



October 24, 2013

Panasonic Information Systems Co., Ltd.

**Consolidated Financial Statements for the Second Quarter Ended September 30, 2013
[JGAAP]**

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Planned Submission Date of the Quarterly Security Report: November 7, 2013

Planned Dividend Payment Date: November 29, 2013

Availability of Supplementary Briefing Material on Quarterly Results: Available

Schedule of Quarterly Results Briefing Session: Scheduled (for institutional investors and analysts)

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

1. Operating Results and Financial Position for the Second Quarter of FY 2013

(April 1, 2013-September 30, 2013)

(1) Operating results

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

	Net sales (¥ million)	Percentage change (%)	Operating income (¥ million)	Percentage change (%)	Ordinary income (¥ million)	Percentage change (%)
Second quarter of FY 2013	17,062	1.2	2,520	24.6	2,529	24.4
Second quarter of FY 2012	16,864	(7.4)	2,023	1.3	2,033	0.2

Note: Comprehensive income: The second quarter of FY 2013: ¥1,602 million (34.3%)

The second quarter of FY 2012: ¥1,193 million (4.1%)

	Net income (¥ million)	Percentage change (%)	Net income per share (¥)	Diluted net income per share (¥)
Second quarter of FY 2013	1,554	25.9	145.89	—
Second quarter of FY 2012	1,234	3.9	115.89	—

(2) Financial positions

	Total assets (¥ million)	Net assets (¥ million)	Ratio of shareholders' equity to total assets (%)	Net assets per share (¥)
Second quarter of FY 2013	30,833	26,094	84.6	2,448.89
Year ended March 31, 2013	31,355	24,838	79.2	2,330.98

Reference: Shareholders' equity: The second quarter of FY 2013: ¥26,094 million, Year ended March 31, 2013: ¥24,838 million

2. Dividend

	Annual dividend per share				
	1Q (¥)	2Q (¥)	3Q (¥)	Year end (¥)	Annual (¥)
Year ended March 31, 2013	—	32.50	—	32.50	65.00
Year ending March 31, 2014	—	32.50			
Year ending March 31, 2014 (Forecast)			—	32.50	65.00

Note: Changes in forecasts of dividends from recently announced figures: None

3. Forecast of Operating Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013– March 31, 2014)

(% shows the change from the previous year)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ending March 31, 2014	36,000	2.3	4,450	0.6	4,450	0.9

	Net income	Percentage change	Net income per share
	(¥ million)	(%)	(¥)
Year ending March 31, 2014	2,720	0.7	255.26

Note: Changes in forecasts of operating results and financial position from recently announced figures: None

*Annotations

- (1) Significant changes in subsidiaries in the second quarter of FY 2013 (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)

2Q of FY ending March 2014	10,656,000 shares
FY ended March 2013	10,656,000 shares

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

2Q of FY ending March 2014	372 shares
FY ended March 2013	372 shares

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

2Q of FY ending March 2014	10,655,628 shares
2Q of FY ended March 2013	10,655,662 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.

* 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 5 of the Consolidated Financial Statements for the Second Quarter Ended September 30, 2013 (Appendix).

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* Panasonic Information Systems Co., Ltd. is planning to hold a briefing session for investors as detailed below. Information is to be posted on the corporate website immediately after the session.

- Thursday, October 24, 2013: Financial results presentation meeting for institutional investors and analysts

* Aside from the above session, Panasonic Information Systems Co., Ltd. holds similar meetings to discuss the Company's businesses and financial performance for individual investors. For more details including scheduled dates, please visit the corporate website.

I. Qualitative Information on Quarterly Financial Results

1. Explanation of Operating Results

During the second quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013), the Japanese economy began to show signs of recovery as the yen weakened and stock prices rose, buoyed by expectations in the economic policies of the new administration, including the large-scale monetary easing by the Bank of Japan. While domestic corporate investments have started to recover on the back of improved business sentiment, IT investment has yet to break free from restraining factors, and as a result, the growth of the information service industry has remained almost unchanged.

In these business conditions, the Panasonic Information Systems Group formulated a 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 "Developing business in new markets while maintaining high profitability."

(1) Operating results of the Group for the second quarter ended September 30, 2013 (Accumulated)

	Second quarter of FY 2012		Second quarter of FY 2013		Change (%)
	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	
Net sales	16,864	100.0	17,062	100.0	1.2
Operating income	2,023	12.0	2,520	14.8	24.6
Ordinary income	2,033	12.1	2,529	14.8	24.4
Net income	1,234	7.3	1,554	9.1	25.9

In the second quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013), 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 launch of business services under the growth strategy of the Panasonic Group. Net income also significantly increased, mainly thanks to increased sales in System Services and promotion of rationalization.

(2) Operating results by product segment for the second quarter ended September 30, 2013 (Accumulated)

	Second quarter of FY 2012		Second quarter of FY 2013		Change in net sales (%)	Point difference in gross profit ratio on net sales
	Net sales (¥ million)	Gross profit ratio on net sales (%)	Net sales (¥ million)	Gross profit ratio on net sales (%)		
(a) System Services	10,870	23.1	11,169	25.2	2.7	2.1
(b) System Solutions	5,994	16.6	5,893	19.1	(1.7)	2.5
Total	16,864	20.8	17,062	23.1	1.2	2.3

*Product segment has changed from the first quarter of FY 2013. For details, please refer to "Additional Information" on page 11.

(a) System Services

Net sales increased by 2.7% from the same period of the previous year to 11,169 million yen, and the gross profit ratio on net sales was 25.2% (23.1% in the same period of the previous year).

Net sales were higher than that of the same period of the previous year, as cloud services for general market and the new projects in system operations and system maintenance for the Panasonic Group increased, although the downward trend in service prices to existing clients continued.

The gross profit ratio on net sales was higher than the ratio for the same period of the previous year, as the Group pursued out-and-out efficiency in the management of system operations and succeeded in reducing costs.

(b) System Solutions

Net sales decreased by 1.7% from the same period of the previous year to 5,893 million yen, and the gross profit ratio on net sales was 19.1% (16.6% in the same period of the previous year).

During the second quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013), this segment worked on several system development businesses for general market including the development of an ERP system for a manufacturing company, thin client systems for educational institutions and others. For the Panasonic Group, the Group launched the systems that they had developed since last year. Meanwhile, net sales for this segment fell below the result of the same period of the previous year due to a decrease in equipment sales such as servers.

As a result, the gross profit ratio on net sales was higher than the ratio for the same period of the previous year, mainly succeeded in reducing costs.

2. Qualitative Information on Consolidated Financial Position

(1) Assets, liabilities and net assets

As of the end of the second quarter ended September 30, 2013, total assets decreased by 521 million yen (1.7%) from the end of the previous year to 30,833 million yen.

(a) Current assets

Current assets decreased by 178 million yen (0.7%) from the end of the previous year to 25,551 million yen, mainly due to a decrease of 2,492 million yen in notes and accounts receivable-trade owing to decreasing sales for the last month of the second quarter, despite an increase of 1,660 million yen in deposits paid to Panasonic Corporation etc., and an increase of 624 million yen in construction deferred payment owing to progress on-going projects.

(b) Noncurrent assets

Noncurrent assets decreased by 342 million yen (6.1%) from the end of the previous year to 5,282 million yen, mainly due to a 337 million yen decrease of property, plant and equipment resulting from the depreciation of hardware and other noncurrent assets.

(c) Current liabilities

Notes and accounts payable-trade and accounts payable-other fell by 691 million yen and 657 million yen, respectively, because of the settlement of notes and accounts payable-trade and accounts payable for purchased equipment at the end of the previous year, hence current liabilities decreased by 174 million yen (27.1%) from the end of the previous year to 4,590 million yen.

(d) Noncurrent liabilities

Due to factors such as progress in the repayment of lease obligations, noncurrent liabilities fell by 72 million yen (32.8%) from the end of the previous year to 148 million yen.

(e) Net assets

Net assets showed an increase of 1,256 million yen (5.1%) from the end of the previous year to 26,094 million yen as net income of 1,554 million yen was posted, although a year-end dividend of the previous year of 346 million yen was paid.

(2) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the second quarter ended September 30, 2013 decreased by 413 million yen from the end of the second quarter of the previous year to 4,973 million yen.

(a) Cash flows from operating activities

Funds generated from operating activities decreased by 310 million yen to 2,416 million yen from the same period of the previous year.

The main factors of the decrease were as follows.

Income before income taxes and minority interests amounted to 2,529 million yen; depreciation and amortization amounted to 960 million yen; notes and accounts receivable-trade decreased by 1,868 million yen, other current liabilities decreased by 1,069 million yen, and income taxes paid amounted to 918 million yen.

(b) Cash flows from investing activities

Funds used in investing activities decreased by 8,439 million yen to 2,497 million yen from the same period of the previous year.

This was mainly due to deposits paid to Panasonic Corporation amounted to 2,000 million yen and purchase of property, plant and equipment amounted to 355 million yen.

(c) Cash flows from financing activities

Funds used in financing activities decreased by 28 million yen to 445 million yen.

This was primarily due to cash dividends paid which amounted to 345 million yen and repayments of finance lease obligations which amounted to 99 million yen.

(d) Free cash flows

Due to the aforementioned operating and investing activities, free cash flows resulted in an outlay of 80 million yen (8,208 million yen in the same period of the previous year).

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

No changes have been made to the consolidated financial results forecasts for the year ending March 31, 2014 announced on April 23, 2013.

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 Second Quarter of FY 2013

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, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	268	83
Notes and accounts receivable-trade	6,750	4,257
Construction deferred payment	831	1,455
Inventories	382	489
Deferred tax assets	498	405
Deposits paid	16,236	17,896
Other	761	963
Total current assets	25,730	25,551
Noncurrent assets		
Property, plant and equipment		
Buildings, net	651	630
Tools, furniture and fixtures, net	2,194	1,994
Lease assets, net	317	259
Construction in progress	142	83
Total property, plant and equipment	3,305	2,968
Intangible assets		
Software	435	303
Other	78	138
Total intangible assets	514	442
Investments and other assets		
Investment securities	231	308
Deferred tax assets	42	51
Prepaid pension cost	679	648
Other	852	863
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,805	1,872
Total noncurrent assets	5,624	5,282
Total assets	31,355	30,833

(¥ million)

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,253	1,561
Income taxes payable	947	949
Accounts payable-other	1,658	1,001
Accrued expenses	163	190
Accrued consumption taxes	258	17
Deposits received	17	13
Provision for bonuses	670	495
Provision for directors' bonuses	24	7
Other	301	351
Total current liabilities	6,295	4,590
Noncurrent liabilities		
Provision for retirement benefits	10	12
Long-term deposits received	35	34
Lease obligations	175	102
Total noncurrent liabilities	221	148
Total liabilities	6,517	4,739
Net assets		
Shareholders' equity		
Capital stock	1,040	1,040
Capital surplus	870	870
Retained earnings	22,900	24,108
Treasury stock	(0)	(0)
Total shareholders' equity	24,810	26,018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	75
Total accumulated other comprehensive income	27	75
Total net assets	24,838	26,094
Total liabilities and net assets	31,355	30,833

2. Consolidated Statements of Income and Comprehensive Income
[Second Quarter of FYs 2012 and 2013]

(¥ million)

	Second quarter ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Net sales	16,864	17,062
System service sales	10,870	11,169
System solution sales	5,994	5,893
Cost of sales	13,358	13,116
System service cost of goods sold	8,359	8,349
System solution cost of goods sold	4,999	4,767
Gross profit	3,505	3,945
Selling, general and administrative expenses	1,482	1,424
Operating income	2,023	2,520
Non-operating income		
Interest income	14	17
Dividends income	3	3
Other	2	0
Total non-operating income	20	22
Non-operating expenses		
Interest expenses	7	4
The fixed assets abandonment is disadvantageous	1	3
Exchange loss	—	4
Other	0	0
Total non-operating expenses	9	13
Ordinary income	2,033	2,529
Income before income taxes and minority interests	2,033	2,529
Income taxes-current	864	920
Income taxes-deferred	(65)	54
Total income taxes	798	974
Income before minority interests	1,234	1,554
Net income	1,234	1,554
Income before minority interests	1,234	1,554
Other comprehensive income		
Valuation difference on available-for-sale securities	(41)	48
Total other comprehensive income	(41)	48
Comprehensive income	1,193	1,602
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,193	1,602
Comprehensive income attributable to minority interests	—	—

3. Consolidated Statements of Cash Flows

(¥ million)

	Second quarter ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	2,033	2,529
Depreciation and amortization	849	960
The fixed assets abandonment is disadvantageous	1	3
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividends income	(17)	(21)
Interest expenses	7	4
Decrease (increase) in notes and accounts receivable-trade	1,040	1,868
Decrease (increase) in inventories	(55)	(106)
Decrease (increase) in other current assets	(138)	(201)
Decrease (increase) in prepaid pension costs	83	30
Increase (decrease) in provision for retirement benefits	1	1
Increase (decrease) in notes and accounts payable-trade	(263)	(691)
Increase (decrease) in other current liabilities	121	(1,069)
Increase (decrease) in other noncurrent liabilities	(1)	(0)
Other, net	65	10
Subtotal	3,729	3,318
Interest and dividends income received	6	21
Interest expenses paid	(7)	(4)
Income taxes paid	(1,000)	(918)
Net cash provided by (used in) operating activities	2,727	2,416
Cash flows from investing activities		
Decrease in paid	(10,100)	(2,000)
Purchase of property, plant and equipment	(739)	(355)
Purchase of software	(100)	(120)
Proceeds from sales of property, plant and equipment	2	—
Other, net	1	(21)
Net cash provided by (used in) investing activities	(10,936)	(2,497)
Cash flows from financing activities		
Repayments of finance lease obligations	(126)	(99)
Cash dividends paid	(346)	(345)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(473)	(445)
Net increase (decrease) in cash and cash equivalents	(8,682)	(525)
Cash and cash equivalents at beginning of period	14,069	5,499
Cash and cash equivalents at end of period	5,387	4,973

4. Notes on the Consolidated Financial Statements

(Notes on the Premises of a Going Concern)

There is no relevant information.

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

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.

(Additional Information)

(Changes in the Format)

In the previous year, net sales and cost of sales were formerly classified into three categories: "System Services," "System Solutions," and "System and Communications Equipment." To report according to a classification closer to the actual situation, the Company has renewed the "System Solutions" segment by consolidating the previous "System Solutions" segment with the "System and Communications Equipment" segment, effective from the first quarter of FY 2013. This is mainly because "System Solutions" and "System and Communications Equipment" are provided together in many cases with a strong link between them, and recently the Company has not placed emphasis on sales of the equipment by itself as a policy. Accordingly, the information is now reported on two product segments, "System Services" and "System Solutions."

As a result, net sales (cost of sales) of "System Solutions" and "System and Communications Equipment" reported in the Consolidated Statements of Income and Comprehensive Income of the second quarter of FY 2012, 3,318 million yen (2,747 million yen) and 2,676 million yen (2,252 million yen) respectively, have been modified to 5,994 million yen (4,999 million yen) in net sales (cost of sales) of "System Solutions."

IV. Supplementary Information

1. Order Backlog (Accumulated)

	End of FY 2012 (¥ million)	End of second quarter of FY 2013 (¥ million)	Change (%)
System Services	629	700	11.2
System Solutions	1,967	2,957	50.3
Total	2,597	3,657	40.8

- Notes: 1. Above figures do not include consumption tax, etc.
 2. Product segment has changed from the first quarter of FY 2013. For details, please refer to "Additional Information" on page 11.

2. Sales Performance (Accumulated)

	Second quarter of FY 2012		Second quarter of FY 2013		Change in net sales (%)
	Net sales (¥ million)	Share (%)	Net sales (¥ million)	Share (%)	
Panasonic Group	13,563	80.4	13,721	80.4	1.2
General Market	3,300	19.6	3,340	19.6	1.2
Total	16,864	100.0	17,062	100.0	1.2

Note: Above figures do not include consumption tax, etc.