

February 5, 2014

## Consolidated Financial Results for the Third 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>  
Representative: Setsuo Kamai, President, CEO and COO  
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Date of scheduled filing of securities report: February 7, 2014  
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 FY2013 (from April 1, 2013 to December 31, 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	%
<b>Third Quarter of FY2013</b>	50,611	2.5	1,219	(20.8)	1,583	(6.4)	969	(2.7)
Third Quarter of FY2012	49,360	12.6	1,539	-	1,692	-	996	-

(Note) Comprehensive income: Third Quarter of FY2013: 362 million yen; Third Quarter of FY2012: 1,146 million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
<b>Third Quarter of FY2013</b>	29.76	-
Third Quarter of FY2012	30.59	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
<b>As of December 31, 2013</b>	55,257	37,605	68.0
As of March 31, 2013	58,798	37,903	64.4

(Reference) Total shareholders' equity: As of December 31, 2013: 37,581 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	-	10.00	-		
Fiscal year ending March 31, 2014 (Forecast)				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)0

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY 2013	74,000	1.7	3,800	(9.4)	4,200	(2.6)	2,600	(0.8)	79.80

(Note) Revision to the consolidated forecasts from the latest announcement: Yes

**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:	December 31, 2013:	32,591,240 shares	March 31, 2012:	32,591,240 shares
2) Number of treasury stock at end of period:	December 31, 2013:	8,330 shares	March 31, 2012:	8,110 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Nine months ended December 31, 2013:	32,583,029 shares	Nine months ended December 31, 2012:	32,583,249 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 third quarter cumulative period of FY 2013 (April 1, 2013 to December 31, 2013) tended to show signs of improvement as a result of the corrections to the strong yen and expectations from economic policy, though a sense of 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 management plan, ISID moved further forward with its program of selection and concentration in competitive fields. In the Financial Solutions segment, we strengthened solutions for major financial institutions both in Japan and overseas, and concluded a partnership agreement with a Chinese IT firm to facilitate sales in China of the BANK•R solution package for regional financial institutions. In the Enterprise Solutions segment, we further expanded the functionality of software products in our strength fields, including the STRAVIS consolidated accounting system, the POSITIVE integrated human resources system, and the iQUAVIS system to support the model-based development (MBD) production method for innovative development. In the Communications IT segment, to further accelerate cooperation with Dentsu, we proactively made proposals utilizing the iPLAss marketing platform. Further, ISID moved forward with new business ideas for local communities, including development of the “+fooop! connect” O2O platform\* based on the “+fooop!” social city platform, which was adopted as the foundation for providing information services to visitors to Grand Front Osaka, a new large-scale commercial facility opened during the subject fiscal year.

\* O2O is an abbreviation for Online to Offline. It is a system for linking web content, SNS and other Internet-based activities and services (Online) to sales promotions and measures to attract customers at physical stores (Offline).

Consolidated net sales for the subject third quarter cumulative period amounted to ¥50,611 million (up 2.5% from the same period of the previous fiscal year). Of the ISID Group’s three business segments, the Enterprise Solutions segment recorded a year-on-year decline in sales, with gains in the Financial Solutions segment and the Communications IT segment driving the revenue increase.

In terms of earnings, gross profit was on a par with the same period of the previous fiscal year at ¥15,118 million (down 0.6%), mainly because the gross profit ratio declined as a result of rising costs stemming from the weak yen. In addition, selling, general and administrative (SG&A) expenses increased to ¥13,899 million (up 1.6%), owing mainly to higher personnel expenses to strengthen our network of overseas branch locations. Earnings decreased as a result, with operating income of ¥1,219 million (down 20.8%), ordinary income of ¥1,583 million (down 6.4%), and net income of ¥969 million (down 2.7%).

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.

#### Financial Solutions

*¥15,786 million (up 10.4% year on year)*

Segment sales rose overall. License sales and add-on development services for in-house software increased for such products as the BANK•R solution package for regional financial institutions, and the LAMP backbone system solution for overseas branches of leasing companies. Custom system development for megabanks expanded both in Japan and abroad for overseas branch systems, market systems, and transaction banking systems. Custom system development for internet-based financial institutions also increased.

#### Enterprise Solutions

*¥21,909 million (down 4.4% year on year)*

Segment sales declined overall. In solution packages for core systems, sales increased for the STRAVIS consolidated accounting system and the BusinessSPECTRE SAP data-linked framework, but were sluggish for core system architecture services utilizing solutions from SAP and Oracle. In solutions for product development operations in the manufacturing industry, sales expanded for the iQUAVIS conceptual design solution, mainly to the automotive industry, but were tight for the Teamcenter product lifecycle management (PLM) solution as a result of the conclusion in the previous fiscal year of large-scale projects for household appliance manufacturers.

#### Communications IT

*¥12,916 million (up 6.4% year on year)*

Segment revenue rose overall as a result of steady progress with a core system development project for Dentsu. Revenue was also boosted by proactive collaboration with the Dentsu Group, resulting in 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:

#### Consulting services

*¥1,798 million (down 5.3% year on year)*

Consulting services to the manufacturing industry for product development were on a par with the same period of the previous fiscal year, but revenue declined overall as a result of sluggish growth in consulting services for the accounting and human resource sectors.

#### Custom system development

*¥17,155 million (up 1.6% year on year)*

Revenue rose mainly as a result of expansion in system architecture development services for the finance sector, including megabanks and internet-based financial institutions.

### In-house software

¥7,137 million (up 24.1% year on year)

Revenue rose as a result of proactive efforts to promote software solutions developed by the ISID Group. Sales increased for the mainstay BANK•R solution software for regional financial institutions, the LAMP backbone system solution for overseas branches of leasing companies, the STRAVIS consolidated accounting solution, the BusinessSPECTRE SAP data-linked framework, and the iPLAss marketing platform.

### Third-party software

¥15,419 million (down 1.5% year on year)

Expanded collaboration with Dentsu led to a sharp rise in license sales and add-on services for Force.com from Salesforce.com Inc. However, revenue was down overall in this category as a result of sluggish sales of core system architecture development services utilizing solutions from SAP and Oracle. Further, in product development utilizing solutions from Siemens Industry Software, despite strong performance in the automotive sector, sales suffered a rebound decline following the conclusion in the previous fiscal year of a large-scale project for household appliances.

### Outsourcing, operation and maintenance services

¥4,703 million (up 4.7% year on year)

Revenue rose from the same period of the previous fiscal year, as a large-scale system architecture development project begun in the previous fiscal year entered the operational phase, along with steady sales of services to existing customers, centered on Dentsu.

### IT equipment sales and others

¥4,398 million (down 6.1% year on year)

Revenue in this service category declined mainly as a result of a slowdown in sales to financial institutions and the Dentsu Group.

## **(2) Explanation of Consolidated Results Forecasts and Other Future Predictions**

Based on current trends in business results, consolidated results forecasts have been revised from those announced on May 10, 2013, as follows.

Consolidated Results Forecasts (April 1, 2013–March 31, 2014)

	Net Sales	Operating Income	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous Forecast (A)	75,500	4,460	4,700	2,870
Revised Forecast (B)	74,000	3,800	4,200	2,600
Variance (B - A)	(1,500)	(660)	(500)	(270)
Percentage Change (%)	(2.0)	(14.8)	(10.6)	(9.4)
(Ref.) Results for the fiscal year ended March 31, 2013	72,764	4,192	4,311	2,622

### Regarding net sales

Sales in the Financial Solutions segment and the Communications IT segment have exceeded initial forecasts. However, sales in the Enterprise Solutions have struggled with respect to initial forecasts, leading to the downward revision in the forecast for net sales.

### Regarding earnings

The forecast for operating income has been revised downward to reflect net sales falling short of plan, along with the effect of rising costs due to the weakened yen. Forecasts for ordinary income and net income have been revised downward from previous figures to reflect operating income falling short of plan.

### Forward-Looking Statements

The forecast figures for sales and earnings presented in this document were determined in accordance with industry trends, client situations, and other judgments and assumptions made with information available at the time of preparation. Accordingly, actual sales and earnings may differ from forecasts as a result of uncertainties inherent in the forecasts, as well as internal and external fluctuations in business operations.

## **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 December 31, 2013
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		4,399	3,459
Notes and accounts receivable—trade		19,703	14,933
Merchandise and finished goods		27	173
Work in process		557	2,157
Raw materials and supplies		23	20
Advance payments—trade		4,065	4,171
Deposit paid		7,203	9,045
Other		2,171	2,151
Allowance for doubtful accounts		(4)	(54)
Total current assets		38,145	36,058
<b>Noncurrent assets:</b>			
Property, plant and equipment		5,608	5,321
Intangible assets:			
Goodwill		63	44
Other		4,907	5,164
Total intangible assets		4,971	5,208
Investments and other assets:			
Investment and other assets		10,073	8,669
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		10,072	8,668
Total noncurrent assets		20,653	19,199
<b>Total assets</b>		<b>58,798</b>	<b>55,257</b>



(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, 2013	As of December 31, 2013
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		6,570	4,097
Income taxes payable		551	191
Advances received		4,258	5,654
Provision for loss on order received		294	166
Asset retirement obligations		9	5
Other		5,530	4,595
Total current liabilities		17,214	14,711
<b>Noncurrent liabilities:</b>			
Provision for directors' retirement benefits		28	28
Asset retirement obligations		761	778
Other		2,889	2,133
Total noncurrent liabilities		3,679	2,940
<b>Total liabilities</b>		20,894	17,652
<b>(Net assets)</b>			
<b>Shareholders' equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		12,199	12,518
Treasury stock		(28)	(28)
Total shareholders' equity		35,637	35,955
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		2,155	1,199
Deferred gains or losses on hedges		95	83
Foreign currency translation adjustments		(12)	343
Total other comprehensive income		2,238	1,625
<b>Minority interests</b>		27	23
<b>Total net assets</b>		37,903	37,605
<b>Total liabilities and net assets</b>		58,798	55,257

**(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 FY2012 (Nine months ended December 31, 2012)	Third Quarter of FY2013 (Nine months ended December 31, 2013)
		Amount	Amount
Net sales		49,360	50,611
Cost of sales		34,146	35,493
Gross profit		15,213	15,118
Selling, general and administrative expenses		13,674	13,899
Operating income (loss)		1,539	1,219
Non-operating income:			
Interest income		43	29
Dividends income		34	59
Equity in earnings of affiliates		—	100
Foreign exchange gains		25	85
Refund of value-added tax		51	59
Miscellaneous income		36	68
Total non-operating income		192	402
Non-operating expenses:			
Interest expenses		32	28
Equity in losses of affiliates		4	—
Miscellaneous loss		2	10
Total non-operating expenses		39	39
Ordinary income		1,692	1,583
Extraordinary loss:			
Loss on retirement of noncurrent assets		79	—
Total extraordinary loss		79	—
Income before income taxes and minority interests		1,612	1,583
Income taxes—current		324	398
Income taxes—deferred		286	209
Total income taxes		610	608
Income before minority interests.		1,002	974
Minority interests in income		5	4
Net income		996	969

**(Consolidated Statements of Comprehensive Income)**

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

Item	Period	Third Quarter of FY2012 (Nine months ended December 31, 2012)	Third Quarter of FY2013 (Nine months ended December 31, 2013)
		Amount	Amount
Income before minority interests		1,002	974
Other comprehensive income:			
Valuation difference on available-for-sale securities		(24)	(955)
Deferred gains or losses on hedges		38	(12)
Foreign currency translation adjustment		129	355
Total other comprehensive income		144	(612)
Comprehensive income		1,146	362
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		1,140	357
Comprehensive income attributable to minority interests		5	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. Third Quarter of FY2012 (from April 1, 2012 to December 31, 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	14,299	22,920	12,140	49,360
Inter-segment sales and transfers	—	—	—	—
Total	14,299	22,920	12,140	49,360
Segment income (loss)	740	(868)	1,667	1,539

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

**II. Third Quarter of FY2013 (from April 1, 2013 to December 31, 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	15,786	21,909	12,916	50,611
Inter-segment sales and transfers	—	—	—	—
Total	15,786	21,909	12,916	50,611
Segment income (loss)	1,285	(1,811)	1,744	1,219

Note: Total values for segment earnings or losses (in parenthesis) matches that for the operating income 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. 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.

#### (1) Production

The status of production through the subject third quarter period (April 1–December 31, 2013) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	13,026	118.6
Enterprise Solutions	6,701	89.6
Communications IT	7,372	108.4
Total	27,101	107.2

The status of production through the subject third quarter period (April 1–December 31, 2013) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	17,910	104.6
In-house software add-on development	4,204	137.6
Third-party software add-on development	4,986	98.0
Total	27,101	107.2

#### 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–December 31, 2013) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	13,807	116.9	4,873	134.7
Enterprise Solutions	7,289	101.9	2,862	131.9
Communications IT	7,904	71.6	2,868	55.4
Total	29,001	96.6	10,604	96.7

The status of orders through the subject third quarter period (April 1–December 31, 2013) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	19,009	87.7	6,856	83.0
In-house software add-on development	4,695	151.7	2,348	165.2
Third-party software add-on development	5,296	101.2	1,399	109.6
Total	29,001	96.6	10,604	96.7

### 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 third quarter period (April 1–December 31, 2013) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	15,786	110.4
Enterprise Solutions	21,909	95.6
Communications IT	12,916	106.4
Total	50,611	102.5

The status of sales through the subject third quarter period (April 1–December 31, 2013) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,798	94.7
Custom system development	17,155	101.6
In-house software	7,137	124.1
Third-party software	15,419	98.5
Outsourcing, operation and maintenance services	4,703	104.7
IT equipment sales and others	4,398	93.9
Total	50,611	102.5

### 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	Third Quarter of FY2012 (From April 1, 2012 to December 31, 2012)		Third Quarter of FY2013 (From April 1, 2013 to December 31, 2013)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	9,491	19.2	10,612	21.0