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July 31, 2013

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2014 (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>
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Date of scheduled filing of securities report: August 2, 2013
Date of scheduled payment of dividends: --
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: No

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

1. Consolidated Business Performance for the First Quarter of FY2013 (from April 1, 2013 to June 30, 2013)

(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	%
First Quarter of FY2013	14,956	6.2	(431)	-	(301)	-	(179)	-
First Quarter of FY2012	14,084	9.5	(325)	-	(261)	-	(219)	-

(Note) Comprehensive income: First Quarter of FY2013: (737) million yen; First Quarter of FY2012: (694) million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
First Quarter of FY2013	(5.51)	-
First Quarter of FY2012	(6.73)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30 31, 2013	56,619	36,831	65.0
As of March 31, 2013	58,798	37,903	64.4

(Reference) Total shareholders' equity: As of June 30, 2013: 36,811 million yen; As of March 31, 2013: 37,876 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, 2013	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2014	-				
Fiscal year ending March 31, 2014 (Forecast)		10.00	-	10.00	20.00

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

3. Consolidated Forecasts for FY2013 (from April 1, 2013 to March 31, 2014)

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
First half of FY 2013	34,900	3.1	920	(37.7)	1,040	(35.4)	630	(33.4)	19.34
FY 2013	75,500	3.8	4,460	6.4	4,700	9.0	2,870	9.5	88.08

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

4. Other Items

1. 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
2. Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None
3. Changes in accounting policies, changes in accounting estimates and restatements:
 - 1) Changes in accounting policies in accordance with revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimate: None
 - 4) Restatements: None

4. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	June 30, 2013:	32,591,240 shares	March 31, 2013:	32,591,240 shares
2) Number of treasury stock at end of period:	June 30, 2013:	8,110 shares	March 31, 2013:	8,110 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Three months ended June 30, 2013:	32,583,130 shares	Three months ended June 30, 2012:	32,583,250 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 in the first-quarter period of FY 2013 (April 1, 2013 to June 30, 2013) showed signs of improvement as a result of the corrections to the strong yen and expectations from economic policy, though uncertainty remained due to such factors as sluggish growth in emerging countries. In the information services industry, signs of an upturn in IT investment in the financial and manufacturing industry sectors began to appear. Harsh business conditions remain in the near term, but the outlook for the future is gradually becoming brighter.

Amid such conditions, the ISID Group made efforts to differentiate its services and expand business results through the implementation of its three-year medium-term management plan “ISID Open Innovation 2013.” 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 final year of the plan, to further enhance competitiveness ISID is strengthening functionality in its mainstay in-house software business and furthering development of new solutions, as well as establishing new overseas business locations, cultivating business with principal customers, and taking other steps to expand sales and earnings. For in-house software in particular, from the first quarter of the subject fiscal year we launched a series of new versions of software in our specialty fields, such as consolidated accounting and human resources management. Further, from the first quarter period we merged the Enterprise Solutions—Business segment, handling core systems and business management solutions, with the Enterprise Solutions—Engineering segment, handling product development solutions for the manufacturing industry, into a single Enterprise Solutions segment. Amid the broad range of management issues corporations face, with the aim of building and providing customer-oriented solutions, we will strive to offer customers proposals with even greater value, building on our united business base.

As a result, consolidated net sales for the subject first quarter period amounted to ¥14,956 million (up 6.2% from the previous fiscal year). Of the ISID Group’s three business segments, the Enterprise Solutions segment recorded a year-on-year decline in sales, while gains in the Financial Solutions segment and the Communications IT segment drove the revenue increase.

In terms of earnings, gross profit was on a par with the same period of the previous fiscal year at ¥4,116 million (down 1.0%), as the gross profit ratio declined on an increase in software depreciation expense, and rising costs due to the weak yen. Selling, general and administrative (SG&A) expenses increased slightly to ¥4,548 million (up 1.5%), leading to an operating loss of ¥431 million (compared to an operating loss of ¥325 million in the same period of the previous fiscal year), and an ordinary loss of ¥301 million (compared to an ordinary loss of ¥261 million). The net loss of the period contracted slightly to ¥179 million (compared to ¥219 million in the same period of the previous fiscal year), due to the recording in the previous fiscal year of an extraordinary loss for disposal of noncurrent assets.

Net sales by business segment, and status of business operations, are as follows. Of note, segment classifications have been changed from the subject fiscal year. In comparisons with the previous fiscal year, previous year figures have been refigured to reflect the segment classifications following the change.

Operating Results by Business Segment

Financial Solutions

¥4,888 million (up 13.6% year on year)

Segment sales rose overall. Custom system development centered on megabanks expanded for overseas branch systems, market systems, and transaction banking systems amid robust demand for IT investment stemming from business expansion by major financial institutions. In addition, custom system development increased for internet-based financial institutions, while sales were steady for such in-house software products as the BANK•R solution package for regional financial institutions, and the LAMP backbone system solution for overseas branches of leasing companies.

Enterprise Solutions

¥6,354 million (down 4.4% year on year)

Sales were steady for solution packages for product development processes, centered on consulting services. However, revenues declined overall as a result of solution packages for core systems, which recorded slow sales for core system building services using SAP ERP.

Communications IT

¥3,712 million (up 18.6% year on year)

Segment revenue rose overall as a result of an ongoing project from Dentsu for development of an extensive core system. Revenue was also boosted by proactive collaboration with the Dentsu Group, resulting in steady growth for system development services utilizing such software packages as the iPLAss marketing platform and the Force.com cloud-based platform, mainly for public bodies, local governments, and the corporate marketing operations field.

ISID Group net sales by service category are as follows:

Operating Results by Service Category

Consulting services

¥485 million (up 34.3% year on year)

Revenue rose as a result of expansion in consulting services for upstream product development processes such as concept design, analysis simulations and testing, mainly to the manufacturing industry.

Custom system development

¥5,572 million (up 32.5% year on year)

Revenue rose as a result of increases to Dentsu, as well as megabanks, and internet-based financial institutions.

In-house software

¥1,842 million (up 7.7% year on year)

Revenue rose as a result of gains in the BANK•R solution software for regional financial institutions, the LAMP backbone system solution for overseas branches of leasing companies, and the iPLAss marketing platform.

Third-party software

¥4,447 million (down 6.2% year on year)

Revenue declined as a result of sluggish sales of core system building services using SAP ERP, offsetting strong sales of the 3D CAD software NX from Siemens Industry Software Ltd.

Outsourcing, operation and maintenance services

¥1,380 million (down 1.6% year on year)

Revenue was on a par with the same period of the previous fiscal year, mainly as a result of steady sales of existing customers.

IT equipment sales and others

¥1,229 million (down 26.0% year on year)

Revenue declined mainly as a result of the rebound decrease from several major deals recorded in the same period of the previous fiscal year.

(2) Qualitative Information on Consolidated Results Forecasts

Forecasts for the second-quarter cumulative and whole-year periods are unchanged from those announced on May 10, 2013.

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

Not applicable

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.)

Item	Period	As of March 31, 2013	As of June 30, 2013
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		4,399	3,718
Notes and accounts receivable—trade		19,703	15,679
Merchandise and finished goods		27	105
Work in process		557	1,642
Raw materials and supplies		23	17
Advance payments—trade		4,065	5,923
Deposit paid		7,203	7,299
Other		2,171	2,566
Allowance for doubtful accounts		(4)	(2)
Total current assets		38,145	36,951
Noncurrent assets:			
Property, plant and equipment		5,608	5,669
Intangible assets:			
Goodwill		63	57
Other		4,907	4,887
Total intangible assets		4,971	4,944
Investments and other assets:			
Investment and other assets		10,073	9,055
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		10,072	9,054
Total noncurrent assets		20,653	19,668
Total assets		58,798	56,619

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

Item	Period	As of March 31, 2013	As of June 30, 2013
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		6,570	4,541
Income taxes payable		551	97
Advances received		4,258	6,927
Provision for loss on order received		294	288
Asset retirement obligations		9	5
Other		5,530	4,507
Total current liabilities		17,214	16,368
Noncurrent liabilities:			
Provision for directors' retirement benefits		28	28
Asset retirement obligations		761	773
Other		2,889	2,617
Total noncurrent liabilities		3,679	3,419
Total liabilities		20,894	19,787
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		12,199	11,694
Treasury stock		(28)	(28)
Total shareholders' equity		35,637	35,132
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		2,155	1,500
Deferred gains or losses on hedges		95	53
Foreign currency translation adjustments		(12)	124
Total other comprehensive income		2,238	1,679
Minority interests		27	20
Total net assets		37,903	36,831
Total liabilities and net assets		58,798	56,619

(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	First Quarter of FY2012 (Three months ended June 30, 2012)	First Quarter of FY2013 (Three months ended June 30, 2013)
		Amount	Amount
Net sales		14,084	14,956
Cost of sales		9,927	10,839
Gross profit		4,157	4,116
Selling, general and administrative expenses		4,482	4,548
Operating loss		(325)	(431)
Non-operating income:			
Interest income		14	9
Dividends income		16	16
Equity in earnings of affiliates		—	45
Foreign exchange gains		51	41
Miscellaneous income		13	33
Total non-operating income		96	146
Non-operating expenses:			
Interest expenses		10	9
Equity in losses of affiliates		20	—
Miscellaneous loss		0	6
Total non-operating expenses		31	16
Ordinary loss		(261)	(301)
Extraordinary loss:			
Loss on retirement of noncurrent assets		79	—
Total extraordinary loss		79	—
Loss before income taxes and minority interests		(340)	(301)
Income taxes—current		39	53
Income taxes—deferred		(163)	(176)
Total income taxes		(124)	(123)
Loss before minority interests		(216)	(178)
Minority interests in income		3	1
Net loss		(219)	(179)

(Consolidated Statements of Comprehensive Income)

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

Item	Period	First Quarter of FY2012 (Three months ended June 30, 2012)	First Quarter of FY2013 (Three months ended June 30, 2013)
		Amount	Amount
Loss before minority interests		(216)	(178)
Other comprehensive income:			
Valuation difference on available-for-sale securities		(364)	(654)
Deferred gains or losses on hedges		(27)	(41)
Foreign currency translation adjustment		(86)	136
Total other comprehensive income		(478)	(559)
Comprehensive income		(694)	(737)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		(697)	(738)
Comprehensive income attributable to minority interests		3	1

(3) Notes regarding Assumption of a Going Concern

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information

I. First Quarter of FY2012 (from April 1, 2012 to June 30, 2012)

1. Sales and Earnings (or Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment			
	Financial Solutions	Enterprise Solutions	Communications IT	Total
Net sales				
Sales to customers	4,304	6,649	3,129	14,084
Inter-segment sales and transfers	—	—	—	—
Total	4,304	6,649	3,129	14,084
Segment income (loss)	130	(740)	285	(325)

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

II. First Quarter of FY2013 (from April 1, 2013 to June 30, 2013)

1. Sales and Earnings (or Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment			
	Financial Solutions	Enterprise Solutions	Communications IT	Total
Net sales				
Sales to customers	4,888	6,354	3,712	14,956
Inter-segment sales and transfers	—	—	—	—
Total	4,888	6,354	3,712	14,956
Segment income (loss)	328	(1,052)	293	(431)

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

2. Matters Relating to Changes in Reportable Segments

On April 1, 2013, the Company reorganized its corporate structure, merging the Business Solutions Division and the Engineering Solutions Division into the Enterprise Solutions Division. This restructuring was implemented with the aim of creating and offering competitive, customer-oriented solutions in areas where the ISID Group is able to utilize its strengths, such as conceptual design for the manufacturing industry, and global human resources and managerial accounting.

As a result of the reorganization, from the first quarter period of the fiscal year ending March 2014, two of the Company's four reportable segments, the "Enterprise Solutions—Business segment" and the "Enterprise Solutions—Engineering segment," have been merged, establishing the three segment classifications of "Financial Solutions," "Enterprise Solutions," and "Communications IT."

Of note, segment information for the previous fiscal year has been refigured based on the reportable segment classifications following the reorganization of the corporate structure.

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 first quarter period (April 1–June 30, 2013) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	4,824	138.8
Enterprise Solutions	2,405	111.4
Communications IT	2,667	155.4
Total	9,897	134.7

The status of production through the subject first quarter period (April 1–June 30, 2013) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	6,890	140.2
In-house software add-on development	1,403	167.4
Third-party software add-on development	1,604	100.6
Total	9,897	134.7

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 first quarter period (April 1–June 30, 2013) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	4,501	121.4	4,185	119.4
Enterprise Solutions	2,240	92.0	2,449	87.3
Communications IT	3,396	85.8	3,399	107.3
Total	10,139	100.3	10,034	105.8

The status of orders through the subject first quarter period (April 1–June 30, 2013) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	7,399	102.2	6,830	105.1
In-house software add-on development	899	113.4	1,525	123.9
Third-party software add-on development	1,840	88.8	1,678	95.8
Total	10,139	100.3	10,034	105.8

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 first quarter period (April 1–June 30, 2013) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	4,888	113.6
Enterprise Solutions	6,354	95.6
Communications IT	3,712	118.6
Total	14,956	106.2

The status of sales through the subject first quarter period (April 1–June 30, 2013) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	485	134.3
Custom system development	5,572	132.5
In-house software	1,842	107.7
Third-party software	4,447	93.8
Outsourcing, operation and maintenance services	1,380	98.4
IT equipment sales and others	1,229	74.0
Total	14,956	106.2

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	First Quarter of FY2012 (From April 1, 2012 to June 30, 2012)		First Quarter of FY2013 (From April 1, 2013 to June 30, 2013)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	2,290	16.3	2,970	19.9