



July 23, 2015

Panasonic Information Systems Co., Ltd.

Consolidated Financial Statements for the First Quarter Ended June 30, 2015 [JGAAP]

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Planned Submission Date of the Quarterly Security Report: None

Planned Dividend Payment Date: —

Availability of Supplementary Briefing Material on Quarterly Results: None

Schedule of Quarterly Results Briefing Session: None

(Amounts less than one million yen have been omitted.)

1. Operating Results and Financial Position for the First Quarter of FY 2015 (April 1, 2015–June 30, 2015)

(1) Operating results (Accumulated Total)

(% shows the change from the previous first quarter.)

	Net sales (¥ million)	Percentage change (%)	Operating income (¥ million)	Percentage change (%)	Ordinary income (¥ million)	Percentage change (%)
First quarter of FY 2015	9,305	14.9	757	39.3	767	37.6
First quarter of FY 2014	8,102	(2.5)	543	(56.8)	557	(55.9)

Note: Comprehensive income: The first quarter of FY 2015: ¥608 million (20.3%), The first quarter of FY 2014: ¥505 million (-36.2%)

	Net income (¥ million)	Percentage change (%)	Net income per share (¥)	Diluted net income per share (¥)
First quarter of FY 2015	503	40.2	47.23	—
First quarter of FY 2014	359	(54.5)	33.70	—

(2) Financial positions

	Total assets (¥ million)	Net assets (¥ million)	Ratio of shareholders' equity to total assets (%)	Net assets per share (¥)
First quarter of FY 2015	34,566	28,458	82.3	2,670.74
Year ended March 31, 2015	36,964	28,196	76.3	2,646.15

Reference: Shareholders' equity: The first quarter of FY 2015: ¥28,458 million, Year ended March 31, 2015: ¥28,196 million

2. Dividend

	Annual dividend per share				
	Q1 (¥)	Q2 (¥)	Q3 (¥)	Year end (¥)	Annual (¥)
Year ended March 31, 2015	—	32.50	—	32.50	65.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (Forecast)		—	—	—	—

The Share Exchange Agreement has been approved by resolution of the Company's regular meeting of shareholders held on June 19, 2015 in order to make the Company a wholly-owned subsidiary of Panasonic, which the effective date is scheduled to be August 1, 2015. The Company's share is scheduled to be delisted from July 29, 2015. Therefore, the Company refrains from announcing the forecast of dividend.

3. Forecast of Operating Results for the Fiscal Year Ending March 31, 2016 (April 1, 2015–March 31, 2016)

(% shows the change from the previous year)

	Net sales (¥ million)	Percentage change (%)	Operating income (¥ million)	Percentage change (%)	Ordinary income (¥ million)	Percentage change (%)
First half ending September 30, 2015	18,100	4.3	2,000	14.5	2,000	12.9
Year ending March 31, 2016	—	—	—	—	—	—

	Net income (¥ million)	Percentage change (%)	Net income per share (¥)
First half ending September 30, 2015	1,200	6.7	112.62
Year ending March 31, 2016	—	—	—

The Share Exchange Agreement has been approved by resolution of the Company's regular meeting of shareholders held on June 19, 2015 in order to make the Company a wholly-owned subsidiary of Panasonic, which the effective date is scheduled to be August 1, 2015. The Company's share is scheduled to be delisted from July 29, 2015. Therefore, the Company refrains from announcing the forecast of dividend.

*Annotations

- (1) Significant changes in subsidiaries in the first quarter of FY 2015 (transfer of specified subsidiaries resulting in a change in the scope of consolidation): None
Newly accounted: 0 (Company name:) Excluded from account: 0 (Company name:)
- (2) Application of special accounting method for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and corrections of errors
 - (a) Changes in accounting policies accompanying the revisions to items such as accounting standards: None
 - (b) Changes in accounting policies other than (a) above: None
 - (c) Changes in accounting estimates: None
 - (d) Corrections of errors: None

(4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury shares)

Q1 of FY ending March 2016	10,656,000 shares
FY ended March 2015	10,656,000 shares

(b) Number of treasury shares at the end of the period

Q1 of FY ending March 2016	372 shares
FY ended March 2015	372 shares

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

Q1 of FY ending March 2016	10,655,628 shares
Q1 of FY ended March 2015	10,655,628 shares

* Information regarding the implementation status of the quarterly review

This quarterly consolidated financial statement is not subject to the quarterly review procedures based on the Japanese Financial Instruments and Exchange Act. However, at the time of the disclosure of this quarterly consolidated financial statement, the quarterly financial statement review procedures based on the Act is being implemented. The Company has no plan to submit the quarterly security report as its share is scheduled to be delisted from July 29, 2015.

* Explanation of the proper use of earnings projections and other notes

Forward-looking statements including the forecast of future earnings together with plans, strategies, targets and other matters stated in this document have been prepared based on currently available information and certain preconditions which the Company believes to be reasonable. Actual results may differ from these forecasts due to their various uncertain factors and the internal and external conditional changes in business operation after the announcement.

For the notes concerning the use of earnings forecasts, please refer to "3. Explanation of Future Forecasts, including the Forecast of Operating Results and Financial Position" on page 4 of the Consolidated Financial Statements for the First Quarter Ended June 30, 2015 (Appendix).

Table of Contents for Appendix

I. Qualitative Information on Quarterly Financial Results	2
1. Explanation of Operating Results	2
2. Explanation of Financial Position	3
3. Explanation of Future Forecasts, including the Forecast of Operating Results and Financial Position	4
II. Matters Related to Summary Information (Annotations)	5
1. Significant Changes in Subsidiaries in the First Quarter of FY 2015	5
2. Application of Special Accounting Method for the Preparation of Quarterly Consolidated Financial Statements	5
3. Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors	5
III. Consolidated Financial Statements	6
1. Consolidated Balance Sheets	6
2. Consolidated Statements of Income and Comprehensive Income	8
3. Notes on the Consolidated Financial Statements	9
(Notes on the Premise of a Going Concern)	9
(Segment Information)	9
(Notes on Significant Changes in the Amounts of Shareholders' Equity)	9
IV. Others	10
1. Order Backlog	10
2. Sales Performance	10

I. Qualitative Information on Quarterly Financial Results

1. Explanation of Operating Results

During the first quarter (April 1, 2015 to June 30, 2015), the Japanese economy began to show a recovery led by a wider range of improvement in business confidence influenced by the weakening currency, the low price of crude oil and the increase in visitors. Besides, mainly large and manufacturing companies are reviving an appetite for capital investment, and also IT investment for growth tends to increase.

In these business conditions, the current fiscal year marks the last year of the Panasonic Information Systems Group's medium-term management plan starting from FY 2013. The Group continues to press ahead to achieve the plan's themes. These comprise the three themes of "reinforcing business in general market," "reinforcing partnerships with the Panasonic Group" and "strengthening management practices."

(1) Operating results of the Group for the first quarter ended June 30, 2015

	First quarter of FY 2014		First quarter of FY 2015		Change (%)
	Amount (¥ million)	Composition ratio	Amount (¥ million)	Composition ratio (%)	
Net sales	8,102	100.0	9,305	100.0	14.9
Operating income	543	6.7	757	8.1	39.3
Ordinary income	557	6.9	767	8.2	37.6
Net income	359	4.4	503	5.4	40.2

In the first quarter ended June 30, 2015, the Group placed a particular emphasis on the expansion of sales to clients in general market, and building and reinforcing partnerships in the Panasonic Group. In addition, the Group continued to drive forward the improvement of its management practices by containing costs, strengthening operating efficiency and other initiatives.

As a result, net sales increased, mainly due to increased orders in cloud services received from clients in the general market, and the progress of a new system development project for the Panasonic Group. Net income also significantly increased by promoting rationalization and efficiency.

(2) Breakdown of net sales by business for the first quarter ended June 30, 2015

	First quarter of FY 2014		First quarter of FY 2015		Change in net sales (%)	Point difference in gross margin
	Net sales (¥ million)	Gross margin (%)	Net sales (¥ million)	Gross margin (%)		
(a) System Services	5,716	17.6	6,025	18.7	5.4	1.1
(b) System Solutions	2,386	15.0	3,280	15.9	37.5	0.9
Total	8,102	16.8	9,305	17.7	14.9	0.9

(a) System Services

Net sales increased by 5.4% from the same period of the previous year to 6,025 million yen, and the gross margin was 18.7% (17.6% in the same period of the previous year).

Both net sales and the gross margin were higher than those of the same period of the previous year mainly due to an increase in orders of cloud services for the general market and new projects in system operations for the Panasonic Group, although the downward trend in service prices to existing clients continued.

(b) System Solutions

Net sales increased by 37.5% from the same period of the previous year to 3,280 million yen, and the gross margin was 15.9% (15.0% in the same period of the previous year).

During the first quarter ended June 30, 2015, the Group worked on several system development businesses for the general market including the overseas system developments for a large finance business and the system development of the call center for public offices. For the Panasonic Group, the Group launched a new development project of the system and infrastructure. As a result, net sales was significantly higher than that of the same period of the previous year, and the gross margin was also higher than that of the same period of the previous year.

2. Explanation on Financial Position

Assets, liabilities and net assets

As of the end of the first quarter ended June 30, 2015, total assets decreased by 2,398 million yen (6.5%) from the end of the previous year to 34,566 million yen.

(a) Current assets

Current assets decreased by 2,555 million yen (8.2%) from the end of the previous year to 28,453 million yen, mainly due to an increase of 1,516 million yen in deposits paid to Panasonic Corporation and a decrease of 4,897 million yen in notes and accounts receivable-trade owing to a drop in sales for the last month of the fiscal year.

(b) Noncurrent assets

Noncurrent assets increased by 157 million yen (2.6%) from the end of the previous year to 6,113 million yen, mainly due to an increase of investment in hardware.

(c) Current liabilities

Current liabilities decreased by 2,560 million yen (32.3%) from the end of the previous year to 5,369 million yen. This is mainly due to the following factors: In current liabilities, a 1,603 million yen decrease in notes and accounts payable-trade and a 970 million yen decrease in accounts payable-other mainly due to the settlement of notes and accounts payable-trade and accounts payable for purchased equipment.

(d) Noncurrent liabilities

Mainly due to a decrease in net defined benefit liability, noncurrent liabilities decreased by 99 million yen (11.9%) from the end of the previous year to 739 million yen.

(e) Net assets

Net assets showed an increase of 261 million yen (0.9%) from the end of the previous year to 28,458 million yen, as net income of 503 million yen was posted and a year-end dividend of the previous year of 346 million yen were paid.

3. Explanation of Future Forecasts, including the Forecast of Operating Results and Financial Position

The Company and Panasonic Corporation (“Panasonic”) resolved at meetings of respective companies’ Board of Directors held on February 3, 2015 to conduct a share exchange (the “Share Exchange”) in order to make the Company a wholly-owned subsidiary of Panasonic, and both companies have executed a share exchange agreement as of the date above. The Share Exchange has been approved by resolution of the regular meeting of shareholders of the Company held on June 19, 2015. The effective date is scheduled to be August 1, 2015. Therefore, the Company’s share is scheduled to be delisted from July 29, 2015 prior to the effective date of the Share Exchange, that is, the last trading day is scheduled to be July 28, 2015.

In addition, on the assumption that the Company would become a wholly-owned subsidiary of Panasonic upon the completion of the Share Exchange, Panasonic and the Company have commenced consultations concerning business succession by way of an assignment of business of Panasonic Corporation Corporate Information Systems Company from Panasonic to the Company around October 2015.

In light of this outlook, the Company refrains from announcing the forecasts of the consolidated financial results for the fiscal year ending March 31, 2016.

Risks Concerning Forecasts

Forecasts described above have been made based on information available as of the date of the announcement and assumptions that seem to be reasonable, but actual results may differ from these forecasts.

Although possible risks are listed below, these are not all. Please also refer to the annual security report providing information on risks, uncertainties and other factors.

- Rapid changes in the Japanese economic conditions or demand for products and services
- Trends of demand in industry
- Shortages of raw materials or sharp rise in their prices
- Changes in social infrastructure brought about by a rapid technological change
- Trends in business concerning alliances and cooperation between the Group and other companies
- The possibility of incurring expenses as a result of defects or flaws relating to products or services
- Limitations on the use of the patents and other intellectual property of third parties
- Changes in the market value of assets such as investment securities or the valuation of assets such as deferred tax assets or other changes in accounting policies
- Natural disasters such as an earthquake and other factors that could disrupt business activities

II. Matters Related to Summary Information (Annotations)

1. Significant Changes in Subsidiaries in the First Quarter of FY 2015

There is no relevant information.

2. Application of Special Accounting Method for the Preparation of Quarterly Consolidated Financial Statements

There is no relevant information.

3. Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

There is no relevant information.

III. Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ million)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	190	184
Notes and accounts receivable-trade	8,738	3,840
Construction deferred payment	1,606	2,185
Inventories	466	437
Deferred tax assets	458	261
Deposits paid	18,474	19,991
Other	1,073	1,552
Total current assets	31,009	28,453
Noncurrent assets		
Property, plant and equipment		
Buildings, net	568	554
Tools, furniture and fixtures, net	1,891	2,007
Lease assets, net	69	77
Construction in progress	506	509
Total property, plant and equipment	3,036	3,148
Intangible assets		
Software	760	781
Lease assets	106	101
Other	135	140
Total intangible assets	1,002	1,022
Investments and other assets		
Investment securities	327	347
Deferred tax assets	464	439
Other	1,124	1,155
Allowance for doubtful accounts	(0)	—
Total investments and other assets	1,916	1,941
Total noncurrent assets	5,955	6,113
Total assets	36,964	34,566

(¥ million)

	As of March 31, 2015	As of June 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,182	1,579
Income taxes payable	822	108
Accounts payable-other	2,280	1,309
Accrued expenses	208	1,166
Accrued consumption taxes	366	164
Deposits received	21	61
Provision for bonuses	786	454
Provision for directors' bonuses	14	0
Other	246	524
Total current liabilities	7,929	5,369
Noncurrent liabilities		
Net defined benefit liability	682	585
Long-term deposits received	31	30
Lease obligations	124	123
Total noncurrent liabilities	838	739
Total liabilities	8,768	6,108
Net assets		
Shareholders' equity		
Capital stock	1,040	1,040
Capital surplus	870	870
Retained earnings	26,988	27,144
Treasury stock	(0)	(0)
Total shareholders' equity	28,897	29,054
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95	108
Foreign currency translation adjustment	—	0
Remeasurements of defined benefit plans	(797)	(705)
Total accumulated other comprehensive income	(701)	(596)
Total net assets	28,196	28,458
Total liabilities and net assets	36,964	34,566

2. Consolidated Statements of Income and Comprehensive Income
 [First Quarter of FYs 2014 and 2015]

(¥ million)

	First quarter ended June 30, 2014 (From April 1, 2014 to June 30, 2014)	First quarter ended June 30, 2015 (From April 1, 2015 to June 30, 2015)
Net sales	8,102	9,305
System service sales	5,716	6,025
System solution sales	2,386	3,280
Cost of sales	6,739	7,658
System service cost of goods sold	4,712	4,898
System solution cost of goods sold	2,026	2,759
Gross profit	1,362	1,647
Selling, general and administrative expenses	819	890
Operating income	543	757
Non-operating income		
Interest income	10	11
Dividends income	4	4
Other	1	3
Total non-operating income	15	19
Non-operating expenses		
Interest expenses	1	1
Exchange loss	0	7
Other	0	1
Total non-operating expenses	1	10
Ordinary income	557	767
Income before income taxes and minority interests	557	767
Income taxes-current	6	91
Income taxes-deferred	191	172
Total income taxes	198	263
Net income	359	503
Net income attributable to		
Net income attributable to owners of the parent	359	503
Other comprehensive income		
Valuation difference on available-for-sale securities	5	13
Foreign currency translation adjustment	—	0
Remeasurements of defined benefit plans	140	91
Total other comprehensive income	146	105
Comprehensive income	505	608
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	505	608
Comprehensive income attributable to minority interests	—	—

3. Notes on the Consolidated Financial Statements

(Notes on the Premises of a Going Concern)

There is no relevant information.

(Segment Information)

The Group conducts a single-unit business, which comprises an information service business and its incidental businesses. In this light, information is omitted as there is no segment subject to disclosure.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

There is no relevant information.

IV. Others

1. Order Backlog

	End of FY 2014 (¥ million)	End of first quarter of FY 2015 (¥ million)	Change (%)
System Services	710	704	(0.9)
System Solutions	3,445	3,586	4.1
Total	4,156	4,290	3.2

Notes: Above figures do not include consumption tax.

2. Sales Performance

	First quarter of FY 2014		First quarter of FY 2015		Change in net sales (%)
	Net sales (¥ million)	Composition ratio (%)	Net sales (¥ million)	Composition ratio (%)	
Panasonic Group	6,370	78.6	7,400	79.5	16.2
General Market	1,731	21.4	1,905	20.5	10.0
Total	8,102	100.0	9,305	100.0	14.9

Note: Above figures do not include consumption tax.