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April 28, 2016

## Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2016 (JapanGAAP)

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: May 6, 2016  
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 FY2016 (from January 1, 2016 to March 31, 2016)

#### (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>First Quarter of FY2016</b>	20,127	-	2,027	-	2,112	-	1,605	-
First Quarter of FY2015	15,704	10.9	(736)	-	(581)	-	(416)	-

\*Net income attributable to parent company's shareholders.

(Note) Comprehensive income: First Quarter of FY2016: 1,413 million yen; First Quarter of FY2015: (499) million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
<b>First Quarter of FY2016</b>	49.29	-
First Quarter of FY2015	(12.79)	-

(Note) The Company has revised the business year-end from March 31 to December 31 from fiscal year 2015 which consolidated period has been nine months from April 1 to December 31, 2015. Accordingly, year-on-year percentage changes are omitted, as the period of the previous first quarter (from April 1, 2015 to June 30, 2015) which would be compared is different from the first quarter under review (January 1, 2016 to March 31, 2016).

Ref: The percentages below are percentage changes from the results of the same 3 months of the previous year (from January 1, 2015 to March 31, 2015).

Net sales		Operating income		Ordinary income		Net income *		Comprehensive income	
(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
20,127	(17.8)	2,027	(40.5)	2,112	(42.9)	1,605	7.6	1,413	11.3

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
<b>As of March 31, 2016</b>	63,440	42,818	67.5
As of December 31, 2015	63,115	41,997	66.5

Ref: Total shareholders' equity: As of March 31, 2016: 42,798 million yen; As of December 31, 2015: 41,974 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
FY2015	-	14.00	-	18.00	32.00
FY2016	-				
FY2016 (Forecast)		21.00	-	21.00	42.00

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

## 3. Consolidated Forecasts for FY2016 (from January 1, 2016 to December 31, 2016)

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 FY2016	40,179	-	2,675	-	2,752	-	1,794	-	55.06
FY2016	82,013	-	5,700	-	5,873	-	3,871	-	118.82

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

(Note) The Company has revised the business year-end from March 31 to December 31 from fiscal year 2015 which consolidated period has been nine months from April 1 to December 31, 2015. Accordingly, year-on-year percentage changes are omitted.

Ref: The percentages below are percentage changes from the results of the same 12 months of the previous year (from January 1, 2015 to December 31, 2015)..

	Net sales		Operating income		Ordinary income		Net income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
First half of FY 2016	40,179	0.0	2,675	0.3	2,752	(11.7)	1,794	66.9
FY 2016	82,013	0.9	5,700	3.1	5,873	(5.7)	3,871	(14.1)

## 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: None
  - Changes in accounting policies other than 1) above: None
  - Changes in accounting estimate: None
  - Restatements: None

### 4. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	March 31, 2016:	32,591,240 shares	December 31, 2015:	32,591,240 shares
2) Number of treasury stock at end of period:	March 31, 2016:	8,430 shares	December 31, 2015:	8,430 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Three months ended March 31, 2016:	32,582,810 shares	Three months ended June 30, 2015:	32,582,810 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

In the first quarter of FY2016 (January 1, 2016–March 31, 2016), the Japanese economy was characterized by a robust employment environment and corporate earnings, but a growing sense of caution appeared in the corporate business outlook and consumer sentiment. In the information services industry, although IT investment of the manufacturing and financial industries remained largely unchanged, the economy was beset by a growing sense of uncertainty stemming from concerns about the potential impact on corporate earnings of factors such as deceleration in China and other overseas economies, outbreaks of terrorism, sluggish stock prices and high volatility in foreign exchange markets.

Amid such conditions, the ISID Group started “ISID Open Innovation 2018 ‘Joint Value Creation,’” a three-year medium-term management plan beginning in the fiscal year ending December 31, 2016. The plan calls for the Company to enhance solutions in each of its four business segments and achieve organic growth by focusing on strategic domains in three areas: “global,” “IoT/big data” and “2020 and beyond.” The plan also calls for the Company to actively promote M&A in the interest of achieving further differentiation and bolstering operating performance.

During the three months ended March 31, 2016, net sales totaled ¥20,127 million, down 17.8% year on year. This decrease was the result of the peaking out of large-scale projects and the impact of changes in the fiscal year by principal customers.

On the earnings front, gross profit declined 15.8%, to ¥6,684 million, due to lower sales, despite an improved gross profit ratio centered on consulting services and in-house software. Operating income decreased 40.5%, to ¥2,027 million, and ordinary income fell 42.9%, to ¥2,112 million. On the other hand, net income attributable to owners of the parent rose 7.6%, to ¥1,605 million, reflecting the absence of the preceding year’s posting of business structure improvement expenses as an extraordinary loss, stemming from the cessation of data center service provision.

Performance is progressing broadly in accordance with the operating performance forecast announced on February 9, 2016.

Note: In the previous fiscal period (April 1, 2015–December 31, 2015), the Company changed its fiscal year-end from March 31 to December 31. Accordingly, the analysis of business results shown here compares figures with the same three months of the previous year (January 1, 2015 to March 31, 2015). We have also revised our reportable segments, dividing the Enterprise Solutions segment into the Business Solutions and Engineering Solutions segments. As a result, the Company has four reportable segments: Financial Solutions, Business Solutions, Engineering Solutions and Communications IT. Figures for the same three months of the previous year have been retroactively adjusted to conform to the new categories.

Net sales, operating income, and status of business operations by business segment are as follows:

### Net Sales and Operating Income by Business Segment

(Millions of yen)

Business segment	The same three months of the previous year (From January 1, 2015 to March 31, 2015)		First quarter of FY2016 (From January 1, 2016 to March 31, 2016)		YoY	
	Net sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
	% of sales		% of sales			
Financial Solutions	6,804	1,031	5,316	413	(1,488)	(618)
	27.8		26.4			
Business Solutions	4,356	233	3,993	493	(363)	260
	17.8		19.9			
Engineering Solutions	7,686	984	6,845	656	(841)	(328)
	31.4		34.0			
Communications IT	5,624	1,157	3,972	463	(1,652)	(694)
	23.0		19.7			
Total	24,472	3,405	20,127	2,027	(4,345)	(1,378)

### Status of Business Operations by Business Segment

#### Financial Solutions

The main business of this segment is providing IT solutions that support various operations at financial institutions.

In the first quarter of FY2016, sales and income both decreased in this segment. Although sales increased for BANK・R, our next-generation financing solution, introductions peaked out for the Stream-R settlement management system, and custom system development for mega-banks declined.

#### Business Solutions

The main business of this segment is providing IT solutions for core systems and the business management field.

In the first quarter of FY2016, sales of the POSITIVE human resources management solution expanded, but multiple large-scale projects passed their peak, leading to a drop in sales. Profitability improved, however, centered on custom system development and in-house software, leading to a rise in operating income.

#### Engineering Solutions

The main business of this segment is providing IT solutions for the product development and production fields in the manufacturing industry.

The first quarter of FY2016 marked the expansion of consulting services to support the introduction of MBD, particularly in the automotive industry. Even so, the segment reported a drop in sales and income, owing to lower sales of NX 3D CAD software and the Teamcenter product lifecycle management (PLM) solution.

\* Model-based development (MBD): Avoiding production of actual first stage prototypes as far as possible, MBD is a top-down product development approach that utilizes statistical data from experiments and mathematical formulae describing physical phenomena to construct virtual “models” that can be used in product development. This design method, which is prompting a major revolution in manufacturing, is currently in use primarily in the automotive industry.

## Communications IT

The main business of this segment is providing IT solutions for core systems at the Dentsu Group, as well as in collaboration with the Dentsu Group.

In the first quarter of FY2016, business in collaboration with the Dentsu Group was on a par with the previous year's level, but sales to the Dentsu Group fell as a result of a shift in the fiscal year. The segment accordingly posted declines in both sales and profit.

Net sales and status of business operations by service category are as follows:

### **Net Sales by Service Category**

Service category	The same three months of the previous year (From January 1, 2015 to March 31, 2015)		<b>First quarter of FY2016</b> (From January 1, 2016 to March 31, 2016)		YoY
	Net sales	% of sales	Net Sales	% of sales	
Consulting services	1,618	6.6	1,742	8.7	124
Custom system development	7,137	29.2	5,043	25.1	(2,094)
In-house software	4,139	16.9	3,724	18.5	(415)
Third-party software	7,379	30.2	6,442	32.0	(937)
Outsourcing, operation and maintenance services	2,253	9.2	1,699	8.4	(554)
IT equipment sales and others	1,943	7.9	1,473	7.3	(470)
Total	24,472	100.0	20,127	100.0	(4,,345)

Note: "Consulting services" is consulting for business operations and IT. "Custom system development" is the building and maintenance of IT systems based on individual client specifications. "In-house software" is the sale of software developed internally, including add-on development, technical support and maintenance service. "Third-party software" is the sale of software purchased from other companies, including add-on development, technical support and maintenance service. "Outsourcing, operation and maintenance services" is the operation, maintenance, support for client IT systems, as well as information services utilizing data centers and other facilities, and business services on a contract basis. "IT equipment sales and others" is the sales and maintenance of hardware, as well as databases, middleware and other types of software and services.

### **Status of Business Operations by Service Category**

#### Consulting services

Sales of these services increased, due to support for the introduction of MBD by the automotive industry and the expansion of consulting services for analysis simulation and testing for product development.

#### Custom system development

Sales of these services declined, affected by the impact of lower sales to the Dentsu Group due to a change in the financial year and the peaking out of large-scale projects for mega-banks.

#### In-house software

Sales in this category were down. Although sales rose for BANK・R, our next-generation financing solution and the POSITIVE human resources management solution, sales declined for the Stream-R settlement management solution and the iPLAss marketing platform.

#### Third-party software

In this category, sales fell, centered on the design and development field, including NX 3D CAD software and the Teamcenter product lifecycle management (PLM) solution.

#### Outsourcing, operation and maintenance services

Revenue fell as a result of a decrease in services to the Dentsu Group.

#### IT equipment sales and others

Sales in this category decreased, primarily due to lower sales to the Dentsu Group and to the financial sector.

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

Although sales and income were down year on year in the first quarter of FY2016, net sales and income results were broadly in line with our projections. As orders received and the order backlog remain solid, we maintain unchanged our forecast for the six months ending June 30, 2016, and the year ending December 31, 2016, as announced on February 9, 2016.

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. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

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

Item	Period	As of December 31, 2015	As of March 31, 2016
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		3,430	3,481
Notes and accounts receivable—trade		16,202	17,037
Short Term Investment Securities		700	—
Merchandise and finished goods		71	34
Work in process		1,815	2,037
Raw materials and supplies		23	27
Advance payments—trade		4,716	4,508
Deposit paid		20,955	22,216
Other		2,266	2,525
Total current assets		50,181	51,868
<b>Noncurrent assets:</b>			
Property, plant and equipment		3,954	3,774
Intangible assets		3,655	3,367
Investments and other assets:			
Investments and other assets		5,325	4,430
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		5,324	4,429
Total noncurrent assets		12,934	11,572
<b>Total assets</b>		63,115	63,440



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

Item	Period	As of December 31, 2015	As of March 31, 2016
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		4,094	4,926
Income taxes payable		630	836
Advances received		6,738	5,596
Provision for loss on order received		989	971
Provision for business structure improvement		103	82
Other		6,636	6,400
Total current liabilities		19,192	18,812
<b>Noncurrent liabilities:</b>			
Provision for directors' retirement benefits		3	1
Provision for business structure improvement		18	—
Asset retirement obligations		818	822
Other		1,085	985
Total noncurrent liabilities		1,926	1,809
<b>Total liabilities</b>		21,118	20,622
<b>(Net assets)</b>			
<b>Shareholders' equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		17,907	18,927
Treasury stock		(28)	(28)
Total shareholders' equity		41,345	42,364
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		62	46
Deferred gains or losses on hedges		—	4
Foreign currency translation adjustments		566	382
Total accumulated other comprehensive income		628	433
<b>Non-controlling interests</b>		23	20
<b>Total net assets</b>		41,997	42,818
<b>Total liabilities and net assets</b>		63,115	63,440

## (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 FY2015 (From April 1, 2015 to June 30, 2015)	First Quarter of FY2016 (From January 1, 2016 to March 31, 2016)
		Amount	Amount
<b>Net sales</b>		15,704	20,127
Cost of sales		11,733	13,442
Gross profit		3,970	6,684
Selling, general and administrative expenses		4,707	4,657
<b>Operating income (loss)</b>		(736)	2,027
<b>Non-operating income:</b>			
Interest income		14	11
Dividends income		11	0
Foreign exchange gains		113	4
Dividends income of insurance		—	44
Reversal of provision for business structure improvement		—	25
Miscellaneous income		30	15
Total non-operating income		170	101
<b>Non-operating expenses:</b>			
Interest expenses		7	5
Equity in losses of affiliates		7	8
Miscellaneous loss		1	3
Total non-operating expenses		15	17
<b>Ordinary income (loss)</b>		(581)	2,112
<b>Extraordinary income:</b>			
Gain on sales of investment in subsidiaries and affiliates		—	259
Total extraordinary income		—	259
<b>Income (loss) before income taxes</b>		(581)	2,372
Income taxes—current		73	1,029
Income taxes—deferred		(240)	(265)
Total income taxes		(167)	763
<b>Net income (loss)</b>		(414)	1,608
<b>Profit attributable to non-controlling interests</b>		2	2
<b>Profit (loss) attributable to owners of parent</b>		(416)	1,605

**(Consolidated Statements of Comprehensive Income)**

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

Item	Period	First Quarter of FY2015 (From April 1, 2015 to June 30, 2015)	First Quarter of FY2016 (From January 1, 2016 to March 31, 2016)
		Amount	Amount
<b>Net income (loss)</b>		(414)	1,608
<b>Other comprehensive income (loss):</b>			
Valuation difference on available-for-sale securities		(100)	(15)
Deferred gains or losses on hedges		(76)	4
Foreign currency translation adjustment		91	(184)
Total other comprehensive income (loss)		(85)	(194)
<b>Comprehensive income (loss):</b>		(499)	1,413
Comprehensive income attributable to owners of the parent		(502)	1,411
Comprehensive income attributable to non-controlling interests		2	2

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

Not applicable

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

Not applicable

**(5) Segment Information**

Sales and Earnings (or Loss) by Reportable Segment

i. First Quarter of FY2015 (from April 1, 2015 to June 30, 2015)

(Millions of yen)

	Business Segment				
	Financial Solutions	Business Solutions	Engineering Solutions	Communications IT	Total
Net sales					
Sales to customers	5,019	3,203	4,075	3,405	15,704
Inter-segment sales and transfers	—	—	—	—	—
Total	5,019	3,203	4,075	3,405	15,704
Segment income (loss)	278	(536)	(661)	182	(736)

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

ii. First Quarter of FY2016 (from January 1, 2016 to March 31, 2016)

(Millions of yen)

	Business Segment				
	Financial Solutions	Business Solutions	Engineering Solutions	Communications IT	Total
Net sales					
Sales to customers	5,316	3,993	6,845	3,972	20,127
Inter-segment sales and transfers	—	—	—	—	—
Total	5,316	3,993	6,845	3,972	20,127
Segment income (loss)	413	493	656	463	2,027

Note: Total values for segment earnings matches that for the operating income on the “Consolidated Statements of Income.”

## 4. Supplementary Information

### Status of Production, Orders and Sales

In the previous fiscal period (April 1, 2015–December 31, 2015), the Company changed its fiscal year-end from March 31 to December 31. Accordingly, the indicated year-on-year comparisons of business performance are with the corresponding period of the previous year (from January 1, 2015 to March 31, 2015).

#### (1) Production

- i. The status of production through the first quarter cumulative period (from January 1, 2016 to March 31, 2016) by business segment is as follows:

Business segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	4,499	95.8
Business Solutions	2,286	92.1
Engineering Solutions	1,313	100.5
Communications IT	1,942	75.9
Total	10,041	90.9

- ii. The status of production through the first quarter cumulative period (from January 1, 2016 to March 31, 2016) by service category is as follows:

Service category	Production output (Millions of yen)	YoY (%)
Custom system development	5,493	86.2
In-house software add-on development	2,204	102.2
Third-party software add-on development	2,343	93.3
Total	10,041	90.9

#### 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

- i. The status of orders through the first quarter cumulative period (from January 1, 2016 to March 31, 2016) by business segment is as follows:

Business segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	4,336	98.8	3,042	112.5
Business Solutions	2,081	113.7	1,971	80.0
Engineering Solutions	1,113	105.4	518	180.5
Communications IT	2,698	120.6	1,940	137.4
Total	10,229	107.5	7,472	108.8

- ii. The status of orders through the first quarter cumulative period (from January 1, 2016 to March 31, 2016) by service category is as follows:

Service category	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	6,541	111.6	4,701	122.2
In-house software add-on development	1,640	104.7	1,599	82.5
Third-party software add-on development	2,046	98.1	1,170	107.9
Total	10,229	107.5	7,472	108.8

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

- i. The status of sales through the first quarter cumulative period (from January 1, 2016 to March 31, 2016) by business segment is as follows:

Business segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	5,316	78.1
Business Solutions	3,993	91.7
Engineering Solutions	6,845	89.1
Communications IT	3,972	70.6
Total	20,127	82.2

- ii. The status of sales through the first quarter cumulative period (from January 1, 2016 to March 31, 2016) by service category is as follows:

Service category	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,742	107.7
Custom system development	5,043	70.7
In-house software	3,724	90.0
Third-party software	6,442	87.3
Outsourcing, operation and maintenance services	1,699	75.4
IT equipment sales and others	1,473	75.8
Total	20,127	82.2

Notes:

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

Client	The same three months of the previous year (From January 1, 2015 to March 31, 2015)		First Quarter of FY2016 (From January 1, 2016 to March 31, 2016)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	3,839	15.7	2,531	12.6