



Results of Operations for the First Quarter of FY2014

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FUJISOFT INCORPORATED



Contents

- P. 3 Consolidated Financial Highlights
- P. 4 Sales/Operating Income by Major Companies of the Group
- P. 5 Consolidated Sales by Segment
- P. 6 Consolidated Income Statement
- P. 7 Consolidated Balance Sheet
- P. 8 Consolidated Cash Flow Statement
- P. 9 Orders and Order Backlogs for the Consolidated SI Business

From FY2013, the fiscal year end changed to December.

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

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



Consolidated Financial Highlights

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

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

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

◇ Operating income climbed 14.7% year on year, to ¥2,253 million, with decreased income at CYBERNET SYSTEMS offset by increased income at the Company and other major subsidiaries.

◇ Ordinary income and net income fell due to deterioration of equity in earnings of affiliates.

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



Sales/Operating Income by Major Companies of the Group

(Million yen)

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

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

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

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

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

● FUJISOFT INCORPORATED

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

● CYBERNET SYSTEMS Co., Ltd.

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

● VINX CORP.

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

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

● CYBER COM Co., Ltd.

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



Consolidated Sales by Segment

(Million yen)

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

Highlights of Sales by Segment

● Embedded/Control Software

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

● Products and Services

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

● Operation Software

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

● Outsourcing

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



Consolidated Income Statement

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

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

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

Points in Income Statement

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

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

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

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

(3) Share of (Profit) Loss of Entities

Accounted for Using Equity Method
(down 619 million yen)

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

(4) Extraordinary losses (down 650 million yen)

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



Consolidated Balance Sheet

(Million yen)

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

Points of the Balance Sheet

(1) Notes and accounts receivable – trade

(Increase of 4,222 million yen from the end of the previous fiscal term)

Accounts payable – trade

(Increase of 2,865 million yen from the end of the previous fiscal term)

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

(2) Short-term loans payable

(Decrease of 2,412 million yen from the end of the previous fiscal term)

Commercial papers

(Increase of 3,000 million yen from the end of the previous fiscal term)

Long-term loans payable

(Decrease of 4,085 million yen from the end of the previous fiscal term)

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



Consolidated Cash Flow Statement

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

Highlights of Cash Flows

● Cash flows from operating activities

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

● Cash flows from investing activities

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

● Cash flows from financing activities

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



Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

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

Highlights of Orders and Order Backlogs

● Highlights of orders

In the overall SI business, orders rose 6.8% year on year.

In Embedded/Control software in System Construction, orders in the mobile industry declined sharply due to the effect of mobile phone business contraction at major customers. In Operation Software, orders rose, reflecting growth in distribution business, Internet business and other Operation Software business .

Orders in Products and Services increased due to strong orders in the license business, despite the adverse effect of termination of a project for a major customer in Outsourcing at the Company.

● Highlights of order backlogs

Order backlogs in the overall SI Business declined 2.1% year on year.

In System Construction, order backlogs in Embedded/Control Software in the mobile industry fell sharply due to the effect of a decrease in orders from domestic mobile phone manufacturers. In Operation Software, orders rose significantly and, as a result, order backlogs also increased.

Order backlogs in Products and Services fell, with strong performances in areas such as the Company's cloud-related stock business not fully offsetting the effect of termination of a project for a major customer in Outsourcing.



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