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October 31, 2012

## Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2013 (JapanGAAP)

Name of Listed Company: Information Services International-Dentsu, Ltd.  
Listed Exchange: Tokyo  
Code Number: 4812  
URL: <http://www.isid.co.jp/english/index.html>  
Representative: Setsuo Kamai, President, CEO and COO  
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Date of scheduled filing of securities report: November 9, 2012  
Date of scheduled payment of dividends: December 5, 2012  
Quarterly earnings supplementary explanatory documents: Yes  
Quarterly earnings presentation: Yes

(Amounts less than one million yen are rounded down.)

### 1. Consolidated Business Performance for the Second Quarter of FY2012 (from April 1, 2012 to September 30, 2012)

#### (1) Consolidated Operating Results (Cumulative)

Percentages indicate year-on-year increase/(decrease).

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Second Quarter of FY2012</b>	33,867	10.5	1,477	65.6	1,609	58.2	946	32.1
Second Quarter of FY2011	30,638	6.1	892	-	1,017	-	716	-

(Note) Comprehensive income: Second Quarter of FY2012: 626 million yen; Second Quarter of FY2011: 830 million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
<b>Second Quarter of FY2012</b>	29.03	-
Second Quarter of FY2011	22.00	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
<b>As of September 30, 2012</b>	53,538	34,855	65.1
As of March 31, 2012	52,295	34,281	65.6

(Reference) Total shareholders' equity: As of September 30, 2012: 34,829 million yen; As of March 31, 2012: 34,281 million yen

### 2. Dividends

Record date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2012	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2013	-	10.00			
Fiscal year ending March 31, 2013 (Forecast)			-	10.00	20.00

(Note) Revision to the dividend forecasts from the latest announcement: No

**3. Consolidated Forecasts for FY2012 (from April 1, 2012 to March 31, 2013)**

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY 2012	67,700	6.0	3,380	43.9	3,450	38.2	2,100	38.5	64.45

(Note) Revision to the consolidated forecasts from the latest announcement: No

**4. Other Items**

- Changes in the scope of consolidation for significant subsidiaries during three months (Changes in specified subsidiaries resulting in change in the scope of consolidation): None
- Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None
- Changes in accounting policies, changes in accounting estimates and restatements:
  - Changes in accounting policies in accordance with revision of accounting standards: Yes
  - Changes in accounting policies other than 1) above: None
  - Changes in accounting estimate: Yes
  - Restatements: None

## 4. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	September 30, 2012:	32,591,240 shares	March 31, 2012:	32,591,240 shares
2) Number of treasury stock at end of period:	September 30, 2012:	7,990 shares	March 31, 2012:	7,990 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Six months ended September 30, 2012:	32,583,250 shares	Six months ended September 30, 2011:	32,583,421 shares

**Indication regarding the status of quarterly review procedures**

These financial statements are not subject to quarterly review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

**Explanation regarding the appropriate use of forecasts of business results**

Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

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## 1. Qualitative Information on the Results for the Subject Period

### (1) Qualitative Information on Consolidated Results

The Japanese economy exhibited a tone of gentle recovery during the second quarter period (April 1, 2012 to September 30, 2012) on the back of disaster recovery-related demand. However, the recovery trend began to show signs of stalling as a result of the prolonged European debt crisis, and weakening business sentiment in emerging countries. In the information service industry, there were signs of recovery in IT investment in the finance and manufacturing industries, but concerns over an economic slowdown have led to a sharp rise in uncertainty.

Amid such conditions, the ISID Group worked to expand business results through the implementation of “ISID Open Innovation 2013,” a three-year medium-term management plan launched in fiscal 2011. Under the theme of “joint-value creation,” through this plan ISID seeks to help resolve the issues faced by its customers and society by generating new, forward-looking value through collaboration with customers, the Dentsu Group, and a wide range of other partners.

During this second year of the plan, we will actively conduct research and development for in-house software and new services in order to raise competitiveness, and will increase sales and earnings through such means as expanding our global business, developing and enhancing cloud solutions, and cultivating customer insight. Of note, the non-consolidated subsidiary ISID Fairness, Ltd. was included in the scope of consolidation during the first quarter of the subject fiscal year.

As a result, consolidated net sales for the subject second quarter period amounted to ¥33,867 million (up 10.5% from the same period of the previous fiscal year). Of the ISID Group’s four business segments, the Enterprise Solutions—Business segment recorded a slight decline, revenue increased on gains in the Financial Solutions, Enterprise Solutions—Engineering, and Communications IT segments.

In terms of earnings, gross profit rose to ¥10,641 million (up 9.8%), due mainly to increased sales. Selling, general and administrative (SG&A) expenses increased to ¥9,163 million (up 4.2%), due mainly to expansion of R&D activities, but this was absorbed by the increase in gross profit. Earnings rose as a result, with ISID recording operating income of ¥1,477 million (up 65.6% from the same period of the previous fiscal year), ordinary income of ¥1,609 million (up 58.2%), and net income of ¥946 million (up 32.1%).

ISID Group net sales by business segment are as follows:

#### Financial Solutions

*¥9,561 million (up 8.6% year on year)*

Segment revenue rose overall as a result of an increase in sales for custom system development on a non-consolidated basis and at ISID’s Shanghai and U.S. subsidiaries, mainly to megabanks, regional financial institutions, leasing companies, and non-life insurance companies. Revenue was also boosted by the inclusion of ISID Fairness, Ltd. in the scope of consolidation from the first quarter.

#### Enterprise Solutions—Business

*¥6,537 million (down 2.1% year on year)*

Segment revenue declined overall despite strong sales of the POSITIVE human resources management package, due mainly to sluggishness in the accounting and core systems fields.

### Enterprise Solutions—Engineering

*¥9,583 million (up 1.2% year on year)*

Sales of product development support software such as CAD and PLM systems declined with the conclusion in the previous fiscal year of large-scale projects to major customers. However, segment revenue rose overall as a result of gains centered on the automotive industry, including consulting services for upstream product development processes such as concept design, analysis simulations and testing, along with sales of the iQUAVIS concept design solution.

### Communications IT

*¥8,184 million (up 44.0% year on year)*

Segment revenue rose overall as a result of orders received from Dentsu for large-scale core system-related development projects, along with steady growth in collaborative business with the Dentsu Group. One strong-selling offering from the collaborative business with the Dentsu Group is agile application development services utilizing the Force.com cloud-based platform from Salesforce.com Inc.

ISID Group net sales by service category are as follows:

### Consulting services

*¥1,278 million (up 23.5% year on year)*

Revenue rose mainly as a result of consulting services for upstream product development processes such as concept design, analysis simulations and testing, centered on the automotive industry.

### Custom system development

*¥11,152 million (up 21.6% year on year)*

Revenue rose mainly as a result of orders received from Dentsu for large-scale core system-related development projects, along with an increase in sales to megabanks, regional financial institutions, leasing companies, and non-life insurance companies.

### In-house software

*¥4,011 million (up 5.4% year on year)*

Revenue rose mainly as a result of strong sales of the POSITIVE human resources management package, and an increase in sales of the iQUAVIS concept design solution to the automotive industry.

### Third-party software

*¥11,167 million (up 5.1% year on year)*

Sales of product development support software such as CAD and PLM systems declined with the conclusion in the previous fiscal year of large-scale projects to major customers. However, segment revenue rose overall as a result of an increase in sales of licenses for the Force.com cloud-based platform from Salesforce.com Inc., along with expansion in system development services on Force.com.

#### Outsourcing, operation and maintenance services

¥3,090 million (up 12.3% year on year)

Revenue rose mainly as a result of the inclusion of ISID Fairness, Ltd. in the scope of consolidation from the first quarter of the subject fiscal year.

#### IT equipment sales and others

¥3,166 million (down 2.4% year on year)

Revenue declined mainly as a result of sluggish sales of accompanying IT equipment stemming from the slowdown in the core systems field.

### **(2) Qualitative Information on Consolidated Results Forecasts**

Although first half results exceeded initial expectations, the economic outlook has become increasingly uncertain as a result of the European debt crisis, economic slowdown in emerging nations and other factors. Accordingly, forecasts for the whole-year period are unchanged from those announced on May 11, 2012.

Note: Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

### **2. Matters Regarding Summary Information (Other)**

#### **(1) Significant Changes in Subsidiaries during the Subject Period**

Not applicable

#### **(2) Application of Special Accounting Practices in the Preparation of the Consolidated Financial Statements**

Not applicable

#### **(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements**

(Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates)

The Company and its domestic consolidated subsidiaries, in accordance with revisions to the Corporation Tax Act, from the first quarter of the subject fiscal year, have changed the accounting policy for property, plant and equipment acquired on or after April 1, 2012, to the depreciation method based on the revised Corporation Tax Act. The effect of this change on earnings for the second quarter cumulative period is negligible.

### **3. Summary of Significant Events Affecting the Premise of the Company as a Going Concern**

Not applicable

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen; amounts less than one million yen are rounded down.)

(In millions of yen, amounts less than one million yen are rounded down.)

Item	Period	As of March 31, 2012	As of September 30, 2012
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		2,741	2,896
Notes and accounts receivable—trade		15,672	15,046
Merchandise and finished goods		72	56
Work in process		867	1,227
Raw materials and supplies		23	18
Advance payments—trade		3,957	4,905
Deposit paid		8,096	9,263
Other		2,312	1,958
Allowance for doubtful accounts		(27)	(26)
Total current assets		33,716	35,347
<b>Noncurrent assets:</b>			
Property, plant and equipment		6,024	5,904
Intangible assets:			
Goodwill		133	114
Other		4,663	4,584
Total intangible assets		4,796	4,699
Investments and other assets:			
Investment and other assets		7,760	7,589
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		7,758	7,587
Total noncurrent assets		18,579	18,191
<b>Total assets</b>		52,295	53,538

(Millions of yen; amounts less than one million yen are rounded down.)

		(Millions of yen; amounts less than one million yen are rounded down)	
Item	Period	As of March 31, 2012	As of September 30, 2012
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		5,402	4,793
Income taxes payable		311	369
Advances received		4,096	5,668
Provision for loss on order received		393	8
Other		4,797	5,210
Total current liabilities		15,001	16,050
<b>Noncurrent liabilities:</b>			
Provision for directors' retirement benefits		62	28
Asset retirement obligations		717	756
Other		2,232	1,847
Total noncurrent liabilities		3,012	2,632
<b>Total liabilities</b>		18,013	18,683
<b>(Net assets)</b>			
<b>Shareholders' equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		9,979	10,851
Treasury stock		(28)	(28)
Total shareholders' equity		33,417	34,289
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		1,182	998
Deferred gains or losses on hedges		28	(13)
Foreign currency translation adjustments		(346)	(445)
Total other comprehensive income		864	540
<b>Minority interests</b>		—	25
<b>Total net assets</b>		34,281	34,855
<b>Total liabilities and net assets</b>		52,295	53,538



**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**(Consolidated Statements of Income)**

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	Second Quarter of FY2011 (Six months ended September 30, 2011)	Second Quarter of FY2012 (Six months ended September 30, 2012)
		Amount	Amount
Net sales		30,638	33,867
Cost of sales		20,948	23,226
Gross profit		9,690	10,641
Selling, general and administrative expenses		8,797	9,163
Operating income		892	1,477
Non-operating income:			
Interest income		27	29
Dividends income		21	16
Equity in earnings of affiliates		—	2
Foreign exchange gains		49	68
Miscellaneous income		68	36
Total non-operating income		167	155
Non-operating expenses:			
Interest expenses		22	21
Equity in losses of affiliates		16	—
Miscellaneous loss		3	1
Total non-operating expenses		42	22
Ordinary income		1,017	1,609
Extraordinary income:			
Gain on sales of investment securities		106	—
Total extraordinary income		106	—
Extraordinary loss:			
Loss on retirement of noncurrent assets		—	79
Total extraordinary loss		—	79
Income before income taxes and minority interests		1,124	1,530
Income taxes—current		227	374
Income taxes—deferred		179	205
Total income taxes		407	579
Income before minority interests.		716	950
Minority interests in income		—	4
Net income		716	946

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	Second Quarter of FY2011 (Six months ended September 30, 2011)	Second Quarter of FY2012 (Six months ended September 30, 2012)
		Amount	Amount
Income before minority interests.		716	950
Other comprehensive income:			
Valuation difference on available-for-sale securities		248	(184)
Deferred gains or losses on hedges		(30)	(41)
Foreign currency translation adjustment		(104)	(98)
Total other comprehensive income		113	(324)
Comprehensive income		830	626
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		830	621
Comprehensive income attributable to minority interests		—	4

**(3) Notes regarding Assumption of a Going Concern**

Not applicable

**(4) Notes on Significant Changes in Shareholders' Equity**

Not applicable

**(5) Segment Information****I. Second Quarter of FY2011 (from April 1, 2011 to September 30, 2011)****1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Enterprise Solutions— Business	Enterprise Solutions— Engineering	Communications IT	Total
Net sales					
Sales to customers	8,801	6,679	9,473	5,684	30,638
Inter-segment sales and transfers	—	—	—	—	—
Total	8,801	6,679	9,473	5,684	30,638
Segment income (loss)	401	(228)	252	466	892

Note: Total values for segment earnings or loss (in parenthesis) matches that for the operating loss on the “Consolidated Statements of Income.”

**II. Second Quarter of FY2012 (from April 1, 2012 to September 30, 2012)****1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Enterprise Solutions— Business	Enterprise Solutions— Engineering	Communications IT	Total
Net sales					
Sales to customers	9,561	6,537	9,583	8,184	33,867
Inter-segment sales and transfers	—	—	—	—	—
Total	9,561	6,537	9,583	8,184	33,867
Segment income (loss)	544	(361)	52	1,242	1,477

Note: Total values for segment earnings or loss (in parenthesis) matches that for the operating loss on the “Consolidated Statements of Income.”

## (6) Notes to Significant Subsequent Events

Not applicable

## 5. Supplementary Information

### Status of Production, Orders and Sales

Many of ISID's client companies that submit consolidated financial statements implement IT systems and begin running software either at the start of their fiscal year, or at the start of the third quarter. Consequently, completions of system development, and shipments/deliveries of software are concentrated in March, when many clients close their fiscal year, or in September, the end of the second quarter. As a result, the ISID Group's sales tend to be concentrated in March and September, and there is seasonal variation in the ISID Group's production, orders and sales.

#### (1) Production

The status of production through the subject second quarter period (April 1–September 30, 2012) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	7,549	104.6
Enterprise Solutions—Business	3,401	96.8
Enterprise Solutions—Engineering	1,800	117.4
Communications IT	4,273	186.4
Total	17,025	116.9

The status of production through the subject second quarter period (April 1–September 30, 2012) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	11,249	118.1
In-house software add-on development	2,004	104.2
Third-party software add-on development	3,771	121.4
Total	17,025	116.9

#### Notes

1. In-house software add-on development and third-party software add-on development includes technical support services.
2. Figures are calculated from sales prices.
3. Figures do not include consumption tax or other additions.

#### (2) Orders

The status of orders through the subject second quarter period (April 1–September 30, 2012) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	8,805	115.7	4,346	152.7
Enterprise Solutions—Business	3,141	72.6	1,476	73.3
Enterprise Solutions—Engineering	1,921	115.7	493	133.2
Communications IT	7,190	296.1	3,399	1,014.6
Total	21,058	131.4	9,716	174.5

The status of orders through the subject second quarter period (April 1–September 30, 2012) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	15,080	145.4	7,392	216.5
In-house software add-on development	1,986	109.1	1,183	130.3
Third-party software add-on development	3,991	104.1	1,140	91.6
Total	21,058	131.4	9,716	174.5

Notes

1. In-house software add-on development and third-party software add-on development include technical support services.
2. Figures do not include consumption tax or other additions.

### (3) Sales

The status of sales through the subject second quarter period (April 1–September 30, 2012) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	9,561	108.6
Enterprise Solutions—Business	6,537	97.9
Enterprise Solutions—Engineering	9,583	101.2
Communications IT	8,184	144.0
Total	33,867	110.5

The status of sales through the subject second quarter period (April 1–September 30, 2012) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,278	123.5
Custom system development	11,152	121.6
In-house software	4,011	105.4
Third-party software	11,167	105.1
Outsourcing, operation and maintenance services	3,090	112.3
IT equipment sales and others	3,166	97.6
Total	33,867	110.5

Notes

1. Figures do not include consumption tax or other additions.
2. Sales to major clients and the proportion of total sales are as follows.

Client	Second Quarter of FY2011 (From April 1, 2011 to September 30, 2011)		Second Quarter of FY2012 (From April 1, 2012 to September 30, 2012)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	4,530	14.8	6,341	18.7