

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2012 (Japan GAAP)

Name of Listed Company: Information Services International-Dentsu, Ltd.
Listed Exchange: Tokyo
Code Number: 4812
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Date of scheduled filing of securities report: February 10, 2012
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 Third Quarter of FY2011 (from April 1, 2011 to December 31, 2011)

(1) Consolidated Operating Results (Cumulative)

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

	Net sales		Operating income (loss)		Ordinary income		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third Quarter of FY2011	43,844	4.0	(31)	—	122	(54.1)	30	—
Third Quarter of FY2010	42,171	3.5	103	—	266	—	(1,581)	—

(Note) Comprehensive income: Third Quarter of FY2011: 739 million yen; Third Quarter of FY2010: (1,546) million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
Third Quarter of FY2011	0.95	—
Third Quarter of FY2010	(48.55)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2011	49,802	32,961	66.2
As of March 31, 2011	49,570	32,873	66.3

(Reference) Total shareholders' equity: As of December 31, 2011: 32,961 million yen; As of March 31, 2011: 32,873 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, 2011	—	10.00	—	10.00	20.00
Fiscal year ending March 31, 2012	—	10.00	—		
Fiscal year ending March 31, 2012 (Forecast)				10.00	20.00

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

3. Consolidated Forecasts for FY2011 (from April 1, 2011 to March 31, 2012)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011	64,500	7.1	2,700	22.9	2,900	23.4

	Net income		Net income per share
	Millions of yen	%	Yen
FY2011	1,800	—	55.24

(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
Added: __ companies () Removed: __ companies ()
- 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: None
 - Changes in accounting policies other than 1) above: None
 - Changes in accounting estimate: None
 - Restatements: None
- Issued and outstanding common stock
 - Number of shares issued and outstanding at end of period, including treasury stock:

December 31, 2011:	32,591,240 shares	March 31, 2011:	32,591,240 shares
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 - Number of treasury stock at end of period:

December 31, 2011:	7,990 shares	March 31, 2011:	7,810 shares
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 - Average number of shares outstanding for each period (cumulative quarterly period):

Nine months ended December 31, 2011:	32,583,395 shares	Nine months ended December 31, 2010:	32,583,486 shares
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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

The above forecasts of future performance are based on information available to the Company at the present time and are subject to potential risks and uncertainty. Accordingly, actual results may differ significantly from any expressed future performance herein due to various factors.

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1. Qualitative Information on the Results for the Subject Period

(1) Qualitative Information on Consolidated Results

The Japanese economy during the third quarter cumulative period of FY 2011 (April 1, 2011 to December 31, 2011) continued to present difficult circumstances stemming from disruptions to supply chains and restrictions on power supplies in the aftermath of the Great East Japan Earthquake, as well as such concerns as the European debt crisis, and the persistently strong yen. In corporate IT investment, moves to curb spending have appeared in some sectors.

Under such conditions, the ISID Group launched its medium-term management plan “ISID Open Innovation 2013,” a three-year plan through fiscal 2013 (ending March 2014). 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 value through collaboration with a wide range of partners, and to actively expand sales through highly-competitive proposals.

As a result, consolidated net sales for the subject third quarter cumulative period amounted to ¥43,844 million (up 4.0% from the same period of the previous fiscal year). The Financial Solutions segment posted a year-on-year decline in revenue due to the rebound effect from major projects in the previous fiscal year, but sales increased year on year in the Enterprise Solutions—Business, Enterprise Solutions—Engineering, and Communications IT segments.

In terms of earnings, gross profit was on a par with the same period of the previous fiscal year, due mainly to deterioration in profitability for certain system development projects, with a loss of ¥460 million posted in the third quarter that incorporated expected future costs. Selling, general and administrative (SG&A) expenses rose ¥53 million, due mainly to increases in research and development costs, and offsetting decreases such as the amortization of goodwill. Operating and ordinary income both declined as a result. The ISID Group posted an operating loss for the period of ¥31 million (compared to operating income of ¥103 million in the same period of the previous fiscal year), and ordinary income of ¥122 million (down from 54.1% year on year). Net income improved to ¥30 million (compared to a net loss of ¥1,581 million), due mainly to the absence of extraordinary losses recorded in the same period of the previous fiscal year, including expenses related to personnel rationalization measures.

ISID Group net sales by business segment are as follows:

Operating Results by Business Segment

Financial Solutions

¥12,667 million (down 1.8% year on year)

Sales declined in this segment mainly as a result of the rebound effect from the Liquidity Management System package software development, a large-scale project for the banking industry in the previous fiscal year. Sales rose in such areas as overseas branch office systems, cash management systems, and capital market solutions for major banks, loan operations support systems for regional banks, web-based policy application systems for insurance companies, and the development of core systems for leasing companies at our Shanghai subsidiary.

Enterprise Solutions—Business

¥9,471 million (up 6.9% year on year)

Despite a decrease from the human resources management package POSITIVE due to the rebound effect from large-scale projects in the previous fiscal year, sales rose overall mainly as a result of increases in consulting services for the accounting field such as assistance with the advance introduction of IFRS, as well as license sales and add-on development for third-party software for the accounting field such as Oracle EBS and Hyperion.

Enterprise Solutions—Engineering

¥13,465 million (up 4.4% year on year)

Sales rose in this segment mainly as a result of an increase in consulting services for concept design in the design and development field centered on the automotive industry, along with growth in sales of third-party software licenses for design support software (CAD, CAE, DM, PLM) to the precision equipment, automotive and shipbuilding industries.

Communications IT

¥8,239 million (up 9.7% year on year)

Sales rose in this segment as a result of expansion in collaborative business with the Dentsu Group, centered on custom system development, third-party software, outsourcing, and operations and maintenance services.

ISID Group net sales by service category are as follows:

Net Sales by Service Category

Consulting services

¥1,441 million (up 22.7% year on year)

Revenue from consulting services rose mainly as a result of expansion in the accounting field for assistance mainly with the advance introduction of IFRS, and to the manufacturing industry for concept design in the design and development field.

Custom system development

¥13,423 million (up 10.0% year on year)

Revenue from custom system development rose mainly as a result of increases in system development services for banks, and collaborative business with the Dentsu Group.

In-house software

¥5,215 million (down 15.2% year on year)

Revenue from in-house software declined mainly as a result of the rebound effect from major projects in the previous fiscal year for the Liquidity Management System package software for the banking industry, and the human resources management package POSITIVE. Sales increased for the SAP-linked operational support system BusinessSPECTRE, the BANK-R package software for regional financial institutions, and the consolidated accounting package software STRAVIS.

Third-party software

¥15,173 million (up 3.5% year on year)

Revenue from third-party software rose as a result of increases in sales of software licenses for design support software (CAD, CAE, DM, PLM) mainly to the precision equipment, automotive and shipbuilding industries in the manufacturing design and development field. Sales were also boosted by increases in sales of software licenses and add-on development in the accounting field for such products as Oracle EBS and Hyperion.

Outsourcing, operation and maintenance services

¥3,975 million (up 5.9% year on year)

Revenue from this service rose mainly as a result of an increase in business to the Dentsu Group.

IT equipment sales and others

¥4,615 million (up 9.0% year on year)

Revenue from this service rose mainly as a result of expanded sales to the finance industry, and in the core systems field.

(2) Qualitative Information on the Consolidated Financial Position

Assets

Total assets at the end of the subject third quarter cumulative period (December 31, 2011) amounted to ¥49,802 million, an increase of ¥232 million from ¥49,570 million at the end of the previous fiscal year (March 31, 2011). This was due mainly to a ¥990 million increase in noncurrent assets, stemming mainly from an increase in investment securities resulting from fluctuations in market prices, and an increase in leased assets; against a ¥759 million decrease in current assets, stemming mainly from a decrease in accounts receivable following collections, which offset increases in such items as inventories.

Liabilities

Total liabilities at the end of the subject third quarter cumulative period amounted to ¥16,841 million, an increase of ¥145 million from ¥16,696 million at the end of the previous fiscal year. This was due mainly to a ¥477 million increase in noncurrent liabilities, stemming mainly from an increase in lease obligations; against a ¥333 million decline in current liabilities, stemming mainly from decreases in such items as accounts payable, accrued expenses resulting from bonus payments, and income taxes payable resulting from payment of taxes, which offset an increase in advances received and the recording of a provision for loss on order received.

Net Assets

Total net assets at the end of the subject third quarter cumulative period amounted to ¥32,961 million, an increase of ¥87 million from ¥32,873 million at the end of the previous fiscal year. This was due mainly to an increase in the valuation difference on available-for-sale securities resulting from fluctuations in market prices and a change in the statutory effective tax rate, against a decrease in retained earnings resulting from dividends from surplus.

(3) Qualitative Information on Consolidated Results Forecasts

While the outlook for corporate IT investment is increasingly unclear, project inquiries to ISID are rising, and our order backlog has increased from the same period of the previous fiscal year. Despite the operating loss recorded in the subject third quarter cumulative period due to deterioration in profitability for certain projects, ISID is actively making presentations and pursuing contracts, revising its R&D and other strategic expenses, and curbing sales and marketing costs. Our forecasts for the whole-year period are unchanged from those announced on October 20, 2011.

Note: Forecasts and other forward-looking statements in this report are based on information available at the time of release. Actual results may vary from forecasts as a result of a variety of 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.)

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

Item	Period	As of March 31, 2011	As of December 31, 2011
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		2,668	2,298
Notes and accounts receivable—trade		12,698	11,515
Merchandise and finished goods		140	195
Work in process		332	1,661
Raw materials and supplies		14	20
Advance payments—trade		4,139	3,868
Deposit paid		8,926	8,413
Other		2,399	2,587
Allowance for doubtful accounts		(27)	(24)
Total current assets		31,294	30,535
Noncurrent assets:			
Property, plant and equipment		5,851	5,968
Intangible assets:			
Goodwill		171	142
Other		4,320	4,675
Total intangible assets		4,492	4,818
Investments and other assets:			
Investment and other assets		7,935	8,482
Allowance for doubtful accounts		(2)	(1)
Total investments and other assets		7,932	8,480
Total noncurrent assets		18,276	19,266
Total assets		49,570	49,802

(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, 2011	As of December 31, 2011
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		5,213	4,287
Income taxes payable		540	95
Advances received		3,921	5,196
Provision for loss on order received		—	418
Asset retirement obligations		—	3
Other		4,646	3,986
Total current liabilities		14,321	13,988
Noncurrent liabilities:			
Provision for directors' retirement benefits		62	62
Asset retirement obligations		705	714
Other		1,606	2,076
Total noncurrent liabilities		2,375	2,852
Total liabilities		16,696	16,841
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		9,114	8,493
Treasury stock		(28)	(28)
Total shareholders' equity		32,552	31,931
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		683	1,484
Deferred gains or losses on hedges		6	(8)
Foreign currency translation adjustments		(369)	(446)
Total other comprehensive income		321	1,029
Total net assets		32,873	32,961
Total liabilities and net assets		49,570	49,802

(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	Third quarter of FY2010 (Nine months ended December 31, 2010)	Third quarter of FY2011 (Nine months ended December 31, 2011)
		Amount	Amount
Net sales		42,171	43,844
Cost of sales		28,921	30,676
Gross profit		13,250	13,168
Selling, general and administrative expenses		13,146	13,199
Operating income (loss)		103	(31)
Non-operating income:			
Interest income		33	41
Dividends income		35	46
Foreign exchange gains		107	36
Miscellaneous income		42	93
Total non-operating income		218	217
Non-operating expenses:			
Interest expenses		40	32
Equity in losses of affiliates		8	26
Miscellaneous loss		6	4
Total non-operating expenses		55	64
Ordinary income		266	122
Extraordinary income:			
Gain on sales of investment securities		—	106
Gain on negative goodwill		17	—
Total extraordinary income		17	106
Extraordinary loss:			
Impairment loss		88	—
Loss on retirement of noncurrent assets		6	—
Loss on sales of investment securities		28	—
Loss on valuation of investment securities		156	—
Loss on adjustment for changes of accounting standard for asset retirement obligations		357	—
Special retirement expenses		1,541	—
Total extraordinary loss		2,179	—
Income (loss) before income taxes		(1,895)	228
Income taxes—current		269	244
Income taxes for prior periods		(34)	—
Income taxes—deferred		(524)	(46)
Total income taxes		(289)	197
Income (loss) before minority interests.		(1,606)	30
Minority interests in loss		(24)	—
Net income (loss)		(1,581)	30

(Consolidated Statements of Comprehensive Income)

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

Item	Period	Third quarter of FY2010 (Nine months ended December 31, 2010)	Third quarter of FY2011 (Nine months ended December 31, 2011)
		Amount	Amount
Income (loss) before minority interests.		(1,606)	30
Other comprehensive income:			
Valuation difference on available-for-sale securities		232	800
Deferred gains or losses on hedges		(11)	(14)
Foreign currency translation adjustment		(161)	(77)
Total other comprehensive income		59	708
Comprehensive income		(1,546)	739
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		(1,521)	739
Comprehensive income attributable to minority interests		(24)	—

(3) Notes regarding Assumption of a Going Concern

No events to be noted for this purpose.

(4) Segment Information

I. Third quarter of FY2010 (from April 1, 2010 to December 31, 2010)

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	12,899	8,861	12,899	7,510	42,171
Inter-segment sales and transfers	—	—	—	—	—
Total	12,899	8,861	12,899	7,510	42,171
Segment income (loss)	728	(943)	(267)	584	103

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

2. Impairment Losses on Noncurrent Assets or Goodwill by Reportable Segment

Significant changes in goodwill

In the “Enterprise Solutions—Engineering” segment ISID recorded ¥88 million in impairment losses on goodwill.

II. Third quarter of FY2011 (from April 1, 2011 to December 31, 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	12,667	9,471	13,465	8,239	43,844
Inter-segment sales and transfers	—	—	—	—	—
Total	12,667	9,471	13,465	8,239	43,844
Segment income (loss)	386	(1,019)	(28)	630	(31)

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

(5) Note on Significant Changes in Shareholders' Equity

Not applicable

5. Supplementary Information

Status of Production, Orders and Sales

Many of ISID's client companies 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 Third quarter period (April 1, 2011–December 31, 2011) by segment is as follows:

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	10,482	97.1
Enterprise Solutions—Business	5,318	108.4
Enterprise Solutions—Engineering	2,258	100.0
Communications IT	3,394	114.9
Total	21,453	102.6

The status of production through the subject Third quarter period (April 1–December 31, 2011) by service category is as follows:

Service category	Production output (Millions of yen)	YoY (%)
Custom system development	13,982	109.0
In-house software add-on development	2,785	81.9
Third-party software add-on development	4,685	100.1
Total	21,453	102.6

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 Third quarter period (April 1, 2011–December 31, 2011) by segment is as follows:

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	11,145	93.2	3,238	88.4
Enterprise Solutions—Business	5,942	137.3	2,148	183.0
Enterprise Solutions—Engineering	2,482	104.4	578	94.1
Communications IT	4,164	112.8	1,184	124.2
Total	23,734	106.2	7,149	111.7

The status of orders through the subject Third quarter period (April 1, 2011–December 31, 2011) by service category is as follows:

Service category	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	15,417	103.9	4,205	100.1
In-house software add-on development	2,711	96.4	1,197	98.8
Third-party software add-on development	5,605	119.0	1,745	176.3
Total	23,734	106.2	7,149	111.7

Notes

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

(3) Sales

The status of sales through the subject Third quarter period (April 1, 2011– December 31, 2011) by segment is as follows:

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	12,667	98.2
Enterprise Solutions—Business	9,471	106.9
Enterprise Solutions—Engineering	13,465	104.4
Communications IT	8,239	109.7
Total	43,844	104.0

The status of sales through the subject Third quarter period (April 1, 2011– December 31, 2011) by service category is as follows:

Service category	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,441	122.7
Custom system development	13,423	110.0
In-house software	5,215	84.8
Third-party software	15,173	103.5
Outsourcing, operation and maintenance services	3,975	105.9
IT equipment sales and others	4,615	109.0
Total	43,844	104.0

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	Third quarter of FY2010 (From April 1, 2010 to December 31, 2010)		Third quarter of FY2011 (From April 1, 2011 to December 31, 2011)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	5,958	14.1	6,229	14.2