



Results of Operations for the First Half of FY2014

August 7, 2014
FUJI SOFT INCORPORATED



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P. 11 Business Trends in the First Half

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 (from January 1, 2013 to June 30, 2013) corresponding to the second quarter under review (from January 1, 2014 to June 30, 2014).

* In the Summary of Consolidated Financial Results for the Second Quarter, percent increase/decrease over the same quarter of the previous year (%) is omitted, as the period of the previous second quarter (from April 1, 2013 to September 30, 2013) to be compared is different from the second 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 6.9% year on year, to ¥75,207 million, reflecting generally strong performances at the Company and at each consolidated subsidiary as in the first quarter.

Operating income rose, and ordinary income and net income fell due to a fall in the share of profit of entities accounted for using equity method.

- ◇ Operating income climbed 16.7% year on year, to ¥3,936 million, on increased income at the Company and VINX.
- ◇ Ordinary income and net income fell due to a decline in the share of profit of entities accounted for using the equity method.

	Jan.-Jun. 2013 Result	FY2014 H1 Result	YoY change (Amount)	YoY change (%)	FY2014 H1 Plan	(Million yen) Comparison with the plan
Net sales	70,328	75,207	+4,878	106.9%	72,000	104.5%
Operating income	3,372	3,936	+563	116.7%	3,400	115.8%
Operating income margin	4.8%	5.2%	+0.4		4.7%	
Ordinary income	4,601	4,161	-439	90.4%	3,300	126.1%
Ordinary income margin	6.5%	5.5%	-1.0		4.6%	
Net income	3,190	2,208	-982	69.2%	1,700	129.9%
Net income margin	4.5%	2.9%	-1.6		2.4%	



Sales/Operating Income by Major Companies of the Group

(Million yen)

	Net sales				Operating income			
	Jan.-Jun. 2013 Result	FY2014 H1 Result	YoY change (Amount)	YoY change (%)	Jan.-Jun. 2013 Result	FY2014 H1 Result	YoY change (Amount)	YoY change (%)
FUJISOFT INCORPORATED	41,252	44,425	+3,173	107.7%	1,895	2,110	+215	111.4%
CYBERNET SYSTEMS Co., Ltd.	7,784	8,409	+625	108.0%	673	664	-9	98.6%
VINX CORP.	14,158	14,075	-83	99.4%	525	797	+272	151.9%
CYBER COM Co., Ltd.	3,663	3,979	+315	108.6%	180	218	+38	121.3%

* Of the results of VINX CORP. for the previous fiscal year, results for the Jan.-Mar. quarter are a simple aggregation of the results of the 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 H1 Result column is the simple aggregation of the results for the forth quarter of FY2013 and the first quarter of FY2014.

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

● FUJISOFT INCORPORATED

Sales increased, with businesses related to automobiles, networking equipment, and the Internet, and the license business offsetting lower 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 orders for new large projects from educational institutions and growth in sales of mainstay structural analysis software mainly in the machinery manufacturing industry. Operating income declined due to an increase in SG&A expenses for strengthening sales overseas.

● VINX CORP.

Despite growth in business for specific customers, including customers overseas, sales fell slightly, reflecting sluggish growth in investments in systems at major customers.

Operating income increased with the strengthening of project management capabilities and increasing business efficiency thanks to the effects of business integration.

● CYBER COM Co., Ltd.

Both sales and operating income increased with the strong performance in software development in all fields—communications, control, and operation—and growth in server network construction projects.



Consolidated Sales by Segment

	Jan.-Jun. 2013 Results	Component ratio	FY2014 H1 Result	Component ratio	YoY change (Amount)	(Million yen) YoY change (%)
Total net sales	70,328	100.0%	75,207	100.0%	+4,878	106.9%
SI Business	65,853	93.6%	70,166	93.3%	+4,312	106.5%
System Construction	38,689	55.0%	39,123	52.0%	+434	101.1%
Embedded/Control Software	19,680	28.0%	18,532	24.6%	-1,147	94.2%
Operation Software	19,008	27.0%	20,591	27.4%	+1,582	108.3%
Products and Services	27,164	38.6%	31,042	41.3%	+3,878	114.3%
Products and Services	17,323	24.6%	21,593	28.7%	+4,269	124.6%
Outsourcing	9,841	14.0%	9,449	12.6%	-391	96.0%
Facility Business	1,042	1.5%	1,005	1.3%	-36	96.5%
Other Businesses	3,432	4.9%	4,034	5.4%	+602	117.5%

Highlights of Sales by Segment

● Embedded/Control Software

Sales declined 5.8% 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 networking equipment-related projects.

● Operation Software

Sales rose 8.3% year on year, reflecting growth in the Internet business and a year-on-year increase in almost all fields.

● Products and Services

Sales jumped 24.6% year on year mainly because of the strong performance in the Company's license business.

● Outsourcing

Sales declined 4% year on year chiefly due to the adverse effect of a major company's business integration.



Consolidated Income Statement

	Jan.-Jun. 2013 Results	FY2014 H1 Result	YoY change (Amount)	YoY change (%)	FY2014 H1 Plan	(Million yen) Comparison with the plan
Net sales	70,328	75,207	+4,878	106.9%	72,000	104.5%
Cost of sales	53,905	57,982	+4,076	107.6%	55,200	105.0%
Cost of sales margin	76.6%	77.1%	+ 0.4 (1)		76.7%	
Gross profit	16,422	17,225	+802	104.9%	16,800	102.5%
Gross profit margin	23.4%	22.9%	-0.4		23.3%	
SG&A expenses	13,050	13,289	+238 (2)	101.8%	13,400	99.2%
SG&A expense ratio	18.6%	17.7%	-0.9		18.6%	
Operating income	3,372	3,936	+563	116.7%	3,400	115.8%
Operating income margin	4.8%	5.2%	+ 0.4		4.7%	
Non-operating income	*1 337	*2 227	-109	67.6%	—	—
Non-operating expenses	260	167	-92	64.4%	—	—
Share of (profit) loss of entities accounted for using equity method	1,152	165	-987 (3)	14.4%	—	—
Ordinary income	4,601	4,161	-439	90.4%	3,300	126.1%
Ordinary income margin	6.5%	5.5%	-1.0		4.6%	
Extraordinary income	499	31	-468 (4)	6.2%	—	—
Extraordinary losses	700	104	-596 (5)	14.9%	—	—
Income before income taxes	4,400	4,088	-311	92.9%	—	—
Total income taxes	990	1,465	+475	148.0%	—	—
Minority interests in income	219	414	+195	189.1%	—	—
Net income	3,190	2,208	-982	69.2%	1,700	129.9%
Net income margin	4.5%	2.9%	-1.6		2.4%	

*1 Figures indicate those after excluding share of profit of entities accounted for using equity method (1,152 million yen).

*2 Figures indicate those after excluding share of profit of entities accounted for using equity method (165 million yen).

Points in Income Statement

[\(1\) Cost of sales margin \(+0.4 pt\)](#)

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

[\(2\) SG&A expenses \(up 238 million yen\)](#)

Administration expenses continued to be curbed, but selling expenses rose as the Company sought to bolster sales and expenses for training associated with hiring increased.

[\(3\) Share of \(Profit\) Loss of Entities](#)

[Accounted for Using Equity Method \(down 987 million yen\)](#)

Declined as a result of decreased profits at Ace Securities.

[\(4\) Extraordinary income \(down 468 million yen\)](#)

In the previous year, a gain on change in equity associated with the merger of subsidiaries (Vinx: 455 million yen) was recorded.

[\(5\) Extraordinary losses \(down 596 million yen\)](#)

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

	End of FY2013	End of Q2 of FY2014	(Million yen) Change (Amount)
Current assets	51,907	53,577	+1,670
Cash and deposits	14,345	15,071	+725
Notes and accounts receivable - trade	28,260	27,282	-977
Short-term investment securities	2,302	3,017	+714
Inventories	2,119	2,309	+189
Deferred tax assets	1,742	2,313	+571
Other	3,137	3,585	+445
Non-current assets	102,615	101,616	-998
Property, plant and equipment	69,493	68,566	-927
Intangible assets	8,100	7,391	-709
Investments and other assets	25,020	25,659	+638
Total assets	154,522	155,194	+671
Current liabilities	39,855	43,408	+3,552
Accounts payable - trade	7,433	8,773	+1,339 (1)
Short-term loans payable	15,507	11,364	-4142 (2)
Commercial papers	4,000	8,000	+4,000 (2)
Accrued expenses / provision for bonuses	5,746	6,752	+1,005
Income taxes payable	275	1,467	+1,192
Provision for loss on construction contracts	79	95	+15
Other	6,812	6,954	+142
Non-current liabilities	19,595	14,743	-4852
Long-term loans payable	9,426	4,582	-4843 (2)
Other	10,169	10,160	-8
Total liabilities	59,450	58,151	-1299
Total net assets	95,072	97,042	+1,970
Total liabilities and net assets	154,522	155,194	+671

Points of the Balance Sheet

(1) Accounts payable - trade

[\(Increase of 1,339 million yen from the end of the previous fiscal term\)](#)

Increased as a result of growth in license sales.

(2) Short-term loans payable

[\(Decrease of 4,142 million yen from the end of the previous fiscal term\)](#)

Commercial papers [\(Increase of 4,000 million yen from the end of the previous fiscal term\)](#)

Long-term loans payable [\(Decrease of 4,843 million yen from the end of the previous fiscal term\)](#)

Declined by 4,986 million yen in total as loans were repaid as scheduled.



Consolidated Cash Flow Statement

	Jan.-Jun. 2013 Results	(Million yen) FY2014 H1 Result
Cash flows from operating activities	7,246	9,115
Cash flows from investing activities	-695	-2988
Cash flows from financing activities	-5169	-5492
Effect of exchange rate change on cash and cash equivalents	178	-20
Net increase (decrease) in cash and cash equivalents	1,560	613
Cash and cash equivalents at beginning of period	11,631	14,342
Increase in cash and cash equivalents from newly consolidated subsidiary	12	15
Cash and cash equivalents at end of period	13,205	14,971

Highlights of Cash Flows

● Cash flows from operating activities

Net cash provided by operating activities rose mainly because of a decline in tax payments because of the shorter (nine months) previous fiscal year due to the change in fiscal year end.

● Cash flows from investing activities

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

● 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)

	Order backlog at beginning of term	FY2014 H1 Result					
		Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
SI Business Total	26,337	69,541	104.6%	70,166	106.5%	25,712	94.4%
System Construction	16,830	39,500	99.5%	39,123	101.1%	17,207	96.2%
Embedded/Control Software	7,651	18,752	95.3%	18,532	94.2%	7,872	96.5%
Operation Software	9,178	20,747	103.7%	20,591	108.3%	9,335	96.0%
Products and Services	9,507	30,040	112.2%	31,042	114.3%	8,505	91.0%
Products and Services	6,453	20,862	119.8%	21,593	124.6%	5,721	106.2%
Outsourcing	3,054	9,178	98.0%	9,449	96.0%	2,783	70.4%

Highlights of Orders and Order Backlogs

● Highlights of orders

In the overall SI business, orders rose 4.6% year on year.

In Embedded/Control Software in System Construction, orders in the mobile industry declined sharply due to the effect of a mobile phone business contraction at major customers. In Operation Software, despite a decline in reaction to orders for large projects that FUJISOFT INCORPORATED received in the financial industry in the previous fiscal year, orders rose, reflecting growth in manufacturing business, Internet business and other Operation Software business.

Orders in Products and Services increased with 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 5.6% year on year.

In System Construction, order backlogs declined mainly due to the end of large projects in the financial and educational fields that continued from the same period of the previous fiscal year.

Order backlogs in Products and Services fell, reflecting the effect of termination of a project for a major customer in Outsourcing.



Changes in Consolidated Forecasts for FY2014

(Million yen)

	Initial plan	Year on year	FY2014		Year on year	Comparison with initial plan
			Revised plan			
Net sales	144,000	101.8%	149,200		105.4%	+5,200
Operating income	7,800	101.6%	8,300		108.1%	+500
Operating income margin	5.4%		5.6%			
Ordinary income	7,700	83.9%	8,500		92.6%	+800
Ordinary income margin	5.3%		5.7%			
Net income	4,300	82.7%	4,800		92.3%	+500
Net income margin	3.0%		3.2%			

Business Trends in the First Half



Performance in the First Half and Expectations for the Second Half in System Construction

Main business fields

Embedded/Control Software

Machine control
(Automobiles, FA, medicine)

Social infrastructure
(Networks, carrier-related business)

Operation Software

Global companies

Distribution industry

EC, Internet business

Public sector

Technological fields

Android

Communications technology

Alliance strategy

Cloud

Licenses + related SI

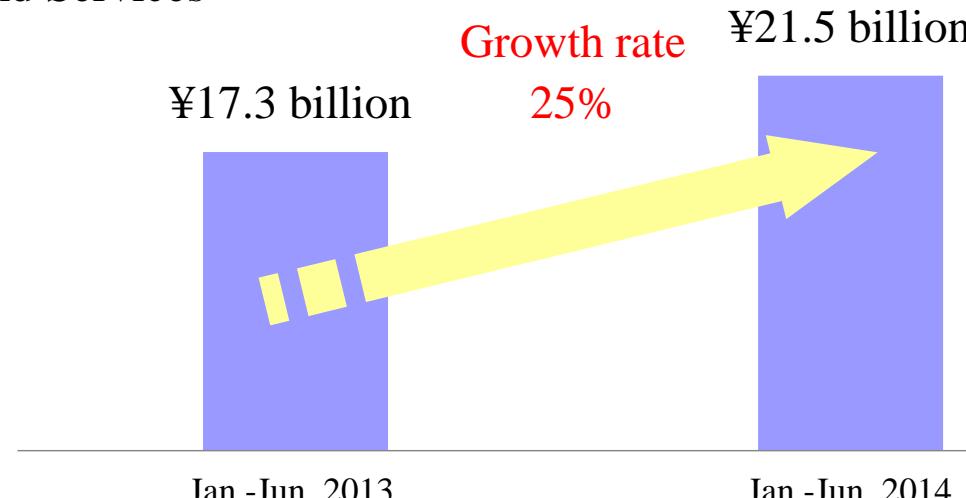


Providing advanced technologies in collaboration with public cloud vendors and package vendors



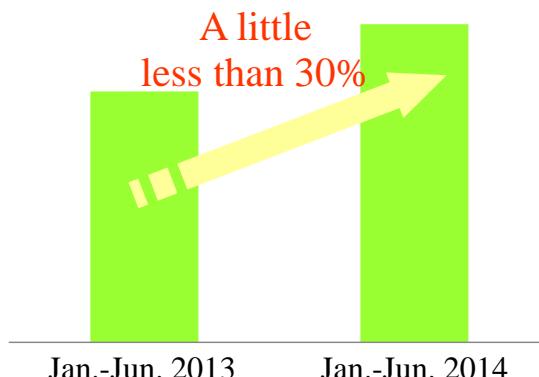
Trends in Products and Services (1)

Sales in Products and Services

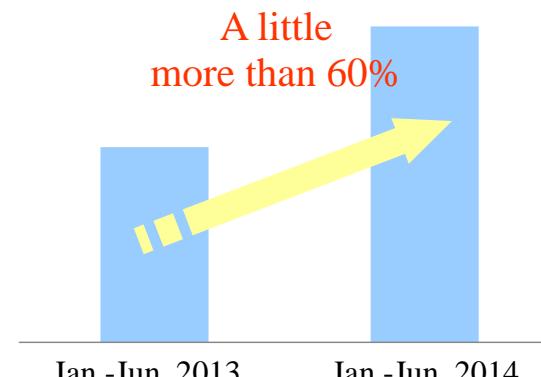


Breakdown of sales in Products and Services

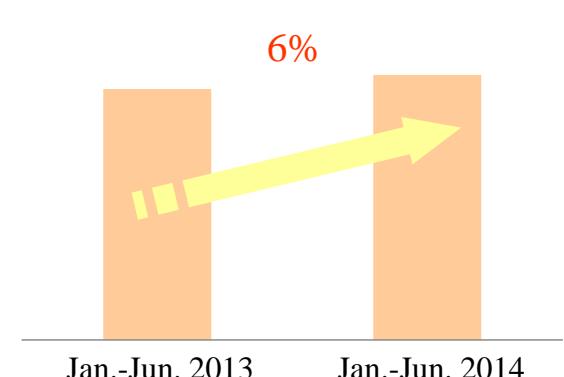
Sales of FUJISOFT products



Sales in the licensing business



Other sales





Trends in Products and Services (2) (prioritized products)

moreNOTE®



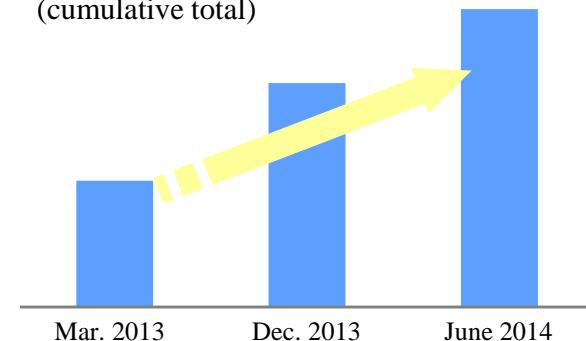
Topics

Launched in August 2012

February Spring Airlines digitized a manual for pilots on the tablet.

July A local government decided to use moreNOTE for a paperless meeting system in its telework promotion project.

Introduced at **over 400 companies**
(cumulative total)



palro



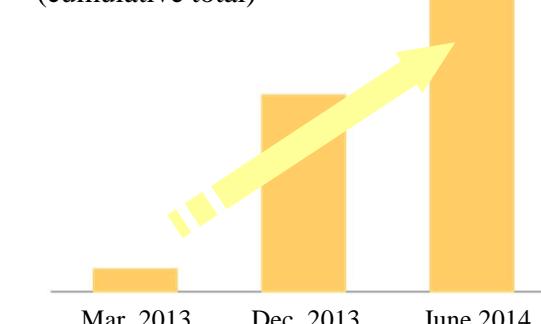
Topics

Sales to elderly care facilities started in June 2012.

May Selected as a FY2014 Project to Promote the Development and Introduction of Robotic Devices for Nursing Care (a development project to be subsidized) of the Ministry of Economy, Trade and Industry

June SUPPLICO, a large-capacity, external battery, started to be sold.

Introduced at **over 150 facilities**
(cumulative total)



総合教育ソリューション

みらいスクールステーション®



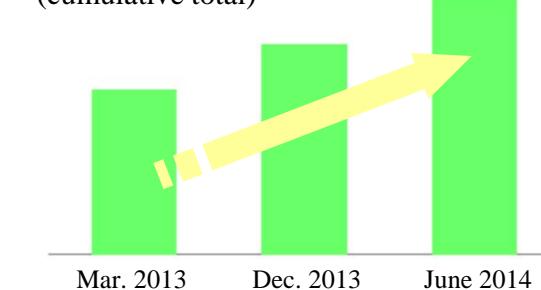
Topics

Launched in FY2009

May Made compatible with Amazon's Kindle Fire series
Exhibited at the 5th Educational IT Solutions EXPO (EDIX)

New schools that have introduced Mirai School Station include the following:
Ritsumeikan Junior and Senior High Schools, Yokohama Futaba Elementary School, Sapporo Kaisei Junior High School, the school board of Ishikari, Hokkaido, the school board of Nakano, Nagano

Introduced at **over 130 schools**
(cumulative total)





Other Topics

February Established a new company to start a regenerative medicine business.

- ◇ Established Fujisoft Tissue Engineering Co., Ltd. to start a regenerative medicine business.
- ◇ The new company engages mainly in manufacturing (cartilage regeneration) and services (engineering and storing cells).

May Established a subsidiary in China.

- ◇ Established FUJISOFT CHINA INCORPORATED in Shandong, China as a wholly-owned subsidiary to expand operations in China.
- ◇ FUJISOFT CHINA INCORPORATED will engage in offshore development primarily in the fields of telecommunications and control for Japanese companies and will provide services based on embedded software technology for Japanese companies in China and Chinese companies.



The opening ceremony



The Jinan office

August Will establish a Kitakyushu office.

- ◇ Will establish a Kitakyushu office in Kitakyushu, Fukuoka Prefecture in anticipation of a growing market in the Kitakyushu region.

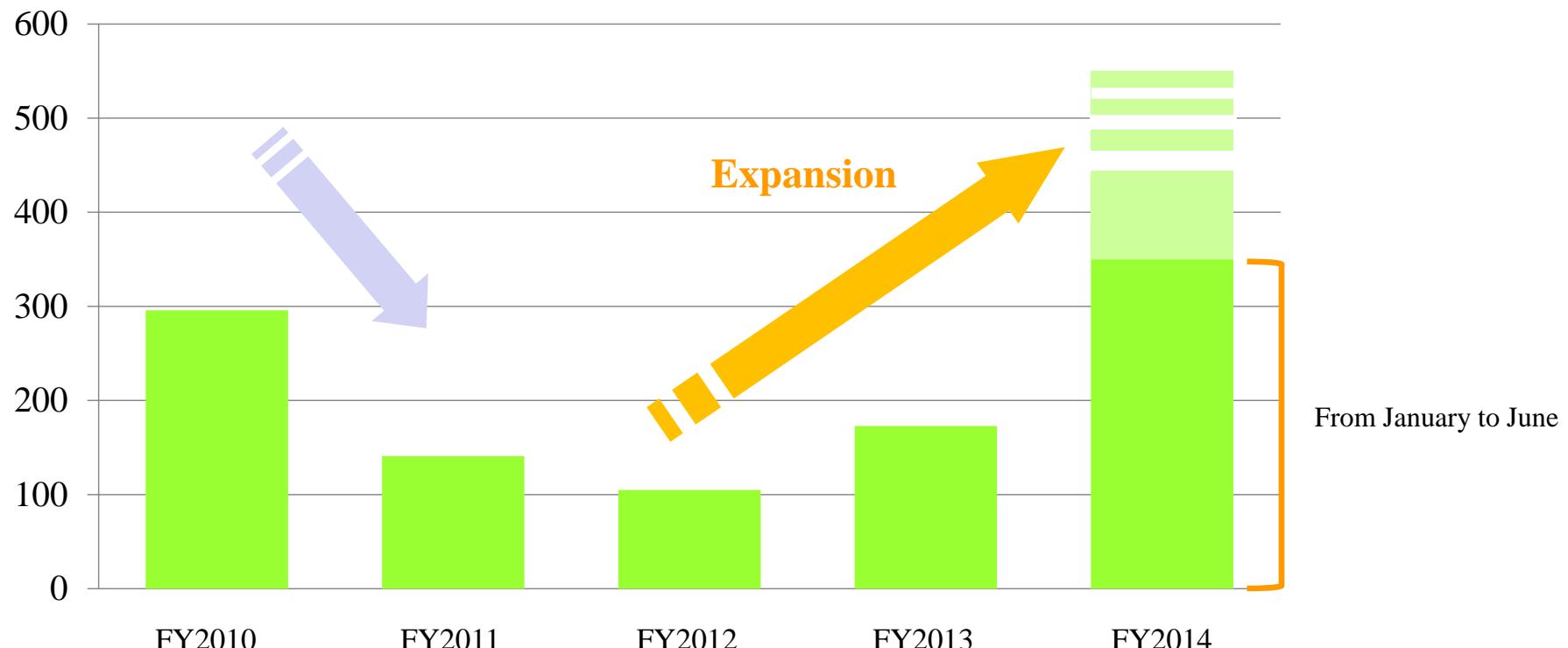


Hiring Human Resources

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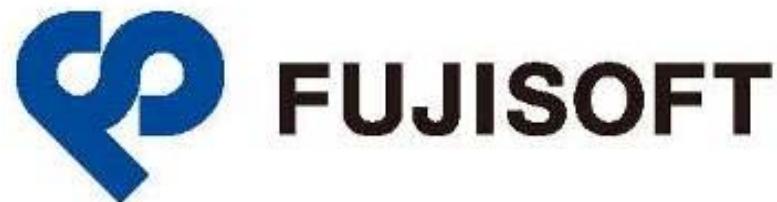
Curbed hiring after the Lehman crisis → To hire actively

Number of new graduates and mid-career workers hired (at FUJISOFT and listed subsidiaries)





Advanced BYOD company



- * 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.