

November 12, 2014

Report of Earning Results (Consolidated)
for the Third Quarter of the Fiscal Year
Ending December 31, 2014

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: Nov 13, 2014

1. Financial Highlights for Nine Months Ended September 30, 2014

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months Ended September 30, 2014	83,941	5.1	24,630	13.1	26,504	11.6	16,490	10.4
Nine Months Ended September 30, 2013	79,885	14.9	21,786	31.2	23,742	39.0	14,938	38.8

(Note) Comprehensive Income:17,263 million yen minus 12.6% as of September 30, 2014
19,758 million yen 69.2% as of September 30, 2013

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Nine Months Ended September 30, 2014	122.45	121.59
Nine Months Ended September 30, 2013	112.94	112.10

(2) Consolidated Financial Position

	Total assets	Net Assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2014	262,668	141,341	52.8
December 31, 2013	261,493	142,539	53.6

(Note) Net Assets after deduction of Share acquisition rights and Minority interest
:138,790 million yen as of September 30, 2014
140,202 million yen as of December 31, 2013

2. Dividend of Surplus

As of	Cash dividends per share				
	The first quarter end	The second quarter end	The third quarter end	Annual end	Total
December 31, 2013	Yen -	Yen 0.00	Yen -	Yen 125.00	Yen 125.00
December 31, 2014	-	0.00	-		
Projection for FY 2014				-	-

(Note) Revision of the projection of dividend for the Third quarter of FY 2014 : No

(Note) The dividend projection for FY2014 annual end has not been determined yet.

3. Forecasts of consolidated financial results for FY 2014

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions yen	%	Millions yen	%	Millions yen	%	Millions yen	%	Yen
FY2014 (January 1, 2014 through December 31, 2014)	112,000	3.4	30,100	2.2	32,000	(1.4)	19,100	(2.5)	141.63

4. Others

- (1) Change in the basis of Consolidation and Application of equity method : No
 (2) Application of simplified or specified accounting procedures : Yes
 (3) Changes in accounting principles, procedures and the way of disclosure

- ① Changes under the revision of Accounting Standards : No
 ② Changes in Accounting principles other than ① : No
 ③ Changes in Accounting Estimates : No
 ④ Restatements : No

(4) Number of shares issued (common shares)

- ① Number of shares issued (including treasury stocks):
 140,293,004 shares as of September 30, 2014
 140,293,004 shares as of December 31, 2013
- ② Number of treasury stocks :
 5,951,624 shares as of September 30, 2014
 5,430,724 shares as of December 31, 2013
- ③ Average number of shares outstanding :
 134,676,777 shares nine months ended September 30, 2014
 132,273,003 shares nine months ended September 30, 2013

* Statement relating to the status of the quarterly review procedures

This quarterly report is not subject to the quarterly review procedures, which are based on the Financial Instruments and Exchange Law. However, the review procedures for quarterly consolidated accounts have not finished at the point of the announcement of the quarterly financial results.

* Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to (3) Qualitative Information on the Consolidated Earnings Forecast on page 3 of the attachment for conditions serving as assumptions for results forecasts.

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	The Nine Months ending Third Quarter of FY2014	The Nine Months ending Third Quarter of FY2013	Rate of Change
Japan	37,225	35,905	3.7%
North America Reg.	17,972	17,567	2.3%
Europe Reg.	16,701	14,940	11.8%
Asia and Pacific Reg.	9,895	9,509	4.1%
Latin America Reg.	2,146	1,962	9.4%
Total	83,941	79,885	5.1%

During this term of fiscal year 2014, from January 1 to September 30, the world economy shows an economic growth slowdown in Europe and a part of emerging countries. On the other hand, US economy which has been focused on the end of QE3 maintains mild recovery to lead the world economy with its recovery in various business indexes. However it remains concerns regarding future economic trend.

Under the government's aggressive economic policies and massive monetary easing by the Bank of Japan, Japan economy has been on a moderate recovery trend. Although the Japanese economy has been continuously recovering with the business sentiment and employment conditions, while weakness can be seen in some areas with a prolonged the rise in the consumption tax. It seems to have the risk of downward pressure on economic growth is coming up recently.

For the Information Technology Industry, the worldwide demand for the cloud computing utilization including server virtualization continuously stimulates the demand for IT services and mobile devices including smartphones. Although the worldwide PC shipments are continuously decrease due to weakness in emerging regions demands, its downward trend decreased only slightly due to enterprise's PC replacement demand. On the other hand, domestic PC shipment was started the recoil reduction by the Windows XP replacement demand. Recently, it shows sales down in not only shipment volume but also its amount as much as fall to well below the same period last year.

In the computer security industry, cyber terrorism to attack targeting a particular organization or the national infrastructure, etc. and its related to some cases of identity theft in both business client information and personal and private information are as recent high-visibility incidents.

Under such an environment, our group business performance is as follows:

With regards to sales in Japan region, enterprise business maintained sales increase with the growth of cloud related business. As for consumer business, it has also showed growth with the special benefit from strong PC sales due to a rush demand before consumption tax increase and the Windows XP replacement demand, etc., its recent business condition is favorable. As a result, net sales for this period in Japan region amounted to 37,225 million yen (3.7% increase from the same period in the previous year.)

For North America region, enterprise business shows the continuous growth of cloud related business and sustainable growth in both local currency and Japanese yen terms. On the other hand, consumer business sales has decreased significantly in also local currency due to the sales channel centralization aiming for higher profit margin and a decrease in number of users, etc. Although low performance of consumer business dragged down the entire North America region sales, weak yen benefited for sales figure in Japanese yen. As a result, sales for this period in this region was 17,972 million yen (2.3% increase from the same period in previous year).

Although EMEA region sales has been concerned about macroeconomics weaknesses in future demands, enterprise business growth has increased in also local currency. In addition to weak yen, sales for this period in EMEA was 16,701 million yen (11.8% increase from the same period in previous year).

In the Asia Pacific region sales, both China and Australia have been leading this region's sales continuously in also local currency. As a result, net sales for this period in Asia Pacific region amounted to 9,895 million yen (4.1% increase from the same period in the previous year). Latin America region has showed strong sales growth even in local currencies. Especially enterprise business sales growth in Brazil has been leading this region's sales. As the result, net sales in this region were 2,146 million yen (9.4% increase from the same period in previous year).

As a result, the consolidated net sales for this period (this term of fiscal year 2014, from January 1 to September 30,) came to 83,941 million yen (5.1% increase from the same period in previous year), showing revenue growth in all region.

Cost of sales and operating expenses was total of 59,310 million yen (2.1% increase from the same period in previous year.) Although stock option related expenses and outsourcing costs decreased, mainly people costs have increased. As a result, consolidated operating income for this period was 24,630 million yen (13.1% increase from the same period in previous year).

The consolidated ordinary income for this period was 26,504 million yen (11.6% increase from the same period in previous year) and the consolidated net income for this period was 16,490 million yen (10.4% increase from the same period in previous year).

(2) Qualitative Information on the Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 54,086 million yen, a decrease of 25,546 million yen from FY2013 annual closing. Although cash and bank deposits decreased significantly, marketable securities and investment securities increased substantially, etc. Total assets at the end of this period were 262,668 million yen, 1,175 million yen increase from FY2013 annual closing.

Total liabilities at the end of this period were 121,327 million yen, 2,372 million yen increase from FY2013 annual closing. Although accrued income and other taxes decreased, deferred revenue and accounts payable, other, increased, etc.

As a result, total net assets at the end of this period were 141,341 million yen, a decrease of 1,197 million yen. This decrease is due to the dividends payment and Treasury stock increase, etc.

(3) Qualitative Information on the Consolidated Earnings Forecast

As of now, we do not revise our consolidated results forecast for the full fiscal year ending December 31, 2014 (released on February 18, 2014):

Annual Business forecast for FY2014 (January 1, 2014 - December 31, 2014)

Consolidated net sales	112,000 million yen
Consolidated operating income	30,100 million yen
Consolidated ordinary income	32,000 million yen
Consolidated net income	19,100 million yen

In development of the business forecasts, the main postulated exchange rates for the Annual of FY2014 (January 1, 2014 - December 31, 2014) are as follows:

1 US \$	100 yen
1 Euro	138 yen

2. Others

(1) Movement of significant subsidiaries

N/A

(2) Application of simplified or special accounting procedures

(Calculation of income tax expenses)

We multiply net income before tax for this period (9 months) by effective tax rate, which is rationally calculated based on projected annual profit and its taxes taking into consideration deferred tax accounting. In addition, deferred tax expense is included in income taxes.

(3) Additinal information

(Influence of changing income tax rate)

Partial Amendment of the Income Tax Act, etc. is announced on March 31, 2014 and special income tax for reconstruction wasn't to be imposed from consolidated fiscal year started since April 1, 2014. The income tax has increased 813 million yen by this change.

3. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2013	September 30, 2014
(Assets)		
Current assets		
Cash and bank deposits	79,632	54,086
Notes and Accounts receivable, trade	24,546	22,282
Marketable securities	60,958	70,910
Inventories	408	517
Deferred tax assets	15,462	15,690
Others	3,821	4,192
Allowance for bad debt	(217)	(235)
Total current assets	184,612	167,443
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	3,271	3,366
(2) Others	1,312	1,117
Total Property and equipment	4,583	4,483
Intangibles		
(1) Software	6,975	7,633
(2) Goodwill	1,119	806
(3) Others	1,065	906
Total intangibles	9,160	9,346
Investments and other non-current assets		
(1) Investment securities	51,095	67,663
(2) Investments in subsidiaries and affiliates	38	1,138
(3) Deferred tax assets	10,576	11,212
(4) Others	1,425	1,380
Total investments and other non-current assets	63,135	81,395
Total non-current assets	76,880	95,225
Total assets	261,493	262,668

(Million yen)

Account	December 31, 2013	September 30, 2014
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	486	692
Accounts payable, other	3,789	5,136
Accrued expenses	5,015	4,852
Accrued income and other taxes	5,279	3,242
Allowance for bonuses	1,433	1,541
Allowance for sales returns	656	913
Deferred revenue	65,429	66,846
Others	4,976	4,447
Total current liabilities	87,066	87,672
Non-current liabilities		
Deferred revenue	27,429	28,127
Allowance for retirement benefits	2,896	3,237
Others	1,561	2,289
Total non-current liabilities	31,887	33,654
Total liabilities	118,954	121,327
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,796	21,883
Retained earnings	113,509	113,143
Treasury stock, at cost	(16,303)	(18,192)
Total Shareholders' equity	137,389	135,221
Accumulated Other Comprehensive Income		
Net unrealized gain (loss) on debt and equity securities	1,768	1,333
Foreign currency translation adjustments	1,045	2,236
Total accumulated other comprehensive income	2,813	3,569
Stock acquisition rights	2,326	2,541
Minority interest	9	9
Total net assets	142,539	141,341
Total liabilities and net assets	261,493	262,668

(2) 【Consolidated Statements of Income
Consolidated Statements of Comprehensive Income】
Consolidated Statements of Income

(Million yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Net Sales	79,885	83,941
Cost of sales	14,736	14,577
Gross profit	65,149	69,363
Operating expenses	43,362	44,732
Operating income	21,786	24,630
Non-operating income		
Interest income	1,063	1,284
Gain on sale of marketable securities	1,184	798
Equity in gains of affiliated companies	-	2
Other income	88	73
Total non-operating income	2,336	2,159
Non-operating expenses		
Interest expenses	5	9
Loss on sale of marketable securities	0	-
Foreign exchange loss	139	48
Equity in loss of affiliated companies	1	-
Loss on disposal of fixed assets	-	134
Other expenses	234	93
Total non-operating expenses	380	285
Ordinary income	23,742	26,504
Extraordinary gain		
Gain on reversal of stock options	74	23
Gain on sale of affiliated company securities	403	-
Total extraordinary gain	478	23
Net income before taxes	24,221	26,528
Income taxes	9,282	10,037
Net Income before minority interest	14,938	16,490
Minority interest in income (loss) of consolidated subsidiaries	0	(0)
Net income	14,938	16,490

Consolidated Statements of Comprehensive Income

(Million yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Income before minority interests	14,938	16,490
Other comprehensive income		
Valuation difference on available-for-sale securities	739	(432)
Foreign currency translation adjustment	4,076	1,191
Share of other comprehensive income of associates accounted for using equity method	3	13
Total other comprehensive income	<u>4,819</u>	<u>772</u>
Comprehensive income	<u>19,758</u>	<u>17,263</u>
Comprehensive income attributable to owners of the parent	<u>19,756</u>	<u>17,263</u>
Comprehensive income attributable to minority interests	1	0

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Cash flows from operating activities:		
Net income before taxes	24,221	26,528
Depreciation and amortization	5,376	5,094
Stock compensations	573	579
Gain on reversal of stock option	(74)	(23)
Amortization of goodwill	251	329
Increase (decrease) in allowance for bad debts	45	9
Increase (decrease) in allowance for sales returns	451	256
Increase in allowance for retirement benefits	314	305
Interest income	(1,063)	(1,284)
Interest expenses	5	9
Equity in earnings of affiliated companies	1	(2)
Loss on disposal of fixed assets	-	134
(Gain) loss on sale of marketable securities	(1,184)	(798)
(Gain) loss on sale of affiliated company securities	(403)	-
(Increase) decrease in notes and accounts receivable	1,426	2,217
(Increase) decrease in inventories	(21)	(100)
Increase (decrease) in notes and accounts payable	182	186
Increase (decrease) in accounts payable, other & accrued expenses	(1,444)	(308)
Increase (decrease) in deferred revenue	521	1,871
Virtual share bonus plan	1,621	19
Others	557	(347)
Subtotal	31,356	34,675
Proceeds from interest and dividend received	1,115	1,071
Payment for interest expenses	(5)	(9)
Payment for income tax	(12,640)	(12,154)
Net cash provided by operating activities	19,826	23,584
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	208	597
Payments for purchases of marketable securities and securities investments	(79,575)	(122,444)
Proceeds from sale or redemptions of marketable securities and securities investments	75,101	97,895
Payments for purchases of property and equipment	(1,601)	(1,333)
Payments for purchases of other intangibles	(3,302)	(4,413)
Payments for purchases of affiliated company securities	-	(1,030)
Proceeds from sale of affiliated company securities	559	-
Net cash used in/provided by investing activities	(8,611)	(30,729)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(1,848)	(3,344)
Receipt from disposal of treasury stock	8,580	1,201
Dividends paid	(8,411)	(15,769)
Net cash used in financing activities	(1,678)	(17,912)
Effect of exchange rate changes on cash and cash equivalents	4,865	50
Net increase (decrease) in cash and cash equivalents	14,402	(25,007)
Cash and cash equivalents at beginning of period	50,446	73,949
Cash and cash equivalents at end of period	64,848	48,942

(4) Footnotes on Consolidated Financial Statements

(Footnote on going concern)

N/A

(Notes on significant changes in stockholders' equity)

N/A

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2013 to September 30, 2013)

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*) ³	Amt in Con P&L (*) ⁴
Sales								
(1) Net sales to external customers	35,905	17,567	14,940	9,509	1,962	79,885	—	79,885
(2) Intercompany sales	3,103	1,705	713	11,194	10	16,728	(16,728)	—
Total	39,009	19,272	15,654	20,704	1,972	96,613	(16,728)	79,885
Segment income	15,250	3,363	2,081	892	449	22,037	(250)	21,786

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, The Philippines, Singapore, Malaysia, Thailand, India

Latin America Brazil, Mexico

3 The amount of "Adj" in segment income minus 250M is that of intercompany elimination

4 Total amount of segment income is adjusted to operating income in consolidated statement of income

For the current fiscal year (from January 1, 2014 to September 30, 2014)

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*) ³	Amt in Con P&L (*) ⁴
Sales								
(1) Net sales to external customers	37,225	17,972	16,701	9,895	2,146	83,941	—	83,941
(2) Intercompany sales	1,499	1,857	772	12,937	11	17,077	(17,077)	—
Total	38,724	19,829	17,473	22,832	2,158	101,018	(17,077)	83,941
Segment income	14,533	4,389	3,234	1,792	550	24,499	131	24,630

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, The Philippines, Singapore, Malaysia,
Thailand, India

Latin America Brazil, Mexico

3 The amount of "Adj" in segment income 131M is that of intercompany elimination

4 Total amount of segment income is adjusted to operating income in consolidated statement of income