651	9,500	92.5%	9,411	90.9%	7,740	95.7%
Operation Software	9,178	11,514	119.5%	11,011	110.8%	9,681	115.0%
Products and Services	9,507	16,061	108.6%	15,988	118.9%	9,579	86.5%
Products and Services	6,453	11,885	120.2%	11,186	132.3%	7,152	106.2%
Outsourcing	3,054	4,175	85.2%	4,802	96.3%	2,427	55.9%

Highlights of Orders and Order Backlogs

● Highlights of orders

In the overall SI business, orders rose 6.8% year on year. In Embedded/Control software in System Construction, orders in the mobile industry declined sharply due to the effect of mobile phone business contraction at major customers. In Operation Software, orders rose, reflecting growth in distribution business, Internet business and other Operation Software business. Orders in Products and Services increased due to strong orders in the license business, despite the adverse effect of termination of a project for a major customer in Outsourcing at the Company.

● Highlights of order backlogs

Order backlogs in the overall SI Business declined 2.1% year on year. In System Construction, order backlogs in Embedded/Control Software in the mobile industry fell sharply due to the effect of a decrease in orders from domestic mobile phone manufacturers. In Operation Software, orders rose significantly and, as a result, order backlogs also increased. Order backlogs in Products and Services fell, with strong performances in areas such as the Company's cloud-related stock business not fully offsetting the effect of termination of a project for a major customer in Outsourcing.



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