

# Summary of Consolidated Financial Results for the First Half of Fiscal Year ending March 31, 2011 (Japanese Accounting Standards)



November 5, 2010

Listed Company Name: **富士ソフト株式会社** Listing Exchanges: Tokyo Stock Exchange

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): November 11, 2010

Scheduled date of dividend payment: December 10, 2010

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes

(Figures less than one million yen are omitted)

## 1. Consolidated Business Results for the Six Months ended September 30, 2010 (April 1, 2010 – September 30, 2010)

### (1) Consolidated operating results (cumulative total) (Percentages represent year-on-year changes)

|                       | Net sales   |       | Operating income |       | Ordinary income |       | Net income  |      |
|-----------------------|-------------|-------|------------------|-------|-----------------|-------|-------------|------|
|                       | Million yen | %     | Million yen      | %     | Million yen     | %     | Million yen | %    |
| Six months ended 9/10 | 66,824      | -7.7  | 1,526            | -6.7  | 1,575           | -2.5  | 1,291       | 2.9  |
| Six months ended 9/09 | 72,432      | -13.0 | 1,636            | -58.2 | 1,616           | -54.3 | 1,254       | 10.4 |

|                       | Net income per share | Net income per share/diluted |
|-----------------------|----------------------|------------------------------|
|                       | Yen                  | Yen                          |
| Six months ended 9/10 | 40.50                | —                            |
| Six months ended 9/09 | 39.36                | —                            |

### (2) Consolidated financial position

|                       | Total assets | Net assets  | Equity ratio | Net assets per share |
|-----------------------|--------------|-------------|--------------|----------------------|
|                       | Million yen  | Million yen | %            | Yen                  |
| Six months ended 9/10 | 165,030      | 83,390      | 44.0         | 2,278.93             |
| Year ended 3/10       | 168,850      | 83,297      | 42.8         | 2,267.85             |

(Reference) Shareholders' equity (million yen): Six months ended 9/10: 72,664 Year ended 3/10: 72,311

## 2. Dividends

| (Record date)               | Dividend per share   |                       |                      |              |              |
|-----------------------------|----------------------|-----------------------|----------------------|--------------|--------------|
|                             | End of first quarter | End of interim period | End of third quarter | Year end     | Annual       |
| Year ended 3/10             | Yen<br>—             | Yen<br>5.00           | Yen<br>—             | Yen<br>10.00 | Yen<br>15.00 |
| Year ending 3/11            | —                    | 10.00                 | —                    | —            | —            |
| Year ending 3/11 (forecast) | —                    | —                     | —                    | 10.00        | 20.00        |

(Note) Revision of dividend forecast in the second quarter under review: None

## 3. Forecast for Consolidated Business Results for the Fiscal Year Ending March 31, 2011

(Apr. 1, 2010 – Mar. 31, 2011)

(Percentages represent changes from the same period of previous fiscal year)

|           | Net sales   |      | Operating income |      | Ordinary income |      | Net income  |       | Net income per share |
|-----------|-------------|------|------------------|------|-----------------|------|-------------|-------|----------------------|
|           | Million yen | %    | Million yen      | %    | Million yen     | %    | Million yen | %     | Yen                  |
| Full year | 137,000     | -3.3 | 4,300            | 30.6 | 4,500           | 25.2 | 2,700       | -27.2 | 84.68                |

(Note) Revision of consolidated results forecast in the second quarter under review: Yes

4. Other (For details, please refer to “Other Information” on page 4 of the accompanying materials.)

(1) Changes in consolidated subsidiaries during the period: None

(Note) Any changes in specific subsidiaries accompanied by a change in the scope of consolidation during the quarter under review

(2) Adoption of simplified accounting methods and special accounting treatment: Yes

(Note) Adoption of simplified accounting methods or accounting methods unique to the preparation of quarterly consolidated financial statements

(3) Changes in accounting principles, procedures and presentation methods

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

(Note) Any changes in the policies, procedures, or presentation method of the accounting methods for the preparation of quarterly consolidated financial statements included in “Changes in the basis for preparing quarterly consolidated financial statements”

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury stock):

|       |                      |                  |                      |
|-------|----------------------|------------------|----------------------|
| 9/10: | 35,746,329<br>shares | Year ended 3/10: | 35,746,329<br>shares |
|-------|----------------------|------------------|----------------------|

2) Number of treasury stock at the end of period

|       |                     |                  |                     |
|-------|---------------------|------------------|---------------------|
| 9/10: | 3,861,017<br>shares | Year ended 3/10: | 3,860,908<br>shares |
|-------|---------------------|------------------|---------------------|

3) Average number of shares during the period (quarterly consolidated cumulative period)

|       |                      |       |                      |
|-------|----------------------|-------|----------------------|
| 9/10: | 31,885,372<br>shares | 9/09: | 31,885,985<br>shares |
|-------|----------------------|-------|----------------------|

\* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have not been reviewed at the time of the announcement of this financial summary.

\* Cautionary statement with respect to forward-looking statements

The above forecast has been prepared based on data available on the announcement date. Since the data contains uncertainties, actual results may differ materially from the projections above due to changes in business performance and other factors.

For assumptions concerning financial forecasts, please refer to 1. Qualitative Information on Consolidated Results, etc. for the First Half Ended September 30, 2010, (3) Qualitative information on the consolidated financial forecasts on page 4 of the accompanying materials.

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## 1. Qualitative Information on Consolidated Results, etc. for the First Half Ended September 30, 2010

### (1) Qualitative information on consolidated results

During the first half of the consolidated fiscal year under review, the Japanese economy showed signs of a gradual improvement in the employment and income situations, and a recovery in corporate earnings, reflecting revived exports. However, the outlook remained uncertain, given concerns such as the sharp appreciation of the yen and a slowdown in overseas economies.

In the IT industry, there was also a sign of a recovery in orders in certain sectors, partly in reaction to corporate reluctance to make capital investments. However, the business environment remained severe, reflecting customers' continued conservative stance on investments and their cost focus, as well as growing price competition with competitors.

In this environment, under its five pillars strategy (strengthening the foundations of the contract business, becoming a prime vendor, productization, globalization, and bolstering Group capabilities), the FUJISOFT Group took steps to achieve its management policy, reinforcing the stable revenue base and securing engines for growth.

In business activities, to strengthen the foundations of the contract business, the Group focused on project management (evaluating the appropriateness of quotations, understanding risks in advance, and continually monitoring high-risk contract projects). It also strove to bolster earnings by achieving a steady product quality and low costs through the standardization and the streamlining of development operations by adopting common frameworks.

As for initiatives to become a prime vendor and accelerate productization, in light of the growing use of AndroidOS in embedded equipment, the Group developed and started selling FSDTV Mobile for Android, a software package that enables One Seg functions in information electric appliances, such as smartphones, portable car navigation (PND) systems, tablet PCs, and notebook PCs, which are expected to use AndroidOS. In developing applications that have been rapidly growing on the back of the expansion of the smartphone market, the Group began to provide services that fully manage the production of applications that distribute video clips to iPhone and iPad. It also provided services for the distribution of information using ULEXIT Solution, a content distribution technology developed by the Company and used in Minnano Theater Wii, the video distribution software for Wii, the home-use game console of Nintendo.

In the cloud business, the Group once again this year held the FUJISOFT Solution Seminar, the theme of which was cloud computing, and actively promoted the cloud business, which is rapidly growing as a tool that improves investment efficiency and business competitiveness. The Group also developed private cloud foundations to provide unique cloud services, including FSSaaBIS, which combines SaaS and virtualization. It began providing these services in October 2010.

PALRO, a humanoid robot that the Group started to sell to educational institutions in March 2010, was exhibited at Expo 2010 Shanghai. The Group expects to introduce new functions and release system software that boosts the performance of PALRO in the future. Through these initiatives, the Group aims to continue to develop new businesses that encourage the use of the robot technologies incorporated in PALRO in other embedded equipment.

In an effort to accelerate globalization, the Group took steps to expand its operations with a focus on emerging economies, mainly in the Asian market.

To reinforce Group capabilities, the Group focused on the expansion of the existing businesses as the continued initiatives from the previous fiscal year by streamlining management resources and promoting cross sell. It will also seek to promote inter-group businesses in the cloud business, as described above, in the future.

As a result of these initiatives, net sales for the first half of the consolidated fiscal year under review stood at 66,824 million yen, down 7.7% year on year, given a decline in the demand for IT from customers, and the severe management environment. Operating income fell 6.7% year on year, to 1,526 million yen, and ordinary income declined 2.5%, to 1,575 million yen, reflecting a decline in sales, despite the recording of selling, general, and administrative expenses of 13,886 million yen, a decline of 2.8% from the same period of the previous fiscal year, mainly reflecting cost-cutting initiatives.

Net income rose 2.9% year on year, to 1,291 million yen, primarily reflecting income taxes-deferred.

Results by business segment were as follows:

(i) SI business

In the SI business, sales of operation software from the financial sector increased, but demand from the distribution sector declined. Meanwhile, sales of embedded software for telecommunications control systems decreased. System maintenance and management services also declined, reflecting the completion of a large-scale project by a subsidiary of the Company. Sales also fell, due to the effects of the termination of the mainstay software sales agency operations in the previous year.

As a result, net sales of this business segment amounted to 61,534 million yen, and operating income stood at 1,216 million yen.

(ii) Facility business

In the Facility business, net sales were 1,081 million yen, and operating income came to 350 million yen, reflecting rent income from office buildings owned by the Company and certain subsidiaries.

(iii) Other businesses

Sales were 4,208 million yen, reflecting revenues in the data entry business, contact center business, and temporary staff dispatch business. An operating loss of 41 million yen was posted, attributable primarily to falls in the profit margin in the data entry business and contact center business.

(2) Qualitative information on the consolidated financial position

(Assets)

Total assets stood at 165,030 million yen at the end of the first half under review, down 3,820 million yen from the end of the preceding consolidated fiscal year. Current assets were 50,986 million yen (down 4,319 million yen from the end of the previous fiscal year), and noncurrent assets were 114,043 million yen (rose 498 million yen).

Main factors in the change in current assets included cash and deposits of 15,124 million yen, falling 1,616 million yen from the end of the preceding consolidated fiscal year, notes and accounts receivable-trade of 25,990 million yen, a decline of 1,224 million yen, and work in process of 1,799 million yen, a fall of 700 million yen.

The main factors of the change in noncurrent assets included software, intangible assets, of 7,424 million yen, rising 499 million yen, from the end of the preceding consolidated fiscal year.

(Liabilities)

At the end of the first half under review, total liabilities amounted to 81,640 million yen, down 3,912 million yen from the end of the preceding fiscal year. Current liabilities were 49,877 million yen (falling 2,585 million yen from the end of the previous fiscal year), and noncurrent liabilities were 31,763 million yen (declining 1,327 million yen).

Primary factors in the change in current liabilities included accounts payable-trade of 6,294 million yen, down 2,407 million yen.

The decrease in noncurrent liabilities was mainly because of long-term loans payable of 22,975 million yen, falling 1,227 million yen.

(Net assets)

Net assets rose 92 million yen from the end of the preceding fiscal year, to 83,390 million yen at the end of the first half under review. The equity ratio rose to 44.0%, up from 42.8% at the end of the previous fiscal year.

(Cash flows)

Consolidated cash and cash equivalents (“cash”) at the end of the first half under review were 15,091 million yen, a decrease of 1,595 million yen from the end of the previous fiscal year.

Cash flows by activity were as follows:

(i) Cash flows from operating activities

Net cash provided by operating activities stood at 4,824 million yen, an increase of 599 million yen in the inflow compared with a year ago.

The principal factors included income before income taxes and minority interests of 1,689 million yen (declining 895 million yen year on year), depreciation and amortization of 3,472 million yen (rising 232 million yen from a year earlier), a decrease in inventories of 849 million yen (a fall of 2,184 million yen in the outflow from a year earlier), and a decrease in notes and accounts payable-trade of 2,432 million yen (a rise of 840 million yen in the outflow year on year).

(ii) Cash flows from investment activities

Net cash used in investing activities was 5,276 million yen, an increase of 99 million yen in the outflow from a year ago.

The principal factors were payments of 3,783 million yen for the purchase of property, plant and equipment and intangible assets (a rise of 140 million yen in the outflow recorded in the previous year), and payments of 1,239 million yen for the acquisition of investment securities (up 1,208 million yen in the outflow year on year).

(iii) Cash flows from financing activities

Net cash used in financing activities was 1,193 million yen, a decrease of 4,701 million yen in the outflow from the previous fiscal year.

The principal factors included proceeds of 28,162 million yen from short-term and long-term loans payable (a decrease of 17,137 million yen in the inflow) and repayment of 28,388 million yen of short-term and long-term loans payable (a decline of 21,975 million yen in the outflow).

(3) Qualitative information on the consolidated financial forecasts

For the full-year results forecasts for the fiscal year ending March 2011, please refer to the “Notice of Differences Between Business Forecasts for the First Half of the Fiscal Year Ending March 31, 2011 and Actual Results and Revision of Full-Year Forecasts,” which was separately announced today.

## 2. Other Information

(1) Changes in important subsidiaries (changes in specific subsidiaries accompanied by a change in the scope of consolidation)

Not applicable.

(2) Adoption of simplified accounting methods and special accounting treatment

(i) Simplified accounting methods

Computation method for depreciation of fixed assets

A depreciation of fixed assets that are accounted for using the declining balance method for a fiscal year is divided into each quarter proportionally.

(ii) Accounting methods unique to the preparation of quarterly consolidated financial statements

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of an effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year and multiply quarterly income before income taxes by the estimated effective tax rate.

(3) Changes in accounting policies and procedures and the method of presentation

(i) Application of the Accounting Standards for Asset Retirement Obligations

The Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) were applied from the first quarter of this fiscal year.

As a result of the applications, operating income and ordinary income for the first half under review decreased 2,964,000 yen, and income before income taxes declined 13,973,000 yen. The amount of change in asset retirement obligations due to the application of the accounting standard and guidance was 11,314,000 yen.

(ii) Application of the Accounting Standard for Business Combinations

The Accounting Standard for Business Combinations (ASBJ Statement No. 21 on December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23 on December 26, 2008), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 on December 26, 2008), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 on December 26, 2008), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 on December 26, 2008) were applied from the first quarter of this fiscal year.

(iii) Changes in presentation methods

(First-half consolidated income statement)

1. With the application of the Cabinet Office Ordinance Partially Revising Regulations on Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 5 on March 24, 2009) under the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008), “income before minority interests” is included in the consolidated statement of income for the first half under review.
2. Because “cancellation income for system services,” which was included in “other” of “non-operating income” in the previous first half, has become more significant, it is presented as a separate item for the first half under review.  
“Cancellation income for system services” included in “non-operating income” for the previous first half was 44,946,000 yen.
3. Because “cancellation loss for system services,” which was included in “other” of “non-operating expenses” in the previous first half, has become more significant, it is presented as a separate item for the first half under review.  
“Cancellation loss for system services” included in “non-operating expenses” for the previous first half was 15,361,000 yen.

(First- half consolidated cash flow statement)

Because “purchases of treasury stock,” which was posted as a separate item in the previous first half, has become less significant (-157,000 yen for the first half under review), it is included in “other” in net cash used in financing activities for the first half under review.

## 3. Consolidated Financial Statements

## (1) Consolidated balance sheet

|  | (Thousand yen)                          |  |
|--|---|--|
|  | H1 FY2010<br>(As of September 30, 2010) | FY2009 Summary<br>(As of March 31, 2010) |
| <b>Assets</b>                              |   |  |
| <b>Current assets</b>                      |   |  |
| Cash and deposits                          | 15,124,889                              | 16,741,043                               |
| Notes and accounts receivable-trade        | 25,990,150                              | 27,215,028                               |
| Short-term investment securities           | 301,991                                 | 315,471                                  |
| Merchandise                                | 219,502                                 | 295,422                                  |
| Work in process                            | 1,799,123                               | 2,499,806                                |
| Raw materials and supplies                 | 28,828                                  | 34,294                                   |
| Other                                      | 7,545,195                               | 8,269,551                                |
| Allowance for doubtful accounts            | -22,747                                 | -64,543                                  |
| <b>Total current assets</b>                | <b>50,986,934</b>                       | <b>55,306,076</b>                        |
| <b>Noncurrent assets</b>                   |   |  |
| <b>Property, plant and equipment</b>       |   |  |
| Buildings and structures                   | 56,669,319                              | 56,993,628                               |
| Accumulated depreciation                   | -16,837,249                             | -16,204,238                              |
| <b>Buildings and structures, net</b>       | <b>39,832,070</b>                       | <b>40,789,390</b>                        |
| Land                                       | 30,415,744                              | 30,415,744                               |
| Construction in progress                   | 112,275                                 | 1,394,693                                |
| Other                                      | 16,320,753                              | 13,746,414                               |
| Accumulated depreciation                   | -8,613,631                              | -7,970,293                               |
| <b>Other, net</b>                          | <b>7,707,122</b>                        | <b>5,776,121</b>                         |
| <b>Total property, plant and equipment</b> | <b>78,067,213</b>                       | <b>78,375,949</b>                        |
| <b>Intangible assets</b>                   |   |  |
| Goodwill                                   | 4,861,969                               | 5,026,384                                |
| Software                                   | 7,424,221                               | 6,924,225                                |
| Other                                      | 454,971                                 | 473,855                                  |
| <b>Total intangible assets</b>             | <b>12,741,162</b>                       | <b>12,424,466</b>                        |
| <b>Investments and other assets</b>        |   |  |
| Investment securities                      | 15,842,648                              | 15,861,167                               |
| Other                                      | 7,468,536                               | 7,031,977                                |
| Allowance for doubtful accounts            | -76,082                                 | -148,810                                 |
| <b>Total investments and other assets</b>  | <b>23,235,102</b>                       | <b>22,744,334</b>                        |
| <b>Total noncurrent assets</b>             | <b>114,043,479</b>                      | <b>113,544,751</b>                       |
| <b>Total assets</b>                        | <b>165,030,413</b>                      | <b>168,850,827</b>                       |



|   | (Thousand yen)                          |  |
|---|---|--|
|   | H1 FY2010<br>(As of September 30, 2010) | FY2009 Summary<br>(As of March 31, 2010) |
| <b>Liabilities</b>                                    |   |  |
| <b>Current liabilities</b>                            |   |  |
| Accounts payable-trade                                | 6,294,007                               | 8,701,224                                |
| Short-term loans payable                              | 24,223,756                              | 23,983,466                               |
| Current portion of long-term loans payable            | 7,783,110                               | 7,233,004                                |
| Current portion of bonds                              | 123,200                                 | 118,400                                  |
| Accrued expenses                                      | 5,762,654                               | 5,854,856                                |
| Income taxes payable                                  | 295,088                                 | 702,516                                  |
| Provision for directors' bonuses                      | 45,162                                  | 146,105                                  |
| Provision for loss on construction contracts          | 40,296                                  | 122,328                                  |
| Other   | 5,309,862                               | 5,600,728                                |
| <b>Total current liabilities</b>                      | <b>49,877,138</b>                       | <b>52,462,630</b>                        |
| <b>Noncurrent liabilities</b>                         |   |  |
| Bonds payable   | 20,000                                  | 59,000                                   |
| Long-term loans payable                               | 22,975,121                              | 24,202,331                               |
| Provision for retirement benefits                     | 4,972,228                               | 4,840,582                                |
| Provision for directors' retirement benefits          | 405,362                                 | 460,992                                  |
| Other   | 3,390,443                               | 3,527,634                                |
| <b>Total noncurrent liabilities</b>                   | <b>31,763,155</b>                       | <b>33,090,541</b>                        |
| <b>Total liabilities</b>                              | <b>81,640,293</b>                       | <b>85,553,171</b>                        |
| <b>Net assets</b>                                     |   |  |
| <b>Shareholders' equity</b>                           |   |  |
| Capital stock   | 26,200,289                              | 26,200,289                               |
| Capital surplus                                       | 28,438,965                              | 28,438,965                               |
| Retained earnings                                     | 35,552,869                              | 34,598,277                               |
| Treasury stock  | -8,101,167                              | -8,101,010                               |
| <b>Total shareholders' equity</b>                     | <b>82,090,956</b>                       | <b>81,136,521</b>                        |
| <b>Valuation and translation adjustments</b>          |   |  |
| Valuation difference on available-for-sale securities | -296,812                                | 262,753                                  |
| Deferred gains or losses on hedges                    | -2,456                                  | 7,993                                    |
| Revaluation reserve for land                          | -9,051,263                              | -9,051,263                               |
| Foreign currency translation adjustment               | -76,044                                 | -44,626                                  |
| <b>Total valuation and translation adjustments</b>    | <b>-9,426,577</b>                       | <b>-8,825,142</b>                        |
| Subscription rights to shares                         | 106,202                                 | 95,886                                   |
| Minority interests                                    | 10,619,538                              | 10,890,390                               |
| <b>Total net assets</b>                               | <b>83,390,120</b>                       | <b>83,297,655</b>                        |
| <b>Total liabilities and net assets</b>               | <b>165,030,413</b>                      | <b>168,850,827</b>                       |

## (2) Consolidated income statement

## Consolidated first half results

(Thousand yen)

|  | H1 FY2009<br>(From April 1, 2009<br>to September 30, 2009) | H1 FY2010<br>(From April 1, 2010<br>to September 30, 2010) |
|--|--|--|
| Net sales  | 72,432,161   | 66,824,584   |
| Cost of sales  | 56,512,065   | 51,412,259   |
| Gross profit   | 15,920,096   | 15,412,324   |
| Selling, general and administrative expenses   | 14,284,090   | 13,886,091   |
| Operating income   | 1,636,006  | 1,526,232  |
| Non-operating income   |  |  |
| Interest income  | 8,956  | 5,626  |
| Dividends income   | 40,829   | 29,270   |
| Foreign exchange gains   | 107,340  | –  |
| Equity in earnings of affiliates   | 151,073  | 134,044  |
| Rent income  | 17,354   | –  |
| Cancellation income for system services  | –  | 906,193  |
| Other  | 238,750  | 316,134  |
| Total non-operating income   | 564,305  | 1,391,268  |
| Non-operating expenses   |  |  |
| Interest expenses  | 457,361  | 420,615  |
| Cancellation loss for system services  | –  | 853,879  |
| Foreign exchange losses  | –  | 41,477   |
| Other  | 126,618  | 25,778   |
| Total non-operating expenses   | 583,980  | 1,341,751  |
| Ordinary income  | 1,616,331  | 1,575,750  |
| Extraordinary income   |  |  |
| Gain on sales of investment securities   | 314,435  | 166,964  |
| Insurance premiums refunded cancellation   | –  | 1,251  |
| Compensation income  | 800,000  | –  |
| Gain on reversal of office transfer expenses   | –  | 9,296  |
| Gain on negative goodwill  | –  | 18,587   |
| Total extraordinary income   | 1,114,435  | 196,099  |
| Extraordinary loss   |  |  |
| Loss on liquidation of subsidiaries and affiliates                                     | 66,931   | –  |
| Office transfer expenses   | –  | 71,563   |
| Amortization of goodwill   | 8,746  | –  |
| Provision of allowance for doubtful accounts   | 70,689   | –  |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | –  | 11,008   |
| Total extraordinary loss   | 146,367  | 82,572   |
| Income before income taxes   | 2,584,399  | 1,689,277  |
| Income taxes-current   | 1,114,986  | 80,588   |
| Income taxes-deferred  | -318,207   | 57,941   |
| Total income taxes   | 796,779  | 138,530  |
| Income before minority interests   | –  | 1,550,746  |
| Minority interests in income   | 532,648  | 259,236  |
| Net income   | 1,254,971  | 1,291,509  |

## (3) Consolidated cash flow statement

|  | (Thousand yen)   |  |
|--|--|--|
|  | H1 FY2009<br>(From April 1, 2009<br>to September 30, 2009) | H1 FY2010<br>(From April 1, 2010<br>to September 30, 2010) |
| Net cash provided by operating activities                                |  |  |
| Income before income taxes   | 2,584,399  | 1,689,277  |
| Depreciation and amortization  | 3,240,476  | 3,472,682  |
| Amortization of goodwill   | 571,910  | 593,738  |
| Increase (decrease) in provision for retirement benefits                 | 82,039   | 154,292  |
| Interest expenses  | 457,361  | 420,615  |
| Loss (gain) on sales of investment securities                            | -314,435   | -166,964   |
| Decrease (increase) in notes and accounts receivable-trade               | 5,283,372  | 1,108,825  |
| Decrease (increase) in inventories                                       | -1,334,762   | 849,808  |
| Increase (decrease) in notes and accounts payable-trade                  | -1,591,449   | -2,432,322   |
| Increase (decrease) in accounts payable-labor cost                       | -3,488,891   | -370,136   |
| Increase (decrease) in accrued consumption taxes                         | -720,766   | -330,520   |
| Decrease (increase) in long-term prepaid expenses                        | -179,700   | -160,331   |
| Increase (decrease) in provision for loss on construction contracts      | 1,581,061  | -82,031  |
| Other  | -1,327,459   | 1,030,139  |
| Subtotal   | 4,843,156  | 5,777,071  |
| Proceeds from compensation   | 800,000  | -  |
| Interest and dividends income received                                   | 66,226   | 104,601  |
| Interest expenses paid   | -360,317   | -420,508   |
| Income taxes paid  | -1,123,197   | -636,212   |
| Net cash provided by operating activities                                | 4,225,868  | 4,824,951  |
| Net cash used in investing activities                                    |  |  |
| Purchase of property, plant and equipment                                | -1,973,706   | -1,585,845   |
| Purchase of intangible assets  | -1,669,647   | -2,197,550   |
| Proceeds from sales of short-term investment securities                  | 800,000  | 542  |
| Purchase of investment securities  | -30,500  | -1,239,420   |
| Proceeds from sales of investment securities                             | 1,167,037  | 574,797  |
| Payments for purchase of new subsidiaries                                | -3,364,468   | -820,595   |
| Proceeds from purchase of new subsidiaries                               | 80,994   | -  |
| Other  | -187,403   | -8,807   |
| Net cash used in investing activities                                    | -5,177,694   | -5,276,879   |
| Net cash used in financing activities                                    |  |  |
| Increase in short-term loans payable                                     | 25,100,000   | 25,162,090   |
| Decrease in short-term loans payable                                     | -48,571,123  | -24,741,800  |
| Proceeds from long-term loans payable                                    | 20,200,000   | 3,000,000  |
| Repayment of long-term loans payable                                     | -1,793,397   | -3,647,104   |
| Purchase of treasury stock   | -574   | -  |
| Cash dividends paid  | -488,300   | -318,317   |
| Cash dividends paid to minority shareholders                             | -188,908   | -368,614   |
| Other  | -153,276   | -280,241   |
| Net cash used in financing activities                                    | -5,895,579   | -1,193,987   |
| Effect of exchange rate change on cash and cash equivalents              | -18,387  | -35,250  |
| Net increase (decrease) in cash and cash equivalents                     | -6,865,793   | -1,681,165   |
| Cash and cash equivalents at beginning of period                         | 25,465,345   | 16,687,266   |
| Increase in cash and cash equivalents from newly consolidated subsidiary | -  | 85,174   |
| Cash and cash equivalents at end of period                               | 18,599,552   | 15,091,275   |

## (4) Note on going concern assumptions

Not applicable.

## (5) Segment information

[Segment information by business type]

H1 FY2009 (From April 1, 2009 to September 30, 2009)

(Thousand yen)

|                                      | Software development related business | Outsourcing business | Other businesses | Total      | Eliminations or corporate | Consolidation |
|--------------------------------------|---------------------------------------|----------------------|------------------|------------|---------------------------|---------------|
| Net sales                            |                                       |                      |                  |            |                           |               |
| (1) Sales to outside customers       | 57,404,589                            | 12,944,769           | 2,082,802        | 72,432,161 | –                         | 72,432,161    |
| (2) Inter-segment sales or transfers | 1,860                                 | 221,465              | 580,382          | 803,708    | (803,708)                 | –             |
| Total                                | 57,406,449                            | 13,166,235           | 2,663,185        | 73,235,870 | (803,708)                 | 72,432,161    |
| Operating income                     | 605,792                               | 291,520              | 738,544          | 1,635,857  | 149                       | 1,636,006     |

Notes: 1. Business is classified based on the classification adopted for internal management.

2. Description of each business

(1) Software development related business

Contract software development of telecommunication control systems, machine control systems, operating systems and operation applications used in different industries, quality evaluation and control support, consulting, product development and sales, and design, manufacture, sales and other activities of personal computer related devices

(2) Outsourcing business

System maintenance and operations, data entry and helpdesk services, etc.

(3) Other businesses

Real-estate rental business, temporary staff dispatch business, etc.

3. Change in accounting policies

(1) Starting the first quarter, the Company is applying the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15 released on December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 released on December 27, 2007). With the application, sales in the software development business increased 1,887,408,000 yen, and operating income, ordinary income, and income before income taxes and minority interests rose 519,666,000 yen each.

(2) Starting the first quarter, the Company is adding the real-estate rental business to “Other businesses.” As a result, sales (before the deduction of inter-segment sales or transfers) and operating income in “other businesses” increased 1,494,769,000 yen and 717,755,000 yen, respectively.

[Geographical segment information]

H1 FY2009 (From April 1, 2009 to September 30, 2009)

Since sales in Japan accounted for more than 90% of total sales in all segments, a description of geographical segment information is omitted.

[Overseas sales]

H1 FY2009 (From April 1, 2009 to September 30, 2009)

As overseas net sales account for less than 10% of consolidated net sales, the posting of information about overseas net sales is omitted.

## [Segment information]

## 1. Overview of reported segments

The reported segments of the Group are its constituents for which separate financial information is available and which the Board of Directors regularly examines to determine the distribution of management resources and evaluate performance.

The Group consists of two service units, or reported segments: the SI (system integration) business and the facility business.

## - SI (system integration) business

Overall system integration including contract software development of telecommunication control systems, machine control systems, and operating systems, contract software development of business applications used in different industries, quality evaluation and control support, consulting, development and sale of products, design, production, and sale of personal computer-related devices, and systems maintenance and operations services

## - Facility business

The leasing of office buildings that the Company and certain consolidated subsidiaries own

## 2. Information on sales and profit and loss by reported segment

H1 FY2010 (From April 1, 2010 to September 30, 2010)

(Thousand yen)

|   | Reported segments |                      |            | Others<br>(Note 1) | Total      | Adjustment<br>(Note 2) | Amount on<br>consolidated<br>statement of<br>income |
|---|-------------------|----------------------|------------|--------------------|------------|------------------------|---|
|   | SI business       | Facility<br>business | Total      |                    |            |                        |   |
| Net sales                               |                   |                      |            |                    |            |                        |   |
| (1) Sales to outside<br>customers       | 61,534,672        | 1,081,330            | 62,616,003 | 4,208,580          | 66,824,584 | –                      | 66,824,584  |
| (2) Inter-segment<br>sales or transfers | 26,742            | 443,382              | 470,125    | 581,251            | 1,051,376  | (1,051,376)            | –   |
| Total                                   | 61,561,415        | 1,524,713            | 63,086,128 | 4,789,832          | 67,875,960 | (1,051,376)            | 66,824,584  |
| Segment profit (loss)                   | 1,216,886         | 350,917              | 1,567,804  | -41,542            | 1,526,262  | (29)                   | 1,526,232   |

Notes: 1. “Others” is a business segment that is not included in the reported segments and includes the data entry business, contact center business and temporary staff dispatch business etc.

2. An adjustment of segment profit of minus 29,000 yen includes an elimination of inter-segment transactions of minus 29,000 yen.

3. The segment profit has been adjusted to the operating income stated in the quarterly consolidated income statement.

## (Additional information)

Starting the first quarter of this fiscal year, the Company is applying the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards of Japan Statement No. 17 issued on March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 issued on March 21, 2008).

## (6) Note when there is a considerable change in the amount of shareholders' equity

Not applicable.

#### 4. Complementary Information

##### Production, Orders, and Sales Situations

##### (1) Production performance

The table below shows production performance by business segment in the first half under review.

| Segment by business type | Amount (thousand yen) | Year on year (%) |
|--------------------------|-----------------------|------------------|
| SI business              | 46,781,632            | —                |
| Facility business        | 513,920               | —                |
| Other                    | 4,116,706             | —                |
| Total                    | 51,412,259            | —                |

- Notes
1. Inter-segment transactions were canceled out.
  2. The amount is calculated based on the manufacturing cost.
  3. Amounts are not inclusive of the consumption tax.

##### (2) Orders

The table below shows orders received by business segment in the first half under review.

| Segment by business type | Amount of orders (thousand yen) | Year on year (%) | Outstanding balance of orders (thousand yen) | Year on year (%) |
|--------------------------|---------------------------------|------------------|--|------------------|
| SI business              | 57,660,245                      | —                | 32,537,398                                   | —                |
| Facility business        | 1,153,487                       | —                | 75,681                                       | —                |
| Other                    | 4,143,563                       | —                | 918,907                                      | —                |
| Total                    | 62,957,296                      | —                | 33,531,987                                   | —                |

- Notes
1. Inter-segment transactions were canceled out.
  2. Amounts are not inclusive of the consumption tax.

##### (3) Sales performance

The table below shows sales performance by business segment in the first half under review.

| Segment by business type | Amount (thousand yen) | Year on year (%) |
|--------------------------|-----------------------|------------------|
| SI business              | 61,534,672            | —                |
| Facility business        | 1,081,330             | —                |
| Other                    | 4,208,580             | —                |
| Total                    | 66,824,584            | —                |

- Notes
1. Inter-segment transactions were canceled out.
  2. Amounts are not inclusive of the consumption tax.
  3. Sales by major customer and the ratio of sales by major customer to total sales in the first half under review were omitted, since the ratio was less than 10%.