



FUJISOFT ソリューションセミナー 2010

New answer is here

~クラウドコンピューティングの実践的活用~

Results of Operations for the First Half of FY2010

November 5, 2010

FUJISOFT INCORPORATED



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Consolidated Financial Results for the First Half of FY2010



Consolidated Financial Highlights

Despite a recovery in certain segments, net sales fell 7.7% year on year, attributable chiefly to declines at major subsidiaries.

- ◇ There were signs of a recovery in the environment for orders in certain segments of the IT sector, partly because a rebound from previous investment cutbacks by customers. Nonetheless, customers remained cautious about investment and continued to seek to reduce costs. In the circumstances, net sales did not fully recover, declining 7.7% year on year, to 66.8 billion yen.
- ◇ The main reasons of the decline in net sales were the end of sales of MATLAB, a leading product of Cybernet Systems, in the first quarter of the previous year, and falls in sales in the solution business of FUJISOFT and in outsourced system operations at subsidiaries. Sales in the SI Business dropped 6.0 billion yen.

Operating income declined 6.7% year on year, reflecting the fall in net sales.

- ◇ Although the Company sought to improve the cost ratio by reducing expenses and curbing unprofitable development projects, operating income declined 6.7% year on year to 1.5 billion yen, reflecting the fall in net sales.
- ◇ Partly due to the effect of income taxes-deferred, net income rose 2.9% year on year to 1.29 billion yen.

(Million yen)

	FY2010 HI Results	FY2009 HI Results	YoY change	FY2010 Initial HI Plan	Comparison with plan
Net sales	66,824	72,432	92.3%	68,700	97.3%
Operating income	1,526	1,636	93.3%	2,000	76.3%
Operating income margin	2.3%	2.3%		2.9%	
Ordinary income	1,575	1,616	97.5%	1,800	87.5%
Ordinary income margin	2.4%	2.2%		2.6%	
Net income	1,291	1,254	102.9%	1,200	107.6%
Net income margin	1.9%	1.7%		1.7%	



Consolidated Sales by Segment

(Million yen)

	FY2010		FY2009		YoY change (Amount)	YoY change (%)
	H1 Results	Component ratio	H1 Results	Component ratio		
Total net sales	66,824	100.0%	72,432	100.0%	-5,607	92.3%
SI Business	61,534	92.1%	67,416	93.1%	-5,882	91.3%
Embedded Software Development	18,923	28.3%	19,655	27.1%	-731	96.3%
Operation Software Development	24,107	36.1%	23,821	32.9%	286	101.2%
Outsourcing Business	7,720	11.6%	9,267	12.8%	-1,547	83.3%
Other SI Business	10,783	16.1%	14,672	20.3%	-3,888	73.5%
Facilities Business	1,081	1.6%	1,070	1.5%	10	101.0%
Other Businesses	4,208	6.3%	3,944	5.4%	263	106.7%

Highlights of Sales by Segment

● Embedded Software Development

Although digital TV sales were strong, overall sales in Embedded Software Development declined from a year ago, reflecting falls in the development volume and unit prices for development in communications control and machine control software.

● Operation Software Development

Sales rose from a year ago as a result of strong performance in the financial sector and the consolidation of iDEA Consulting, despite a decline in the distribution sector.

● Outsourcing Business

Despite the strong performance of FUJISOFT's data center business, sales declined because of a decrease in system maintenance and operations for certain customers of subsidiaries.

● Other SI Business

Sales fell sharply, attributable to the end of sales of MATLAB by Cybernet Systems and a decline in the solution business of FUJISOFT.



Sales by Listed Companies of the Group

(Million yen)

	FY2010 H1 Results	FY2009 H1 Results	YoY change	FY2010 Initial H1 Plan	Comparison with plan
FUJISOFT INCORPORATED (TSE 1st Section)	34,111	34,946	97.6%	35,500	96.1%
CYBERNET SYSTEMS Co., Ltd. (TSE 1st Section)	6,601	8,824	74.8%	5,905	111.8%
VINCULUM JAPAN Corporation (JASDAQ)	4,479	4,757	94.2%	4,874	91.9%
CYBER COM Co., Ltd. (JASDAQ)	2,840	3,109	91.3%	3,280	86.6%

Points in Sales by Listed Companies of the Group (See p. 25 for non-consolidated financial results.)

● CYBERNET SYSTEMS Co., Ltd.

Although sales declined due to the end of sales of the analysis software MATLAB in June last year, sales and renewals of maintenance contracts for mechanical and optical software were strong.

● VINCULUM JAPAN Corporation

Sales fell short of the plan, attributable to prolonged periods from the development to receipt of orders and intensifying price competition in system development, despite a solid performance in system maintenance and operation.

● CYBER COM Co., Ltd.

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

(Other principal consolidated subsidiary)

● VIXUS INCORPORATED

FY2010 H1 Net sales 11,132 million yen

FY2009 H1 Net sales 13,026 million yen

(YoY change: 85.5%)



Consolidated Gross Profit

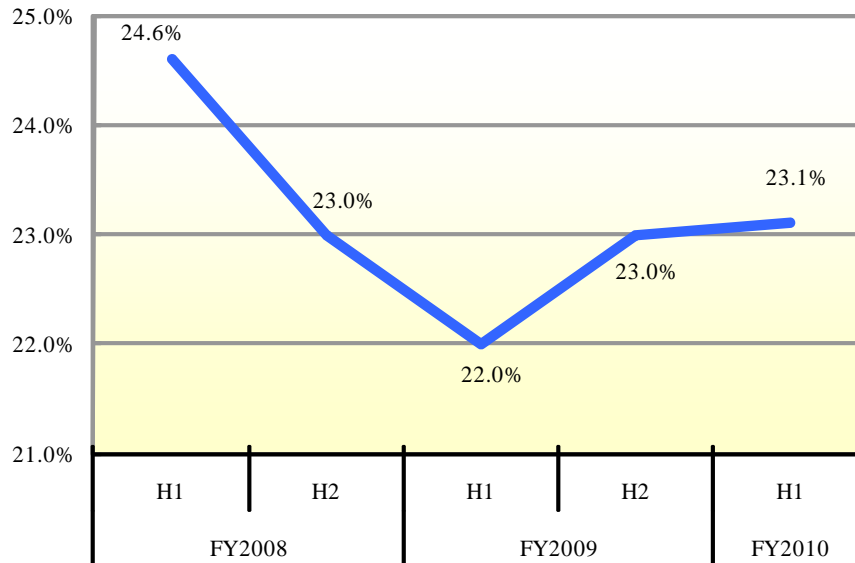
(Million yen)

	FY2010 H1 Results	FY2009 H1 Results	YoY change (Amount)	YoY change (%)
Net sales	66,824	72,432	-5,607	92.3%
Cost of sales	51,412	56,512	-5,099	91.0%
Cost of sales margin	76.9%	78.0%	-1.1%	
Gross profit	15,412	15,920	-507	96.8%
Gross profit margin	23.1%	22.0%	+1.1%	

Points of Gross Profit

- Improvement in gross profit margin (22.0% → 23.1%)
The gross profit margin worsened in the previous fiscal year, reflecting unprofitable projects of FUJISOFT. There were no large unprofitable projects in the current fiscal year, reflecting stronger project management.

Changes in consolidated gross profit margin





Consolidated Selling, General & Administrative Expenses

(Million yen)

	FY2010 H1 Results	FY2009 H1 Results	YoY change (Amount)	YoY change (%)
SG&A expenses	13,886	14,284	-397	97.2%
Personal expenses	8,696	8,301	394	104.8%
[Major account items]				
Employees' salaries	6,575	6,080	495 (1)	108.1%
Welfare expenses	257	399	-141 (2)	64.5%
Expense	5,189	5,982	-792	86.8%
[Major account items]				
Operations consignment expenses	674	976	-301 (3)	69.1%
Research study expenses	245	460	-214 (4)	53.3%
Recruiting and training expenses	177	317	-139 (5)	56.0%
Rents	548	619	-70 (6)	88.6%

Factors for Change in Major Account Items

- (1) **Employees' salaries**
(Increase of 495 million yen year on year)
Increase in bonuses tied to performance (FUJISOFT)
- (2) **Welfare expenses**
(Decrease of 141 million yen year on year)
Decrease associated with change in benefits programs
- (3) **Operations consignment expenses**
(Decrease of 301 million yen year on year)
Decline in outsourced business associated with operational streamlining
- (4) **Research study expenses**
(Decrease of 214 million yen year on year)
Fall following the completion of early studies on robot technology
- (5) **Recruiting and training expenses**
(Decrease of 139 million yen year on year)
Reduction in recruitment and education costs, reflecting a decrease in the number of new graduates and mid-career workers hired
- (6) **Rents**
(Decrease of 70 million yen year on year)
Reduction in the use of outside rental offices associated with a rise in the rate of use of the Company's own buildings



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

(Million yen)

	FY2010 H1 Results	FY2009 H1 Results	YoY change (Amount)	YoY change (%)
Operating income	1,526	1,636	-109	93.3%
Operating income margin	2.3%	2.3%		
Non-operating income	1,391	564	826 (1)	246.5%
Non-operating expenses	1,341	583	757 (1)	229.8%
Ordinary income	1,575	1,616	-40	97.5%
Ordinary income margin	2.4%	2.2%		
Extraordinary income	196 (2)	1,114	-918	17.6%
Extraordinary loss	82	146	-63	56.4%
Income before income taxes and minority interests	1,689	2,584	-895	65.4%
Total income taxes	138	796	-658 (3)	17.4%
Minority interests	259	532	-273	48.7%
Net income	1,291	1,254	36	102.9%
Net income margin	1.9%	1.7%		

Points in Account Items below Operating Income

(1) Non-operating income

(Increase of 826 million yen year on year)

Non-operating expenses

(Increase of 757 million yen year on year)

A gain on cancellation of system service (906 million yen) and a loss on cancellation of system service (853 million yen) (VIXUS)

(2) Extraordinary income

Gain on sales of investment securities (Tosho Computer Systems Co., Ltd.: 166 million yen)

(3) Total income taxes

(Decrease of 658 million yen year on year)

The effect of income taxes-deferred



Consolidated Balance Sheet

(Million yen)

	FY2010 End of Q2	End of FY2009	Change
Current assets	50,986	55,306	-4,319
Cash and deposits	15,124	16,741	-1,616 (1)
Notes and accounts receivable-trade	25,990	27,215	-1,224 (2)
Work in process	1,799	2,499	-700 (3)
Other	8,072	8,850	-777
Noncurrent assets	114,043	113,544	498
Property, plant and equipment	78,067	78,375	-308
Intangible assets	12,741	12,424	316
Investments and other assets	23,235	22,744	490
Total assets	165,030	168,850	-3,820
Current liabilities	49,877	52,462	-2,585
Accounts payable-trade	6,294	8,701	-2,407 (2)
Short-term loans payable / Current portion of long-term loans payable	32,006	31,216	790 (4)
Accrued expenses	5,762	5,854	-92
Other	5,813	6,690	-876
Noncurrent liabilities	31,763	33,090	-1,327
Long-term loans payable	22,975	24,202	-1,227 (4)
Other	8,788	8,888	-100
Total liabilities	81,640	85,553	-3,912
Total net assets	83,390	83,297	92
Total liabilities and net assets	165,030	168,850	-3,820

Points of the Balance Sheet

- (1) **Cash and deposits**
(Decrease of 1,616 million yen from the end of the previous fiscal term)
Fall associated with seasonal effects
- (2) **Accounts receivable/payable-trade**
Decline associated with sales shrinkage and seasonal effects
- (3) **Work in process**
(Decrease of 700 million yen from the end of the previous fiscal term)
Decrease reflecting the progress of large-scale development projects (VIXUS)
- (4) **Short- and long-term loans payable**
(Decrease of 437 million yen from the end of the previous fiscal term)
Continued reduction in loans



Consolidated Cash Flow Statement

(Million yen)

	FY2010 H1 Results	FY2009 H1 Results	YoY change (Amount)
Net cash provided by (used in) operating activities	4,824	4,225	599
Net cash provided by (used in) investment activities	-5,276	-5,177	-99
Net cash provided by (used in) financing activities	-1,193	-5,895	4,701
Net increase (decrease) in cash and cash equivalents	-1,681	-6,865	5,184
Cash and cash equivalents at beginning of period	16,687	25,465	-8,778
Increase in cash and cash equivalents from newly consolidated subsidiary	85	-	85
Cash and cash equivalents at end of period	15,091	18,599	-3,508

Highlights of Cash Flows

- Net cash provided by (used in) operating activities

Mostly on a par with the previous fiscal year

- Net cash provided by (used in) investment activities

Mostly on a par with the previous fiscal year

- Net cash provided by (used in) financing activities

In the first half of the previous fiscal year, the Company used part of its cash and deposits, which it had accumulated in response to changes in the financial environment from the fall of 2008, to repay interest-bearing debt as the economic environment normalized.

In the first half under review, cash and deposits were at an appropriate level at the beginning of the period, and there were no significant changes during the period.

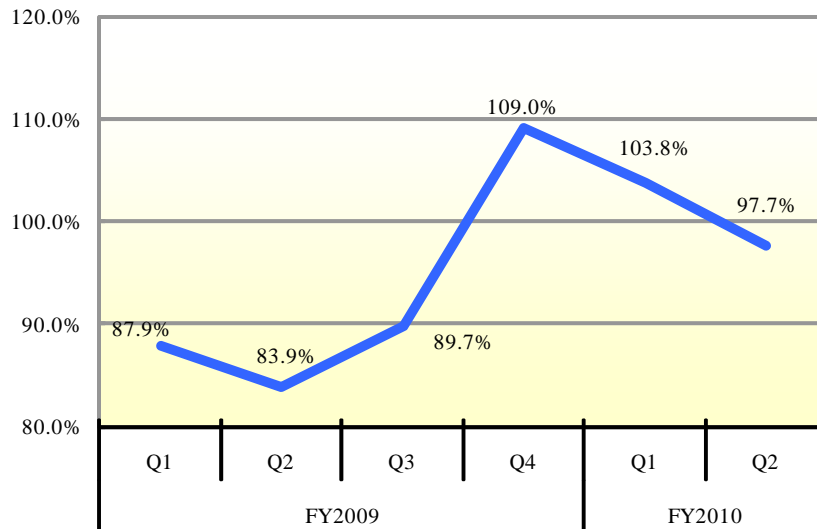


Orders and Order Backlogs for the Consolidated SI Business

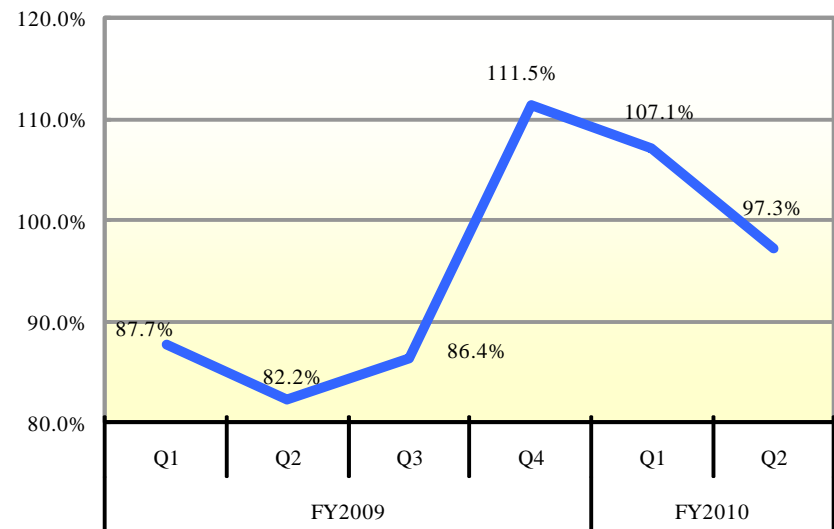
(Million yen)

	Orders				Order backlog			
	FY2010 H1 Results	FY2009 H1 Results	YoY change (Amount)	YoY change (%)	FY2010 H1 Results	FY2009 H1 Results	YoY change (Amount)	YoY change (%)
SI Business Total	57,660	68,338	-10,678	84.4%	32,537	33,426	-888	97.3%
Embedded Software Development	18,809	20,342	-1,532	92.5%	8,172	8,974	-801	91.1%
Operation Software Development	23,286	26,325	-3,038	88.5%	12,138	12,399	-261	97.9%
Outsourcing Business	5,981	10,394	-4,412	57.6%	6,897	5,824	1,073	118.4%
Other SI Business	9,582	11,277	-1,694	85.0%	5,328	6,228	-899	85.6%

■ Changes in the consolidated order backlog in the SI Business excluding Outsourcing Business (old segmentation)



■ Changes in the consolidated order backlog in the entire SI Business (new segmentation)





Progress in First Half of Potential Engines for Growth

Overseas Markets

- **Marketing in emerging economies in Asia and South America**
FUJISOFT carried out marketing activities for embedded software products, including FSDTV and FSMobile, in emerging markets, especially in Asia and South America.
- **Transactions with global enterprises overseas expanded**
In the contract embedded software development business, FUJISOFT expanded contract development for global enterprises overseas.
In the first half, the Company recorded sales of 150 million yen in contract development for a major Korean home appliance manufacturer.

Thin-clients and SaaS

- **Sales activities expanded to a wide range of industries**
FUJISOFT started to offer mobile thin-client solution on May 11.
The Company is aiming to expand sales by proposing and offering optimum configurations, from servers to thin-client terminals to meet the needs of businesses.

Robot Technology

- **Inquiries increased especially from manufacturers**
FUJISOFT is developing a software platform that will make it possible to embed robot technology (intelligent solutions) in a range of electrical appliances, including digital home appliances, office automation and factory automation equipment, in-vehicle equipment, measuring equipment, medical equipment, and household appliances.

Cloud for Distribution

- **Private cloud platform built**
FUJISOFT built its cloud platform for providing its own cloud services in the first half.
The Company started to operate the platform on October 31 and will expand its unique cloud services gradually.

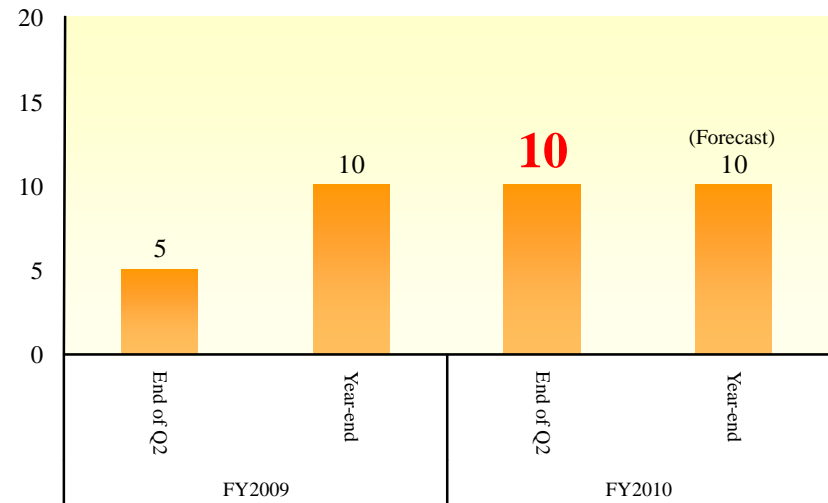


Dividend

Dividend at End of First Half of FY2010

The dividend at the end of the first half of FY2010 is 10 yen, as initially planned.

Despite uncertainty over orders in the second half, reflecting concern about the economic outlook, the initial year-end dividend forecast of 10 yen remains unchanged. This reflects our policy of paying stable dividends.



■ Trends in per-share net income, dividend and dividend payout ratio

(Yen)

Consolidated	FY2007 Results	FY2008 Results	FY2009 Results	FY2010 Forecast
Per-share net income	61.89	27.07	116.37	84.68
Dividend per share	25	30	15	20
Dividend payout ratio	40.4%	110.8%	12.9%	23.6%



Consolidated Forecasts for FY2010



Consolidated Full-Year Results Forecasts for FY2010

(announced on November 5)

(Million yen)

	FY2010		
	After revision	Before revision	Difference
Net sales	137,000	142,000	-5,000 (1)
Cost of sales	105,000	108,200	-3,200
Cost of sales margin	76.6%	76.2%	
Gross profit	32,000	33,800	-1,800
Gross profit margin	23.4%	23.8%	
SG&A expenses	27,700	28,800	-1,100
SG&A expense ratio	20.2%	20.3%	
Operating income	4,300	5,000	-700
Operating income margin	3.1%	3.5%	
Ordinary income	4,500	5,000	-500 (2)
Ordinary income margin	3.3%	3.5%	
Net income	2,700	3,000	-300 (3)
Net income margin	2.0%	2.1%	

Main Points of Changes in Results Forecasts

(1) Net sales

The sum of 1,875 million yen, by which the results were below the plan in the first half, downward revisions at Vinculum Japan, Cyber Com, and other subsidiaries, and the plan for Mercury Staffing, which has been excluded from the scope of consolidation, for the second half, has been reduced from the previous forecast.

(2) Ordinary income

The ordinary income forecast is 200 million yen more than the operating income forecast in consideration of non-operating income in excess of the plan in the first half.

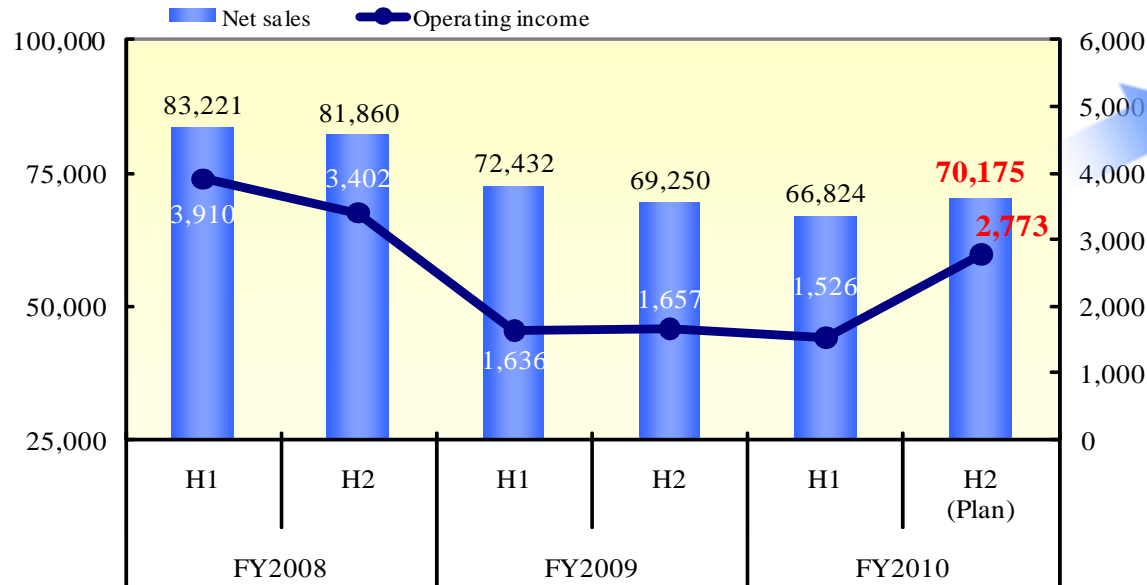
(3) Net income

The effect of income taxes-deferred is expected in the full year.



Changes in Results

Trends of (consolidated) results for half years



The JPPGG Strategy

- J** Strengthening the foundations of the contract business
- P** Becoming a prime vendor
- P** Productization
- G** Globalization
- G** Reinforcing Group capabilities

Possible Engine for Growth

- Cloud for distribution
- Thin-clients and SaaS
- Overseas markets
- Robot technology

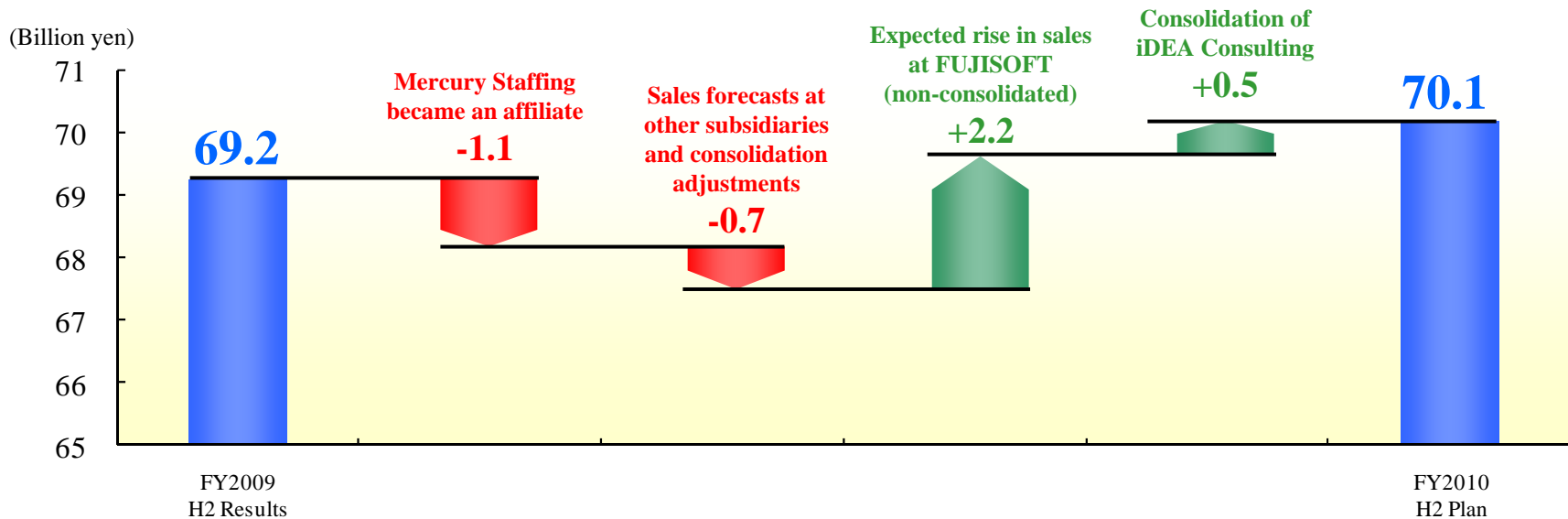
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**The improvement of gross profit
and the curbing of SG&A expenses**



Strategy for Increasing Sales in Second Half

Aiming to Increase Sales in the Second Half under a JPPGG Strategy



	(Million yen)			
	FY2009 H1 Results	FY2010 H1 Plan	YoY change (Amount)	YoY change (%)
Total net sales	69,250	70,175	924	101.3%
SI Business	63,611	65,735	2,123	103.3%
Embedded Software Development	20,289	20,176	-113	99.4%
Operation Software Development	23,340	25,292	1,951	108.4%
Outsourcing Business	8,995	8,249	-745	91.7%
Other SI Business	10,985	12,016	1,030	109.4%
Facilities Business	1,071	1,098	27	102.6%
Other Businesses	4,568	3,341	-1,226	73.1%



Initiatives in the Second Half (1): Embedded Software, Operation Software

Priority Fields in Second Half

Specific Initiatives

Embedded Software, Operation Software

Embedded software

- Related to smartphones
- FSMobile
- Related to digital TV (FSDTV)
- FA (factory automation)

Operation software

- Related to life and nonlife insurance
- EC (e-commerce)

Embedded software

- We will **expand the smartphone business**, the market of which is set to grow.
- We are receiving repeated orders from existing customers in FSMobile business.
- Digital TV business performed well in the first half of the fiscal year. We **expect the business to perform well in the second half** and seek to expand orders.
- **The fall in orders appears to have stopped** in the factory automation business. We will seek to expand orders to be received.

Operation software

- Achieve demand for system development for **integration projects** and **system change in response to institutional change**.
- Expand orders for e-commerce-related development projects, including online selling projects, orders for which are firm.

Area

Community-based marketing

- The Regional Area Business Group was established in October last year. **Orders have been increasing** since then, thanks to sales activities in response to customer needs at the Chubu Branch Office, Kansai Branch Office, Chugoku Branch Office, and Kyushu Branch Office.



Initiatives in the Second Half (2): Productization and Globalization

Priority Fields in Second Half

Digital TV

- Taipei Branch

Specific Initiatives

- The number of models employing **FSDTV, middleware for digital TV**, and the number of companies that placed orders for the middleware expanded in the first half. FUJISOFT is aiming to continue to expand orders in the second half.
- FUJISOFT is making preparations for business for overseas models, in addition to the existing business for domestic models.

Mobile

- Large-scale project starting with product planning

- **Develop mobile phones for the Japanese market in collaboration with a foreign manufacturer**



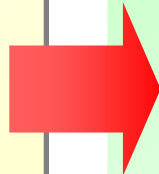


Initiatives in the Second Half (3): Cloud Computing

Priority Fields in Second Half

Public Cloud

- Microsoft Windows® Azure™ and Microsoft BPOS
- Google Apps, Google Maps API, and Google App Engine
- Salesforce

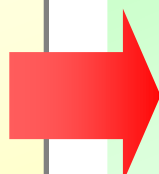


Initiatives in the Second Half

- **Open a Microsoft Solution & Cloud Center in Osaka** to enhance sales in the Kansai area
- **Expand Google Apps** and cooperate with solution vendors on Google App Engine
- **Establish a service menu on the Salesforce** platform to meet the needs of customers, especially in the financial sector
- Hold **FUJISOFT Solution Seminars 2010** to emphasize FUJISOFT's expertise in cloud computing (please refer to page 23 for details)

Private Cloud

- **Cloud computing for distribution**
Providing SaaS-type services, including distribution systems compliant with the distribution BMS, distribution management, and employment management



- **Plan to commence cloud computing service for distribution**, one of the possible engines for growth of FUJISOFT, **in the second half**
Seek to increase market share through cooperation within the Group



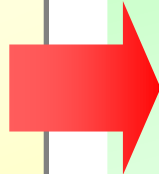


Initiatives in the Second Half (4): Other

Priority Fields in Second Half

Outsourcing

- Data center business
- FUJISOFT SERVICE BUREAU



Specific Initiatives

- Orders from the **distribution, manufacture, and medical industries** increased in the data center business. We are aiming to expand orders in the second half.
- FUJISOFT SERVICE BUREAU is seeking to increase orders by meeting customers' needs accurately.

Other SI

- CAE solution services (Cybernet)
- iDEA Consulting



- Continue to enhance **CAE solution services**, which performed well in the first half
- Established iDEA Consulting Inc. in June. ERP software license sales exceeded the plan for the first half and are expected to be strong in the second half.



Topics

Topics

FUJISOFT Solution Seminar 2010

Google, Microsoft, Salesforce, and Amazon participated.

The third FUJISOFT Solution Seminar was held at the Akiba Plaza on October 22. The theme of the seminar was “Practical cloud computing.” Four major cloud computing vendors, Google, Microsoft, Salesforce, and Amazon, took part and promoting cloud computing from different perspectives.

The Company will hold Solution Seminars in Nagoya on November 16 and in Osaka on November 18.



The FUJISOFT Solution Seminar held in Tokyo on October 22

Reorganization of the Group

To reinforce Group capabilities under the JPPGG Strategy, we are reorganizing the Group as follows:

Mercury Staffing Co., Ltd. became an affiliate.

With an MBO on September 30, Mercury Staffing Co., Ltd. changes from a consolidated subsidiary to an affiliate in the second quarter.

V&V Incorporated to be merged

V&V Incorporated, a consolidated subsidiary of the Company, will merge with the Company on January 1, 2011.

The Company will seek to achieve profitability and expand its quality assurance business by establishing a system to accept package orders for development and evaluation.



(Reference)

Non-Consolidated Financial Results for FY2010
Non-Consolidated Forecasts for FY2010



Non-Consolidated Financial Results for First Half of FY2010

(Million yen)

	FY2010 H1 Results	FY2009 H1 Results	YoY change	FY2010 Initial H1 Plan	Comparison with plan
Net sales	34,111	34,946	97.6%	35,500	96.1%
Cost of sales	26,079	27,546	94.7%	26,800	97.3%
Cost of sales margin	76.5%	78.8%		75.5%	
Gross profit	8,032	7,399	108.5%	8,700	92.3%
Gross profit margin	23.5%	21.2%		24.5%	
SG&A expenses	7,430	7,930	93.7%	7,900	94.1%
SG&A expense ratio	21.8%	22.7%		22.3%	
Operating income	602	-530	-	800	75.3%
Operating income margin	1.8%	-1.5%		2.3%	
Ordinary income	1,041	-454	-	1,000	104.1%
Ordinary income margin	3.1%	-1.3%		2.8%	
Net income	917	27	-	600	152.9%
Net income margin	2.7%	0.1%		1.7%	

Main Points in Non-Consolidated Financial Results

(1) Net sales

(Decrease of 834 million yen year on year)

Net sales declined overall with rises in Embedded Software and in Operation Software from a year ago more than offset by a fall in Other SI.

(2) Operating income

(Increase of 1,132 million yen year on year)

Gross profit rose 633 million yen, and SG&A expenses declined ¥500 million, reflecting the curbing of unprofitable development projects.

(3) Ordinary income

(Increase of 1,496 million yen year on year)

Dividends income rose 276 million yen.



Non-Consolidated Full-Year Results Forecasts for FY2010

(announced on November 5)

(Million yen)

	FY2010		
	After revision	Before revision	Difference
Net sales	72,000	73,500	-1,500 (1)
Cost of sales	54,900	55,650	-750
Cost of sales margin	76.3%	75.7%	
Gross profit	17,100	17,850	-750
Gross profit margin	23.8%	24.3%	
SG&A expenses	15,300	15,850	-550
SG&A expense ratio	21.3%	21.6%	
Operating income	1,800	2,000	-200 (1)
Operating income margin	2.5%	2.7%	
Ordinary income	2,000	2,000	- (2)
Ordinary income margin	2.8%	2.7%	
Net income	1,700	1,300	400 (3)
Net income margin	2.4%	1.8%	

Main Points of Changes in Results Forecasts

(1) Net sales / Operating income

The forecasts were downgraded in consideration of the results in the first half, which were below forecasts (Net sales: 1,388 million yen less than the forecast; Operating income: 197 million yen less).

(2) Ordinary income

The ordinary income forecast remains unchanged in light of the downward revision of operating income and a rise in dividend income (of 276 million yen).

(3) Net income

The forecast increased given the effect of income taxes-deferred in the full year.



* 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.