

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year ending December 31, 2014 (Japanese Accounting Standards)



May 13, 2014

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Listing Exchanges: Tokyo Stock Exchange

Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 14, 2014
 Scheduled date of dividend payment: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Three Months Ended March 31, 2014 (January 1, 2014 – March 31, 2014)

(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	%
Three months ended 3/14	39,154	–	2,253	–	2,206	–	1,246	–
Three months ended 6/13	34,235	-2.0	1,406	-26.8	2,011	10.5	1,684	432.4

(Note) Comprehensive income (million yen) Three months ended 3/14: 746 (–%)
 Three months ended 6/13: 2,389 (385.2%)

	Net income per share	Net income per share/diluted
	Yen	Yen
Three months ended 3/14	40.03	39.93
Three months ended 6/13	54.18	54.17

The Company has revised the settlement date from March 31 to December 31 from fiscal year 2013. Accordingly, year-on-year percentage changes are omitted, as the period of the previous first quarter (from April 1, 2013 to June 30, 2013) which would be compared is different from the first quarter under review (January 1, 2014 to March 31, 2014). (In the previous first quarter, the consolidated period of the Company and subsidiaries whose financial period ended on March 31 was the period from April 1, 2013 to June 30, 2013, and the consolidated period of subsidiaries whose financial period ended on December 31 was the period from January 1, 2013 to March 31, 2013.)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended 3/14	155,960	95,409	54.6
Year ended 12/13	154,522	95,072	54.9

Reference: Shareholders' equity (million yen) Three months ended 3/14: 85,101 Year ended 12/13: 84,806

2. Dividends

	Dividend per share				
	End of first quarter	End of interim period	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 12/13	–	14.00	–	7.00	21.00
Year ending 12/14	–	–	–	–	–
Year ending 12/14 (forecast)	–	14.00	–	14.00	28.00

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2014

(Jan. 1, 2014 – Dec. 31, 2014) (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second consolidated quarter (cumulative)	72,000	–	3,400	–	3,300	–	1,700	–	54.59
Full year	144,000	–	7,800	–	7,700	–	4,300	–	138.09

(Note) Revisions to forecast for consolidated business results published most recently: No

The Company has changed its settlement date, and the previous fiscal year is nine months from April 1, 2013 to December 31, 2013. The table above thus does not include year-on-year percentage changes.

* Notes

(1) Important changes in subsidiaries during this quarter (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principles and changes or restatement of accounting estimates

- (i) Changes in accounting principles due to amendment of accounting standards, etc.: Not applicable
- (ii) Changes in accounting principles other than (i): Not applicable
- (iii) Changes in accounting estimates: Not applicable
- (iv) Restatement: Not applicable

(4) Number of outstanding shares (common shares)

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

3/14:	33,700,000 shares	Year ended 12/13:	33,700,000 shares
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2) Number of treasury shares at the end of period

3/14:	2,561,178 shares	Year ended 12/13:	2,560,948 shares
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3) Average number of shares during the period (quarterly consolidated cumulative period)

3/14:	31,138,952 shares	6/13:	31,090,341 shares
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* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. At the time of the announcement of this financial summary, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are complete.

* 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 for the First Quarter Ended March 31, 2014, (3) Information on the future outlook, including forecast for consolidated business results on page 3 of the accompanying materials.

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1. Qualitative Information on Consolidated Results for the First Quarter Ended March 31, 2014

(1) Details of consolidated results

	Net sales (billion yen)	Operating income (billion yen)	Ordinary income (billion yen)	Net income (billion yen)	Net income per share (yen)
Three months ended March 2014	39.1	2.2	2.2	1.2	40.03
Same period of previous fiscal year (Note 1)	36.0	1.9	2.5	1.5	48.21
Year-on-year percentage change	8.5%	14.7%	-14.8%	-17.2%	-17.0%
(Reference) First three months of the year ended December 2013 (Note 2)	34.2	1.4	2.0	1.6	54.18

Notes:

1. Same period of previous fiscal year is the same period of the previous fiscal year (from January 1, 2013 to March 31, 2013) corresponding to the first three months under review (from January 1, 2014 to March 31, 2014).
2. In the first quarter of the fiscal year ended December 31, 2013, the consolidated period of the Company and subsidiaries whose financial period ended on March 31 was the period from April 1, 2013 to June 30, 2013, and the consolidated period of subsidiaries whose financial period ended on December 31 was the period from January 1, 2013 to March 31, 2013.)

The operating results described below are compared with amounts for the same period of the previous fiscal year.

During the consolidated first quarter under review (from January 1, 2014 to March 31, 2014), the Japanese economy remained on a recovery path, with personal consumption, capital spending and the employment situation improving on the back of the government's policy measures and the last-minute surge in demand ahead of the consumption tax hike.

In this business environment, the FUJISOFT Group expanded sales in System Construction mainly in areas such as social infrastructure, finance, Internet business and auto control, offsetting decline in mobile phone development and linking the expansion into higher segment sales. There were also seasonal factors pushing up sales, such as the response to amendments to the Consumption Tax Law and services to support migration from Windows XP. Additionally, in Products and Services, large licensing business contracts were concluded and the Group continued to work on expanding sales of strategic products such as the communication robot PALRO, Mirai School Station, and moreNOTE.

In overseas operations, the Group's consolidated subsidiary VINX CORP. established/opened VINX VIETNAM Co., Ltd. in January 2014. The new subsidiary will function as a support base and development base for large general retailers in the ASEAN region.

Also, in Regenerative Medicine, a field that has long been a focus of the Group's research and development efforts, the Group established Fujisoft Tissue Engineering Co., Ltd. in February 2014, making the leap from research to business (manufacturing and sales and cell processing).

As a result of these initiatives, in the consolidated first-quarter under review, net sales stood at 39,154 million yen (up 8.5% year on year). Selling, general and administrative expenses rose 2.2% year on year to 6,612 million yen, and operating income was 2,253 million yen (up 14.7% year on year). Given the recording of share of loss of a financial services affiliate accounted for using equity method, ordinary income stood at 2,206 million yen (down 14.8% year on year), and net income amounted to 1,246 million yen (down 17.2%).

Results by business segment were as follows:

(i) SI (system integration) business

In the SI Business, sales of embedded/control software continued the previous year's downward trend, chiefly reflecting a decline in the sale of mobile software due to the effect of mobile business contraction among major customers, which outweighed strong orders mainly for auto-related and telecommunication control projects. Sales of operation software increased on the back of growth in the Internet business of FUJISOFT INCORPORATED and distribution development projects at VINX. In Products and Service, sales increased mainly due to a strong performance in the licensing business of FUJISOFT INCORPORATED. In the outsourcing business, sales fell, mainly reflecting the effects of the management integration of a major customer.

As a result, net sales stood at 36,411 million yen, up 7.9% year on year. Operating income was 2,080 million yen, climbing 19.5%.

* The following table shows a breakdown of net sales in the SI business.

(Thousand yen)		
	Net sales	YoY change (%)
SI business total	36,411,806	107.9
System construction	20,422,845	100.6
Embedded/control software	9,411,185	90.9
Operation software	11,011,660	110.8
Products and services	15,988,961	118.9
Products and services	11,186,565	132.3
Outsourcing	4,802,395	96.3

(ii) Facility business

Sales were 486 million yen, down 7.9% year on year, reflecting decline in rent income from office buildings owned by the Company and certain consolidated subsidiaries as a result of vacation by tenants. Operating income declined 55.4% year on year, to 55 million yen.

(iii) Other businesses

Sales were 2,255 million yen, up 23.5% year on year, reflecting revenues in the data entry business and contact center business. Other businesses produced operating income of 116 million yen, up 18.6% year on year.

(2) Details of financial position

(Total assets)

Total assets stood at 155,960 million yen at the end of the consolidated first quarter under review, up 1,437 million yen from the end of the preceding consolidated fiscal year. Current assets were 54,342 million yen (up 2,434 million yen from the end of the previous fiscal year), and non-current assets were 101,618 million yen (down 997 million yen).

Important factors in the change in current assets included an increase in notes and accounts receivable - trade of 4,222 million yen from the end of the preceding consolidated fiscal year, to 32,482 million yen.

The main factors for the change in non-current assets included a decrease in buildings and structures of 301 million yen, to 35,020 million yen, due mainly to depreciation, and a 285 million yen decline in goodwill to 3,680 million yen.

(Liabilities)

At the end of the first quarter under review, total liabilities amounted to 60,551 million yen, up 1,100 million yen from the end of the previous fiscal year. Current liabilities were 45,367 million yen (rising 5,512 million yen from the end of the previous fiscal year), and non-current liabilities were 15,183 million yen (dropping 4,411 million yen).

Primary factors in the change of current liabilities included a 2,865 million yen increase in accounts payable - trade from the end of the previous fiscal year, to 10,298 million yen, a 3,933 million yen fall in short-term loans payable, to 1,929 million yen, a 3,000 million yen increase in commercial papers, to 7,000 million yen, and a 2,235 million yen increase in provision for bonuses, to 4,632 million yen

The main factor in the change in non-current liabilities was a 4,085 million yen fall in long-term loans payable, to 5,340 million yen.

(Net assets)

Net assets rose 337 million yen from the end of the preceding fiscal year, to 95,409 million yen at the end of the consolidated first quarter under review. As a result, the equity ratio fell to 54.6% from 54.9% at the end of the previous fiscal year.

(3) Information on the future outlook, including forecast for consolidated business results

The first-half and full-year results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2013 announced on February 13, 2014.

2. Matters Relating to Summary Information (Notes)

(1) Important changes in subsidiaries during this quarter

Not applicable.

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of the 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 principles and changes or restatement of accounting estimates

Not applicable.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

	(Thousand yen)	
	FY2013 (As of December 31, 2013)	Q1 FY2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	14,345,725	12,724,913
Notes and accounts receivable - trade	28,260,519	32,482,604
Short-term investment securities	2,302,205	2,200,021
Merchandise	270,467	708,122
Work in process	1,810,083	1,056,670
Raw materials and supplies	38,686	33,502
Other	4,916,143	5,158,975
Allowance for doubtful accounts	-36,394	-22,467
Total current assets	51,907,437	54,342,343
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,784,117	56,855,100
Accumulated depreciation	-21,462,708	-21,835,009
Buildings and structures, net	35,321,408	35,020,091
Land	30,415,744	30,415,744
Construction in progress	79,087	154,876
Other	15,321,201	15,148,850
Accumulated depreciation	-11,643,816	-11,676,821
Other, net	3,677,385	3,472,029
Total property, plant and equipment	69,493,626	69,062,742
Intangible assets		
Goodwill	3,965,908	3,680,103
Software	3,942,693	3,777,939
Other	192,390	191,068
Total intangible assets	8,100,993	7,649,112
Investments and other assets		
Investment securities	18,241,090	18,036,006
Net defined benefit asset	4,243,759	4,345,266
Other	2,573,484	2,562,616
Allowance for doubtful accounts	-37,658	-37,627
Total investments and other assets	25,020,675	24,906,262
Total non-current assets	102,615,295	101,618,117
Total assets	154,522,732	155,960,460

	(Thousand yen)	
	FY2013 (As of December 31, 2013)	Q1 FY2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	7,433,520	10,298,800
Short-term loans payable	5,862,270	1,929,200
Commercial papers	4,000,000	7,000,000
Current portion of long-term loans payable	9,645,058	11,166,176
Accrued expenses	3,349,520	2,659,131
Income taxes payable	275,376	1,508,118
Provision for bonuses	2,397,009	4,632,494
Provision for directors' bonuses	121,186	119,871
Provision for loss on construction contracts	79,963	120,548
Other	6,691,568	5,933,497
Total current liabilities	39,855,474	45,367,838
Non-current liabilities		
Long-term loans payable	9,426,177	5,340,241
Provision for directors' retirement benefits	293,938	288,375
Net defined benefit liability	5,032,272	5,041,949
Other	4,842,870	4,513,017
Total non-current liabilities	19,595,258	15,183,583
Total liabilities	59,450,732	60,551,422
Net assets		
Shareholders' equity		
Capital stock	26,200,289	26,200,289
Capital surplus	28,505,941	28,505,941
Retained earnings	39,546,398	40,457,219
Treasury shares	-5,176,648	-5,177,106
Total shareholders' equity	89,075,980	89,986,343
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,902,435	3,256,098
Deferred gains or losses on hedges	9,021	729
Revaluation reserve for land	-9,051,088	-9,051,088
Foreign currency translation adjustment	351,393	310,134
Remeasurements of defined benefit plans	518,317	598,918
Total accumulated other comprehensive income	-4,269,919	-4,885,207
Subscription rights to shares	21,082	23,720
Minority interests	10,244,856	10,284,181
Total net assets	95,072,000	95,409,037
Total liabilities and net assets	154,522,732	155,960,460

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

Consolidated first quarter results

(Thousand yen)

	Q1 FY2013 (From April 1, 2013 to June 30, 2013)	Q1 FY2014 (From January 1, 2014 to March 31, 2014)
Net sales	34,235,712	39,154,051
Cost of sales	26,246,904	30,288,196
Gross profit	7,988,807	8,865,855
Selling, general and administrative expenses	6,582,175	6,612,130
Operating income	1,406,632	2,253,725
Non-operating income		
Interest income	6,094	9,722
Dividends income	53,322	4,825
Share of profit of entities accounted for using equity method	546,106	–
Foreign exchange gains	–	20,366
Subsidy income	34,246	9,801
Grants	12,243	19,115
Cancellation income for system services	–	20,925
Other	92,361	8,031
Total non-operating income	744,375	92,789
Non-operating expenses		
Interest expenses	79,625	47,652
Share of loss of entities accounted for using equity method	–	13,034
Foreign exchange losses	35,404	–
Loss on compensation	–	52,030
Other	24,311	27,299
Total non-operating expenses	139,341	140,016
Ordinary income	2,011,666	2,206,497
Extraordinary income		
Gain on sales of investment securities	13,568	31,075
Gain on change in equity	455,926	–
Total extraordinary income	469,494	31,075
Extraordinary losses		
Loss on retirement of non-current assets	–	39,255
Office transfer expenses	–	10,473
Total extraordinary loss	–	49,729
Income before income taxes	2,481,160	2,187,843
Income taxes-current	698,162	1,471,283
Income taxes-deferred	-58,039	-716,026
Total income taxes	640,122	755,257
Income before minority interests	1,841,038	1,432,586
Minority interests in income	156,557	186,058
Net income	1,684,481	1,246,527

Consolidated statements of comprehensive income
 Consolidated first quarter results

(Thousand yen)

	Q1 FY2013 (From April 1, 2013 to June 30, 2013)	Q1 FY2014 (From January 1, 2014 to March 31, 2014)
Income before minority interests	1,841,038	1,432,586
Other comprehensive income		
Valuation difference on available-for-sale securities	356,186	-560,496
Deferred gains or losses on hedges	-7,752	-15,372
Foreign currency translation adjustment	243,972	-106,982
Remeasurements of defined benefit plans, net of tax	—	18,430
Share of other comprehensive income of entities accounted for using equity method	-44,124	-21,376
Total other comprehensive income	548,282	-685,797
Comprehensive income	2,389,320	746,789
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,122,367	632,291
Comprehensive income attributable to minority interests	266,952	114,498

(3) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

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

Not applicable.

(Segment Information)

[Segment Information]

I. Q1 FY2013 (From April 1, 2013 to June 30, 2013)

1. Information on Sales and Profit and Loss by Reported Segment

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	32,116,045	513,372	32,629,418	1,606,294	34,235,712	—	34,235,712
Inter-segment sales or transfers	12,802	162,233	175,036	268,685	443,722	-443,722	—
Total	32,128,848	675,606	32,804,455	1,874,979	34,679,434	-443,722	34,235,712
Segment profit	1,209,785	191,933	1,401,719	5,150	1,406,869	-237	1,406,632

Notes:

- “Others” is a business segment that is not included in the reported segments and includes the data entry business and contact center business etc.
- An adjustment of segment profit of minus 237,000 yen includes an elimination of inter-segment transactions of minus 237,000 yen.
- The segment profit has been adjusted to the operating income stated in the consolidated income statement.

2. Information on Impairment Loss in Fixed Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.

II. Q1 FY2014 (From January 1, 2014 to March 31, 2014)

1. Information on Sales and Profit and Loss by Reported Segment

(Thousand yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	36,411,806	486,999	36,898,806	2,255,245	39,154,051	—	39,154,051
Inter-segment sales or transfers	45,153	155,433	200,587	235,311	435,898	-435,898	—
Total	36,456,960	642,433	37,099,393	2,490,556	39,589,950	-435,898	39,154,051
Segment profit	2,080,835	55,931	2,136,767	116,365	2,253,132	592	2,253,725

Notes:

- “Others” is a business segment that is not included in the reported segments and includes the data entry business and contact center business etc.
- An adjustment of segment profit of 592,000 yen includes an elimination of inter-segment transactions of 592,000 yen.
- The segment profit has been adjusted to the operating income stated in the consolidated income statement.

2. Information on Impairment Loss in Fixed Assets and Goodwill by Reported Segment

The presentation of information has been omitted due to its lack of material significance.