

Consolidated Financial Results

for the First Quarter of the Fiscal Year ending March 31, 2014

(Japanese Accounting Standards)

July 31, 2013

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Scheduled date to submit the quarterly report (*Shihanki Hokokusho*): August 12, 2013
 Scheduled date of dividend payment: –
 Supplementary documents for financial results: Yes
 Financial 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 June 30, 2012 (April 1, 2013 – June 30, 2013)

(1) Consolidated operating results (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 6/13	65,248	-0.6	352	-86.6	432	-83.7	-281	–
Three months ended 6/12	65,651	15.0	2,618	32.4	2,653	32.2	1,253	30.3

(Note) Comprehensive income (million yen): Three months ended 6/13: 367 (-72.7%) Three months ended 6/12: 1,345 (21.1 %)

	Earnings per share		Earnings per share/ diluted	
	Yen		Yen	
Three months ended 6/13	-4.74		–	
Three months ended 6/12	20.82		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
June 30, 2013	254,063	161,077	62.9
March 31, 2013	270,025	165,980	61.0

(Reference) Shareholders' equity (million yen): June 30, 2013: 159,706 March 31, 2013: 164,641

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 3/13	–	50.00	–	55.00	105.00
Year ended 3/14	–				
Year ended 3/14 (forecast)		55.00	–	55.00	110.00

(Note) Changes from the latest released dividend forecasts: No

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(Percentages represent changes from the same period of previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	155,000	5.9	10,100	0.5	10,100	0.6	5,600	1.0	94.11
Full year	345,000	7.0	28,000	3.0	28,000	2.4	16,500	3.0	277.30

(Note) Changes from the latest released performance forecasts: No

* Notes

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Application of simplified accounting treatment: No

(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): | Yes |
| (iii) Changes in accounting estimates: | Not applicable |
| (iv) Restatement: | Not applicable |

For further details, please refer to the section "2. Item Regarding Summary (and Notes) Information, (3) Changes in accounting policies, accounting estimates, and restatements" of this Consolidated Financial Results in the Accompanying Materials section on page 3.

(4) Number of outstanding shares (common shares)

- | | | | |
|--|-------------------|--------------------------|-------------------|
| (i) Number of shares outstanding at the end of period (including treasury shares): | | | |
| Three months ended 6/13: | 62,500,000 shares | Year ended 3/13: | 62,500,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Three months ended 6/13: | 2,996,899 shares | Year ended 3/13: | 2,996,613 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Three months ended 6/13: | 59,503,282 shares | Three months ended 6/12: | 60,197,745 shares |

* This document is an English translation of a statement written initially in Japanese. The Japanese original document should be considered as the primary version.

* Disclosure regarding audit procedures

This consolidated financial results does not constitute the audited financial statements under the Financial Instruments and Exchange Act. As of the date of disclosure of this consolidated financial results, an audit of the financial statements had not been carried out in accordance with the Financial Instruments and Exchange Act.

* Cautionary statement with respect to forward-looking statements

- These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to the Company as of the announcement date of the summary. These statements are not promises by the Company regarding future performance. Actual results may differ materially from forecasts due to a variety of factors. With respect to the conditions that underpin earnings forecasts as well as cautionary statements regarding the proper use of earnings forecasts, please refer to the section "1. Qualitative Information, (3) Qualitative information about consolidated earnings forecasts" of this Consolidated Financial Results in the Accompanying Materials section on page 2.
- The Company plans to hold an IR presentation for institutional investors and analysts on July 31, 2013. Materials distributed during the IR presentation will be posted on the Company's website.

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1. Qualitative Information

(1) Qualitative information about consolidated operating results

In the first three months of the fiscal year under review, the Japanese economy benefited from positive trends in business sentiment across a wide range of sectors, amid more favorable export conditions thanks to the correction of the strong yen. As a consequence, expectations of economic recovery began to rise.

In the IT services industry, the business environment remained challenging. Despite high levels of IT investment in certain areas such as the financial sector, where demand is growing with the revitalization of the stock market and large-scale systems integration projects, generally speaking, most businesses were still at the stage of considering IT investment.

In this environment, the CTC Group implemented strategies to improve profitability and initiatives for medium-to-long term growth, positioning the fiscal year ending March 31, 2014 as “a year in which it raises its business base to the next level and achieves sustainable growth.” More specifically, the Group opened a new data center building on the premises of the Yokohama Computer Center in April 2013, for the further expansion of the services business. The Group also took steps to create a sense of unity at CSC ESI SDN. BHD. (Malaysia) and CSC AUTOMATED PTE. LTD. (Singapore), two companies it acquired and made into subsidiaries for the purpose of strengthening business operations in ASEAN, including changing their trade names (to CTC GLOBAL SDN. BHD. and CTC GLOBAL PTE. LTD. respectively) and exchanging human resources between them, and, both in name and in reality, the two companies began to operate as the Group’s strategic bases in the ASEAN region.

In terms of sales activities, the Group focused on market, information and international system construction projects for banks in the financial sector, and also concentrated on infrastructure construction projects for postal service companies in the commerce and transportation sectors and the construction of backbone systems, etc. for the distribution industry. Similarly, overseas, the Group conducted products business focusing on products for the financial sector in the Southeast Asia region.

As a result, consolidated sales for the first three months of the fiscal year under review were 65,248 million yen (down 0.6% from the same period of the previous fiscal year), reflecting decline in the products and SI development businesses, which offset growth in the services business. Consolidated operating income was 352 million yen (down 86.6%), due to decline in the gross profit margin and higher SG&A expenses largely for overseas subsidiaries, and consolidated ordinary income was 432 million yen (down 83.7%). A net loss of 281 million yen was recorded (compared with net income of 1,253 million yen in the same period of the previous fiscal year).

(2) Qualitative information about consolidated financial position

Consolidated assets at the end of the first quarter under review amounted to 254,063 million yen, down 15,961 million yen from the end of the previous fiscal year. This was mainly due to decreases of 20,999 million yen in securities and 16,317 million yen in notes and accounts receivable-trade, offsetting increases of 7,059 million yen in prepaid expenses, 5,775 million yen in merchandise, and 3,979 million yen in work in process.

Consolidated liabilities fell 11,059 million yen from the end of the previous fiscal year, to 92,986 million yen. This was primarily due to declines of 7,569 million yen in income taxes payable, 5,226 million yen in notes and accounts payable-trade, and 4,706 million yen in provision for bonuses, offsetting an increase of 7,002 million yen in unearned revenue.

Consolidated net assets reached 161,077 million yen, down 4,902 million yen from the end of the previous fiscal year. This chiefly reflects a decrease of 3,272 million yen due to the payment of cash dividends and the recording of remeasurements of defined benefit plans of 1,848 million yen as a result of partial early application of the “Accounting Standard for Retirement Benefits” and the “Guidance on Accounting Standard for Retirement Benefits” from the beginning of the first quarter under review.

(3) Qualitative information about consolidated earnings forecasts

Despite lingering concerns over the slowdown of overseas economies and other downside risks, the domestic economy is recovering, raising expectations of increased IT investment on the back of future improvement in corporate earnings and implementation of the government’s IT strategy.

In light of these conditions, the Group is leaving its earnings forecasts announced on May 1, 2013 unchanged at the present time.

(Note) The above-mentioned earnings forecasts are based on information available as of the date of this announcement. Actual results may differ from the forecasts due to various factors.

2. Items Regarding Summary (and Notes) Information

(1) Changes in significant subsidiaries during the period under review

None

(2) Adoption of specific procedures in preparation of the quarterly consolidated financial reports

None

(3) Changes in accounting policies, accounting estimates, and restatements

(ii) Changes in accounting policies other than (i)

From first quarter under review, the Group has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, May 17, 2012; hereinafter “Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, May 17, 2012; hereinafter “Guidance on Accounting Standard”) (except for the main clause stipulated in article 35 of the Accounting Standard and the main clause stipulated in article 67 of the Guidance on Accounting Standard), which became applicable from the beginning of fiscal years starting on April 1, 2013.

Under these accounting standards, liability for retirement benefit is recognized as the net amount of retirement benefit obligations minus pension assets, and unrecognized actuarial gains and losses and unrecognized prior service costs are recorded as liability for retirement benefit. The Group has more than one retirement benefit plan and, since in the case of the main defined benefit company pension plans (under joint sponsorship contract executed by the Company and its domestic consolidated subsidiaries) pension assets exceed retirement benefit obligations, this excess amount is recorded as asset for retirement benefit in “Other” under “Investments and Other Assets.”

In accordance with the transitional measures stipulated in article 37 of the Accounting Standard, the effect of this accounting change is recognized as “Remeasurements of defined benefit plans” in the accumulated other comprehensive income, at the beginning of the first quarter under review.

As a result, “Accumulated other comprehensive income” at the beginning of the first quarter under review decreased by 1,915 million yen.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of June 30, 2013)
Assets		
Current assets		
Cash and deposits	31,914	33,181
Notes and accounts receivable	66,882	50,565
Securities	33,997	12,998
Merchandise	13,427	19,203
Work in process	5,347	9,327
Maintenance parts and materials	6,588	6,422
Prepaid expenses	22,317	29,377
Other	25,534	30,665
Allowance for doubtful accounts	-94	-20
Total current assets	205,917	191,721
Fixed assets		
Tangible fixed assets	34,719	34,444
Intangible fixed assets		
Goodwill	4,129	5,043
Other	7,053	6,701
Total intangible fixed assets	11,182	11,745
Investments and other assets		
Other	18,271	16,215
Allowance for doubtful accounts	-63	-63
Total investments and other assets	18,207	16,152
Total fixed assets	64,108	62,342
Total assets	270,025	254,063
Liabilities		
Current liabilities		
Notes and accounts payable	26,484	21,257
Income taxes payable	7,803	233
Unearned income	20,269	27,271
Provision for bonuses	7,566	2,860
Provision for loss on order received	308	351
Provision for after service cost	368	342
Other	23,827	24,300
Total current liabilities	86,627	76,617
Long-term liabilities		
Provision for retirement benefits	575	-
Net defined benefit liability	-	570
Asset retirement obligations	1,448	1,455
Other	15,395	14,343
Total long-term liabilities	17,418	16,369
Total liabilities	104,045	92,986

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of June 30, 2013)
Net assets		
Shareholders' equity		
Capital stock	21,763	21,763
Capital surplus	33,076	33,076
Retained earnings	118,506	114,952
Treasury stock	-10,370	-10,371
Total shareholders' equity	162,975	159,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,610	1,885
Deferred gains or losses on hedges	-2	7
Foreign currency translation adjustment	58	242
Remeasurements of defined benefit plans	-	-1,848
Total accumulated other comprehensive income	1,666	286
Minority interests	1,338	1,371
Total net assets	165,980	161,077
Total liabilities and net assets	270,025	254,063

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

Consolidated income statement

(Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to June 30, 2012)	Consolidated fiscal year under review (From April 1, 2013 to June 30, 2013)
Net sales	65,651	65,248
Cost of sales	49,028	49,587
Gross profit	16,623	15,661
Selling, general and administrative expenses	14,004	15,308
Operating income	2,618	352
Non-operating income		
Interest income	15	9
Dividend income	42	41
Equity in gains of associated companies	9	15
Other	47	69
Total non-operating income	115	136
Non-operating expenses		
Interest expenses	43	39
Loss from investments in partnership	10	7
Other	26	8
Total non-operating expenses	79	55
Ordinary income	2,653	432
Extraordinary gains		
Gains on sales of investment securities	18	—
Total extraordinary gains	18	—
Extraordinary losses		
Loss on disposal of fixed assets	11	—
Impairment loss	4	—
Loss on litigation	173	364
Total extraordinary losses	188	364
Income before income taxes	2,483	68
Income taxes-current	37	213
Income taxes-deferred	1,164	40
Total income taxes	1,201	253
Income (Loss) before minority interests	1,281	-185
Minority interests in income	28	96
Net income (Loss)	1,253	-281

Consolidated statements of comprehensive income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to June 30, 2012)	Consolidated fiscal year under review (From April 1, 2013 to June 30, 2013)
Income (Loss) before minority interests	1,281	-185
Other comprehensive income		
Valuation difference on available-for-sale securities	62	275
Deferred gains or losses on hedges	14	10
Foreign currency translation adjustment	-11	178
Remeasurements of defined benefit plans, net of tax	-	66
Share of other comprehensive income of entities accounted for using equity method	-1	22
Total other comprehensive income	63	552
Comprehensive income	1,345	367
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,316	253
Comprehensive income attributable to minority interests	28	113

(3) Notes to Quarterly Consolidated Financial Statements

(Note on going concern assumptions)

Not applicable

(Note on significant changes in the amount of shareholders' equity)

Not applicable

4. Additional Information

Changes to reportable segments

As a result of a structural reorganization effective April 1, 2013, business for the broadcasting sector and for ISPs, which was previously included in the “Enterprise”, was transferred to the “Telecommunications”, and business for the distribution sector was transferred to the “Distribution”; also, business for the public sector, which was previously included in the “Enterprise” and the “Telecommunications”, was transferred to the “Finance” and the name of this segment was changed from the “Finance” to the “Finance & Public”.

Please refer to the “First Quarter Consolidated Financial Summary for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – June 30, 2013)” published on the Company’s website today for details on business results by reportable segment.