Note: This English translation is solely for reference purposes and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

May 12, 2011

Consolidated Financial Results for the Fiscal Year Ended March 31, 2011

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
Contact for Inquiries:	Jiro Sakai, General Manager, Accounting & Finance Department TEL: (03) 6713-6160

Date of the general meeting of the shareholders' meeting:	June 22, 2011
Date of scheduled payment of dividends:	June 23, 2011
Date of scheduled filing of securities report:	June 22, 2011
Supplementary explanatory documents:	Yes
Presentation:	Yes

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

1. Consolidated Financial Results for FY 2010 (From April 1, 2010 to March 31, 2011)

(1) Consolidated Financial Results

(% of change from previous year)

	Net sales		Operating income (loss)		Ordinary income (loss)	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2010	60,232	(1.5)	2,197	—	2,350	—
FY 2009	61,155	(18.6)	(295)	—	(238)	—

(Note)Comprehensive income: FY2010:304 million yen; FY2009: (80) million yen

	Net income (loss)		EPS	Diluted EPS	ROE	ROA	Ratio of operating income to net sales
	(million yen)	(%)	(yen)	(yen)	(%)	(%)	(%)
FY 2010	(132)	—	(4.06)	—	(0.4)	4.7	3.6
FY 2009	(137)	—	(4.23)	—	(0.4)	(0.5)	(0.5)

Ref.: Equity in earnings of affiliated companies: FY 2010: (26) million yen; FY 2009: (23) million yen

(Note) ROE: Ratio of net income to shareholders' equity ROA: Ratio of ordinary income to total assets

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
FY 2010	49,570	32,873	66.3	1,008.91
FY 2009	49,910	33,480	66.5	1,018.81

Ref.: Shareholders' equity: FY 2010: 32,873 million yen; FY 2009: 33,196 million yen

(3) Consolidated Cash Flow

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	(million yen)	(million yen)	(million yen)	(million yen)
FY 2010	3,612	(1,417)	(1,900)	11,417
FY 2009	1,937	(2,785)	(2,108)	11,215

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Fourth quarter	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
FY 2009	—	10.00	—	10.00	20.00	651	—	1.9
FY 2010	—	10.00	—	10.00	20.00	651	—	2.0
FY 2011 (Forecasts)	—	10.00	—	10.00	20.00		51.8	

3. Forecast of Consolidated Results for FY 2011 (From April 1, 2011 to March 31, 2012)

(% of change from the same period last year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half of FY 2011	29,194	1.1	(276)	—	(243)	—	(21)	—	(0.64)
FY 2011	64,941	7.8	1,856	(15.5)	1,916	(18.5)	1,258	—	38.61

4. Others

1. Changes in the scope of consolidation for significant subsidiaries during fiscal year ended March 31, 2011: None
2. Changes in significant accounting policies, procedures or presentation
   (i) Adoption of new accounting standard: Yes
   (ii) Changes other than (i): None
3. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	FY2010:	32,591,240 shares	FY2009:	32,591,240 shares
2) Number of treasury stock at end of period:	FY2010:	7,810 shares	FY2009:	7,733 shares
3) Average number of shares outstanding for each period:	FY2010:	32,583,472 shares	FY2009:	32,583,499 shares

(Reference) Summary of Non-Consolidated Financial Results

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

1. Non-Consolidated Results for FY 2010 (From April 1, 2010 to March 31, 2011)

(1) Non-Consolidated Financial Results(% of change from previous year)

	Net sales		Operating income (loss)		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2010	52,289	(1.3)	890	—	1,241	261.8
FY 2009	52,992	(10.9)	(23)	—	343	(91.5)

	Net income		EPS	Diluted EPS
	(million yen)	(%)	(yen)	(yen)
FY 2010	(849)	—	(26.09)	—
FY 2009	100	(89.8)	3.09	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
FY 2010	45,931	31,237	68.0	958.68
FY 2009	49,547	32,166	64.9	987.19

Ref.: Shareholders' equity: FY 2010: 31,237 million yen; FY 2009: 32,166 million yen

Notes: 1. Indication regarding the status of audit procedures
These financial statements are not subject to audit procedures under the Financial Instruments and Exchange Act. The audit of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.
2. The above forecast has been calculated based on the currently available information as of the disclosure date of this document. The actual performance results of operation may differ from the forecast in accordance with changes in the various business factors.

Index of the Attachment

1. Business Results

2. Management Policies

3. Consolidated Financial Statements

4. Supplementary Information

1. Business Results

(1) Analysis of Business Results

1) Results for FY 2010 (Ended March 31, 2011)

The Japanese economy during FY 2010 (April 1, 2010–March 31, 2011) began to show signs of recovery in certain economic indicators, but overall business sentiment was undermined by the stagnant state of employment, concerns over the rising yen and other factors. The Great East Japan Earthquake that occurred on March 11, 2011, also suddenly increased uncertainty in the economic outlook through the end of the fiscal year. In the information technology services industry, corporate IT investment has yet to fully recover, and the business climate for ISID remains strained.

Under such conditions, the ISID Group designated FY 2010 as the "initial year of revitalization" during which we would reverse the operating loss of the previous fiscal year. One of our main initiatives was to make proposals that enhance the ISID Group's competitive advantage and address the priority issues of our clients. The principal measures of this initiative are as follows.

- For the finance industry, the ISID Group focused on such fields as overseas business, which is an area of strategic investment for the banking industry, along with cash management services for corporate customers, Internet banking for individual customers, capital market trading operations, and loan operations. We concentrated on expanding projects for major clients, along with new customer development.

- For the manufacturing industry, to help companies further improve their product development capabilities, we provided support for the development of information systems to share and utilize design data across the entire company, and actively marketed iPRIME, the ISID Group's unique integrated solution to derive an optimal product development process.

- In the area of common solutions for all industries, ISID made a wide range of proposals for various industries, including consulting services for compliance with International Financial Reporting Standards (IFRS), developing global business management systems centered on Enterprise Resource Planning (ERP), the POSITIVE human resource management system that is the basis of group-wide management, and the consolidated accounting systems STRAVIS and STRAVIS GRANDE.

- For the Dentsu corporate group, ISID steadily provided development, operational and maintenance services for the systems it has under contract, and took steps to expand its business through cooperation with the Dentsu Group in a variety of fields, including public services.

As a result of these efforts, consolidated net sales for the subject fiscal year amounted to ¥60,232 million (down 1.5% year on year). Although system development for the financial industry and Dentsu Group was positive, sales declined mainly on slow growth to the manufacturing industry.

In terms of earnings, gross profit increased ¥961 million from the previous fiscal year, due mainly to expanded sales of high-margin consulting services and sales of in-house developed software, along with cost reductions stemming from strict project management, greater use of offshore services, and more internal product development. Selling, general and administrative (SG&A) expenses decreased ¥1,532 million from a year earlier. Although R&D expenditures rose ¥232 million as a result of strengthening support of in-house developed solutions and other projects, this was more than offset by curbing personnel costs with workforce reductions, and far-reaching cuts to various administrative expenses. As a result, earnings improved considerably, with operating income for the subject period amounting to ¥2,197 million (compared to an operating loss of ¥295 million in the previous fiscal year), and ordinary income of ¥2,350 million (compared to an ordinary loss of ¥238 million).

For net income, however, ISID recorded a net loss for the subject fiscal year of ¥132 million roughly on a par with that of the previous fiscal year (compared to a net loss of ¥137 million in the previous fiscal year). This was due to the recording of extraordinary losses that included ¥1,599 million in expenses for personnel reductions and other rationalization measures, ¥357 million for the impact from the adoption of new accounting standards for asset retirement obligations, and ¥130 million for loss on sales of investment securities.

ISID Group net sales by business segment, and status of business operations, are as follows.

Net Sales by Business Segment

Business Segment	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)		Change from the previous year
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	%
Financial Solutions	18,231	29.8	18,133	30.1	99.5
Enterprise Solutions—Business	13,453	22.0	12,651	21.0	94.0
Enterprise Solutions—Engineering	19,012	31.1	18,407	30.6	96.8
Communications IT	10,458	17.1	11,039	18.3	105.6
Total	61,155	100.0	60,232	100.0	98.5

The composition of each segment is as follow.

Business Segment	Business Description
Financial Solutions	Provides a range of financial services solutions to the finance industry
Enterprise Solutions—Business	Provides a range of ERP systems solutions to all industries, as well as business solutions mainly for the administrative field
Enterprise Solutions—Engineering	Provides engineering solutions mainly for product development and manufacturing field in the manufacturing industry
Communications IT	Provides a range of corporate solutions in collaboration with the Dentsu Group

Operating Results by Business Segment

Financial Solutions

¥18,133 million (down 0.5% year on year)

Sales in this segment were roughly on a par with that of the previous fiscal year, as a significant decline in IT equipment sales was offset by positive sales of custom system development and in-house software. In custom system development, ISID developed systems including overseas branch office systems for banks, capital market solutions, cash management systems, and Internet banking systems. We also increased the number of development projects for securities companies and insurance companies. For in-house software, ISID expanded sales of its custom package software product Liquidity Management System, mainly to major banks.

Enterprise Solutions—Business

¥12,651 million (down 6.0% year on year)

In the ERP field, although ISID received additional projects from existing customers, new customer development lagged, leading to the decline in sales for this segment. In the mainstay in-house software field, although sales of the consolidated accounting software STRAVIS waned once most clients had upgraded from the old version, sales of the human resources management system POSITIVE expanded on adoption in a wide range of industries, including retail and logistics.

Enterprise Solutions—Engineering

¥18,407 million (down 3.2% year on year)

ISID acquired more than 20 new client companies for the iPRIME integrated consulting and software solution, mainly in the automotive industry, resulting is rising sales for both consulting services and in-house software. However, sales were sluggish for third-party software, mainly design support software (CAD, CAM, CAE, PLM), and segment sales declined as a result.

Communications IT

¥11,039 million (up 5.6% year on year)

Segment sales rose from the previous fiscal year, centered on custom system development, along with outsourcing, operations and maintenance services stemming from expanded business cooperation with the Dentsu Group.

ISID Group net sales by service category, and status of business operations, are as follows.

Net Sales by Service Category

Service category	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)		Change from the previous year
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	%
Consulting services	2,026	3.3	2,239	3.7	110.5
Custom system development	17,385	28.4	17,639	29.3	101.5
In-house software	8,535	14.0	8,915	14.8	104.5
Third-party software	21,096	34.5	20,298	33.7	96.2
Outsourcing, operation and maintenance services	5,111	8.4	5,204	8.6	101.8
IT equipment sales and others	7,000	11.4	5,935	9.9	84.8
Total	61,155	100.0	60,232	100.0	98.5

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 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.

Consulting services

Sales: ¥2,239 million (up 10.5% year on year)

Revenue from consulting services in the product design and development field for the manufacturing industry increased on greater sales to the automotive and precision instruments industries.

Custom system development

Sales: ¥17,639 million (up 1.5% year on year)

Sales in the ERP field were slow, but segment revenue rose overall on increases in banking system development centered on major banks, and growth in sales to the advertising industry.

In-house software (Including maintenance, add-on development, and technical support services)

Sales: ¥8,915 million (up 4.5% year on year)

Revenue rose as a result of a substantial increase in sales of the Liquidity Management System package software for the banking industry, centered on major banks, along with positive results for the human resources management system POSITIVE, the product development process optimization system iPRIME NAVI, and the project management system for the manufacturing industry Q-style.

Third-party software (Including maintenance, add-on development, and technical support services)

Sales: ¥20,298 million (down 3.8% year on year)

Revenue was down mainly as a result of decreases in sales of licenses for design support software (CAD, CAM, CAE, PLM), along with slow growth in license maintenance services.

Outsourcing, operation and maintenance services

Sales: ¥5,204 million (up 1.8% year on year)

Sales in the ERP field were sluggish, but revenue rose overall on positive sales to the advertising industry.

IT equipment sales and others

Sales: ¥5,935 million (down 15.2% year on year)

Sales declined, centered on the finance industry.

2) Forecast for FY 2010 (Ending March 31, 2011)

Corporate demand for IT is expected to remain basically firm, centered on high-priority strategic fields and changeovers to IFRS and other systems. ISID, for the first year of its medium-term management plan, will proactively propose and provide solutions that help resolve the issues faced by companies and society.

However, as a result of the repercussions of the Great East Japan Earthquake that occurred in March 2011, the outlook for the economy and corporate IT investment is unclear. Accordingly, ISID has incorporated in its forecasts the amount of the impact during the first half on FY 2011 results it is able to foresee at the present time.

The ISID Group's forecasts for FY 2011 are as follows.

Earnings Forecast for FY 2011 (April 1, 2011 to March 31, 2012)

	Consolidated	
	Amount (million yen)	Change from the previous year (%)
Sales	64,941	107.8
Operating income	1,856	84.5
Ordinary income	1,916	81.5
Net income (loss)	1,258	—

Note: These forecasts are based on information available at the time of release of this announcement. Actual results may vary from these forecast figures due to a variety of factors.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets at the end of the subject fiscal year (March 31, 2011) amounted to ¥49,570 million, a decrease of ¥340 million from ¥49,910 million at the end of the previous fiscal year (March 31, 2010). This was due mainly to a ¥1,181 million decrease in noncurrent assets, stemming from a decrease in deferred tax assets (¥972 million); a decrease in software (¥477 million); a decrease in goodwill (¥416 million) arising primarily from amortization; an increase in investment securities (¥693 million) arising primarily from fluctuations in market prices; and an increase in structures (¥162 million) arising primarily from application of "Accounting Standards for Asset Retirement Obligations;" against an ¥842 million increase in current assets, stemming from an increase in deferred tax assets (¥699 million); an increase in advance payments—trade (¥540 million); a decrease in work in process (¥224 million); and a decrease in notes and accounts receivable—trade (¥185 million).

Liabilities

Total liabilities at the end of the subject fiscal year amounted to ¥16,696 million, an increase of ¥267 million from ¥16,429 million at the end of the previous fiscal year. This was due mainly to a ¥709 million increase in noncurrent liabilities, stemming from an increase in asset retirement obligations (¥705 million) arising from application of "Accounting Standards for Asset Retirement Obligations"; against a ¥442 million decrease in current liabilities, stemming from a decrease in notes and accounts payable—trade (¥1,013 million); and an increase in income taxes payable (¥411 million).

Net Assets

Total net assets at the end of the subject fiscal year amounted to ¥32,873 million, a decrease of ¥607 million from ¥33,480 million at the end of the previous fiscal year. This was due mainly to a decrease in retained earnings (¥784 million) stemming from the recording of a net loss for the period (¥132 million), and dividends from surplus (¥651 million); together with a decrease in minority interests (¥284 million) following the making of iTiD Consulting, Ltd. a wholly-owned subsidiary; against an increase in accumulated other comprehensive income (¥461 million) stemming from valuation and translation adjustments.

2) Cash Flows

Cash and cash equivalents ("cash") on a consolidated basis at the end of the subject fiscal year (March 31, 2011) increased ¥202 million from the end of the previous fiscal year (March 31, 2010), for a total of ¥11,417 million.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥3,612 million at the end of the subject fiscal year. This was due mainly to the recording of a income before income taxes and minority interests (¥170 million); depreciation and amortization (¥3,235 million); loss on adjustment for changes of accounting standard for asset retirement obligations (¥357 million); and amortization of goodwill (¥327 million), together with a decrease in notes and accounts receivable—trade (¥174 million); against a decrease in notes and accounts payable—trade (¥1,003 million); and an increase in advances received (¥545 million).

Compared to the previous fiscal year, net cash provided by operating activities increased ¥1,675 million. This was due mainly to increases in cash that included an increase in income before income taxes and minority interests (¥1,255 million); a decrease in income taxes paid (¥1,338 million); an increase in advances received (¥534 million); and an increase in accrued expenses (¥505 million); which exceeded decreases in cash that included a decrease in notes and accounts payable—trade (¥1,369 million), and an increase in advance payments (¥705 million).

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥1,417 million at the end of the subject fiscal year. This was due mainly to expenditures for purchases of intangible assets (¥1,181 million) such as software; purchases of property, plant and equipment (¥237 million) such as cloud service equipment; and purchase of shares in subsidiaries and affiliates (¥209 million) including Boardwalk Inc.

Compared to the previous fiscal year, cash used in investing activities decreased ¥1,368 million. This was due mainly to a decrease in expenditures for purchases of investment securities (¥1,254 million).

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥1,900 million at the end of the subject fiscal year. This was due mainly to expenditures for repayments of lease obligations (¥1,249 million); and cash dividends paid (¥651 million).

Compared to the previous fiscal year, net cash used in financing activities decreased ¥208 million. This was due mainly to a decrease in expenditures for repayments of lease obligations (¥208 million).

Main financial indicators are as follows.

	FY 2007	FY 2008	FY 2009
Equity ratio (%)	63.6	66.5	66.3
Equity ratio on a market value basis (%)	31.5	32.7	38.3
Cash flow / interest-bearing debt ratio (years)	0.3	1.4	0.7
Interest coverage ratio (times)	127.8	29.3	68.7

Equity ratio: Shareholders' equity / total assets
Equity ratio on a market value basis: Market value of all shares / total assets
Cash flow / interest-bearing debt ratio: Interest-bearing debt / cash flow
Interest coverage ratio: Cash flow / interest payments

Notes:

1. All figures have been calculated based on a consolidated basis.
2. Market value of all shares is calculated based on the total number of shares issued excluding treasury stock.
3. Cash flow used is cash flow from operating activities.
4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets that pay interest.

(3) Basic Policy Regarding Earnings Distribution, and Dividends for FY 2009 and FY 2010

The basic policy of ISID is the long-term and stable return of profits to all shareholders.

In accordance with this policy, for the distribution of retained earnings at the end of the interim period in the fiscal year ending March 2011 (record date September 30, 2010), the Company paid a dividend of ¥10 per share.

The planned distribution of retained earnings at the end of the fiscal year ended March 2011 (record date March 31, 2011) is ¥10 per share, for a full-year total equivalent to that of the previous fiscal year at ¥20 per share.

2. Management Policies

(1) Basic Policy on Company Management

ISID's corporate philosophy is endeavor, as a group of innovative and creative professionals that makes a principle of honesty and sincerity, to contribute to the growth of our client companies and the advancement of society through the use of leading-edge information technology. To realize our vision of being an "IT Solution Innovator," we work to achieve long-term business development by continually responding appropriately to changes in the business environment, and earning the trust and satisfaction of customers.

(2) Issues to Address and Management Strategies

After recording an operating loss in the previous fiscal year (ended March 2010) as a result of strict corporate curbs on IT investment, ISID designated FY 2010 as the "initial year of revitalization," during which we placed first priority on reversing operating loss, and actively implemented the measures of "pursue competitive advantages," "fundamentally reform the earnings structure," and "continue efforts to broaden and enhance a stable earnings base." Efforts to fundamentally reform the earnings structure through personnel cuts and other rationalization measures implemented in July 2010 were particularly effective in providing the substantial boost to ISID's earnings during the subject fiscal year that allowed for the restoration of operating profit.

However, despite indications of a provisional recovery in the economy during the subject fiscal year, the overall outlook remains clouded, and many companies have stepped up their measures for further growth and improved business efficiency. Society in general is also facing a host of issues including a declining birthrate and aging population, providing medical and nursing care, energy policy and other efforts to realize a low-carbon society, as well as the revitalization of agriculture.

Amid such a state of affairs, expectations are rising for IT to help resolve the issues faced by companies and society. At the same time, however, the prospects for significant growth in domestic IT investment in existing fields are low, and tight conditions in the increasingly competitive business environment facing ISID are expected to continue.

Under such circumstances, the ISID Group has identified six points to address: 1) Establishing and strengthening competitive advantages; 2) Business expansion taking advantage of our unique status as the IT firm of the Dentsu Group; 3) New business development utilizing leading-edge technologies; 4) Strengthening personnel development; 5) Broadening and enhancing a stable earnings base; and 6) Further improvement in the cost structure. We have also formulated a medium-term management plan, "ISID Open Innovation 2013" (FY3/2012 to FY3/2014), which aims through measures to address these points to achieve growth and further earnings expansion, while making a beneficial contribution to our customers and society.

The main principles of this plan are as follows:

(i) Concentration on competitively advantageous fields

One of the measures common to all business fields for the ISID Group is the further concentration of management resources in fields that offer a competitive advantage. We will also purse "customer insight" (the ability to recognize the issues facing customers, expand and upgrade ISID's cloud computing service CLOUDiS, and strengthen global business development centered on China and Asia.

(ii) Acceleration of collaboration with the Dentsu Group

ISID will seek to expand business through collaboration with the Dentsu Group. Specifically, we will join with the IT Solutions Task Force established within the Dentsu Group in an effort to develop and provide an integrated marketing service as the Dentsu Group. We will also actively participate in the public and societal projects undertaken by Dentsu, in order to help resolve the issues facing not only companies but also society.

(iii) New business development utilizing leading-edge technologies

ISID will proactively form alliances with overseas vendors and other firms, as well as conduct industry-university joint research, in order to develop new business utilizing advanced technology. To lead this endeavor we will establish the Open Innovation Laboratory, integrating research in cutting-edge fields with new business development, in order to help resolve the issues facing society.

(iv) Strengthening of personnel capabilities

ISID will enhance the human resources that are the source of it competitiveness. In particular, in light of the expectations for IT help resolve the issues faced by companies and society, we will develop business and IT architects about to propose appropriate IT solutions, while also further enhancing the capabilities of our sales staff.

(v) Broadening and enhancing a stable earnings base

ISID will broaden and enhance a stable earnings base to achieve continued and steady business growth. In addition to expanding the operations and maintenance business, along with cloud services, we will develop and introduce new earnings models that lead to securing of stable earnings.

(vi) Reform of the cost structure

ISID will encourage offshore development, enhance efficiency in the development process, and pursue other measures in an effort to control costs and increase the gross profit margin. At the same time, we will pursue greater efficiency and streamlining operations of the corporate group as a whole, and reduce selling, general and administrative expenses.

As a result of the implementation of these measures, we have set targets for the final year of the management plan (FY 2013, ending March 2014) of consolidated net sales of ¥80.0 billion, with operating income of ¥5.5 billion (operating margin of 7%), and ROE of 8%.

The theme of the medium-term management plan “ISID Open Innovation 2013” is “joint-value creation.” Through collaboration with customers, the Dentsu Group, and many other types of partners, we will seek to create new value that anticipates future trends, and with that value express our vision for helping to resolve the issues faced by our customers and society.

In the aftermath of the Great East Japan Earthquake that occurred in March 2011, we must recognize that there is greater uncertainty in the outlook for trends in corporate IT investment and other aspects of the business environment for ISID. Nevertheless, the ISID Group will adapt as necessary to the changes in circumstances, and redouble its efforts to achieve the goals of the “ISID Open Innovation 2013” plan.

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, 2010	**As of March 31, 2011**
	Amount	Amount
(Assets)		
Current assets:		
Cash and deposits	2,218	2,668
Notes and accounts receivable—trade	12,883	12,698
Lease investment assets	115	96
Merchandise and finished goods	10	140
Work in process	556	332
Raw materials and supplies	9	14
Deferred tax assets	1,014	1,713
Advance payments—trade	3,599	4,139
Deposit paid	9,318	8,926
Other	754	589
Allowance for doubtful accounts	(27)	(27)
Total current assets	30,452	31,294
Noncurrent assets:		
Property, plant and equipment:		
Buildings, net	1,405	1,567
Tools, furniture and fixtures, net	282	360
Land	2,137	2,137
Lease assets, net	1,891	1,785
Total property, plant and equipment	5,717	5,851
Intangible assets:		
Software	4,262	3,785
Goodwill	587	171
Lease assets	590	494
Other	42	39
Total intangible assets	5,481	4,492
Investments and other assets:		
Investment securities	3,074	3767
Deferred tax assets	1,518	546
Lease and guarantee deposits	3,426	3,398
Other	251	223
Allowance for doubtful accounts	(12)	(2)
Total investments and other assets	8,258	7,932
Total noncurrent assets	19,457	18,276
Total assets	49,910	49,570

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

Item / Period	As of March 31, 2010	**As of March 31, 2011**
	Amount	Amount
(Liabilities)		
Current liabilities:		
Notes and accounts payable—trade	6,226	5,213
Lease obligations	1,152	912
Accrued expenses	2,272	2,413
Income taxes payable	129	540
Advances received	3,804	3,921
Other	1,177	1,319
Total current liabilities	14,763	14,321
Noncurrent liabilities:		
Lease obligations	1,477	1,487
Provision for directors' retirement benefits	63	62
Asset retirement obligations	—	705
Other	125	119
Total noncurrent liabilities	1,666	2,375
Total liabilities	16,429	16,696
(Net assets)		
Shareholders' equity:		
Capital stock	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	9,898	9,114
Treasury stock	(28)	(28)
Total shareholders' equity	33,336	32,552
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	109	683
Deferred gains or losses on hedges	8	6
Foreign currency translation adjustments	(258)	(369)
Total other comprehensive income	(140)	321
Minority interests	284	—
Total net assets	33,480	32,873
Total liabilities and net assets	49,910	49,570

(2) Consolidated Statements of Income

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

Item \ Period	Fiscal year ended March 31, 2010	**Fiscal year ended March 31, 2011**
	Amount	Amount
Net sales	61,155	60,232
Cost of sales	42,411	40,526
Gross profit	18,744	19,705
Selling, general and administrative expenses	19,040	17,508
Operating income (loss)	(295)	2,197
Non-operating income:		
Interest income	58	44
Dividends income	31	35
Foreign exchange gains	36	102
Miscellaneous income	51	57
Total non-operating income	178	240
Non-operating expenses:		
Interest expenses	66	52
Provision of allowance for doubtful accounts	12	—
Equity in losses of affiliates	23	26
Miscellaneous loss	19	7
Total non-operating expenses	121	86
Ordinary income (loss)	(238)	2,350
Extraordinary income:		
Gain on negative goodwill	—	17
Settlement received	151	—
Total extraordinary income	151	17
Extraordinary loss:		
Impairment loss	—	88
Loss on retirement of noncurrent assets	483	17
Loss on sales of investment securities	—	130
Loss on valuation of investment securities	93	3
Loss on valuation of membership	23	0
Loss on business restructuring	343	—
Office transfer expenses	53	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	357
Special retirement expenses	—	1,599
Total extraordinary loss	998	2,197
Loss before income taxes and minority interests	(1,085)	170
Income taxes—current	120	481
Income taxes for prior periods	(70)	(35)
Income taxes—deferred	(974)	(119)
Total income taxes	(924)	327
Loss before minority interests.	—	(156)
Minority interests in income (loss)		(24)
Net loss	(137)	(132)

(3) Consolidated Statements of Comprehensive Income

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

Item / Period	Fiscal year ended March 31, 2010	**Fiscal year ended March 31, 2011**
	Amount	Amount
Income before minority interests	—	(156)
Other comprehensive income:		
Valuation difference on available-for-sale securities	—	573
Deferred gains or losses on hedges	—	(1)
Foreign currency translation adjustment	—	(111)
Total other comprehensive income	—	461
Comprehensive income	—	304
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	—	329
Comprehensive income attributable to minority interests	—	(24)

(4) Consolidated Statements of Changes in Net Assets

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

Item \ Period	Fiscal year ended March 31, 2010	**Fiscal year ended March 31, 2011**
	Amount	Amount
Shareholders' equity:		
Capital stock:		
Balance at the end of previous period	8,180	8,180
Changes of items during the period:		
Total changes of items during the period	—	—
Balance at the end of current period	8,180	8,180
Capital surplus:		
Balance at the end of previous period	15,285	15,285
Changes of items during the period:		
Total changes of items during the period	—	—
Balance at the end of current period	15,285	15,285
Retained earnings:		
Balance at the end of previous period	10,645	9,898
Changes of items during the period:		
Dividends from surplus	(651)	(651)
Net income (loss)	(137)	(132)
Disposal of treasury stock	(0)	—
Change of scope of consolidation	42	—
Total changes of items during the period	(747)	(784)
Balance at the end of current period	9,898	9,114
Treasury stock:		
Balance at the end of previous period	(28)	(28)
Changes of items during the period::		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total changes of items during the period	0	(0)
Balance at the end of current period	(28)	(28)
Total shareholders' equity:		
Balance at the end of previous period	34,083	33,336
Changes of items during the period:		
Dividends from surplus	(651)	(651)
Net income (loss)	(137)	(132)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Change of scope of consolidation	42	—
Total changes of items during the period	(747)	(784)
Balance at the end of current period	33,336	32,552

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

Item \ Period	Fiscal year ended March 31, 2010	**Fiscal year ended March 31, 2011**
	Amount	Amount
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities:		
Balance at the end of previous period	26	109
Changes of items during the period:		
Net changes of items other than shareholders' equity	82	573
Total changes of items during the period	82	573
Balance at the end of current period	109	683
Deferred gains or losses on hedges:		
Balance at the end of previous period	10	8
Changes of items during the period:		
Net changes of items other than shareholders' equity	(2)	(1)
Total changes of items during the period	(2)	(1)
Balance at the end of current period	8	6
Accumulated other comprehensive income:		
Balance at the end of previous period	(258)	(258)
Changes of items during the period:		
Net changes of items other than shareholders' equity	0	(111)
Total changes of items during the period	0	(111)
Balance at the end of current period	(258)	(369)
Total accumulated other comprehensive income:		
Balance at the end of previous period	(221)	(140)
Changes of items during the period:		
Net changes of items other than shareholders' equity	80	461
Total changes of items during the period	80	461
Balance at the end of current period	(140)	321
Minority interests:		
Balance at the end of previous period	308	284
Changes of items during the period:		
Net changes of items other than shareholders' equity	(23)	(284)
Total changes of items during the period	(23)	(284)
Balance at the end of current period	284	—
Total net assets:		
Balance at the end of previous period	34,170	33,480
Changes of items during the period:		
Dividends from surplus	(651)	(651)
Net income (loss)	(137)	(132)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Change of scope of consolidation	42	—
Net changes of items other than shareholders' equity	57	176
Total changes of items during the period	(690)	(607)
Balance at the end of current period	33,480	32,873

(5) Consolidated Statements of Cash Flows

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

Item \ Period	Fiscal year ended March 31, 2010	**Fiscal year ended March 31, 2011**
	Amount	Amount
Net cash provided by (used in) operating activities:		
Income (loss) before income taxes and minority interests	(1,085)	170
Depreciation and amortization	3,238	3,235
Impairment loss	—	88
Amortization of goodwill	415	327
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for directors' retirement benefits	—	(1)
Interest and dividends income	(89)	(79)
Interest expenses	66	52
Equity in (earnings) losses of affiliates	23	26
Loss on retirement of noncurrent assets	483	17
Settlement received	(151)	—
Loss on business restructuring	343	—
Office transfer expenses	53	—
Gain on negative goodwill	—	(17)
Loss (gain) on adjustment for changes of accounting standard for asset retirement obligations	—	357
Special retirement expenses	—	1,599
Loss (gain) on sales of investment securities	—	130
Loss (gain) on valuation of investment securities	93	3
Loss on valuation of membership	23	0
Decrease (increase) in notes and accounts receivable—trade	539	174
Decrease (increase) in inventories	349	85
Decrease (increase) in advance payments	160	(545)
Increase (decrease) in notes and accounts payable—trade	366	(1,003)
Increase (decrease) in accrued expenses	(361)	144
Increase (decrease) in advances received	(408)	126
Increase (decrease) in accrued consumption taxes	(56)	79
Other, net	(549)	210
Subtotal	3,457	5,185
Interest and dividends income received	95	80
Interest expenses paid	(66)	(52)
Proceeds from settlement	151	—
Payments for extra retirement payments	—	(1,540)
Payments for business restructuring	(245)	(45)
Payments for office transfer expenses	(53)	—
Income taxes paid	(1,401)	(63)
Income taxes refund	—	49
Net cash provided by (used in) operating activities	1,937	3,612

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

Item \ Period	Fiscal year ended March 31, 2010	**Fiscal year ended March 31, 2011**
	Amount	Amount
Net cash provided by (used in) investing activities:		
Payments into time deposits	(547)	(480)
Proceeds from withdrawal of time deposits	313	607
Purchase of property, plant and equipment	(336)	(237)
Purchases of intangible assets	(1,308)	(1,181)
Payments for execution of assets retirement obligations	—	(7)
Purchases of investment securities	(1,278)	(24)
Proceeds from sales of investment securities	4	88
Purchase of stocks of subsidiaries and affiliates	—	(209)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(6)	—
Payments of loans receivable	(15)	(1)
Collection of loans receivable	303	2
Payments for lease and guarantee deposits	(51)	(15)
Proceeds from collection of lease and guarantee deposits	115	41
Other, net	22	0
Net cash used in investing activities	(2,785)	(1,417)
Net cash provided by (used in) financing activities:		
Repayments of lease obligations	(1,457)	(1,249)
Cash dividends paid	(651)	(651)
Other, net	0	(0)
Net cash used in financing activities	(2,108)	(1,900)
Effect of exchange rate change on cash and cash equivalents	(41)	(91)
Net increase (decrease) in cash and cash equivalents	(2,997)	202
Cash and cash equivalents at beginning of period	14,174	11,215
Increase in cash and cash equivalents from newly consolidated subsidiary	38	—
Cash and cash equivalents at end of period	11,215	11,417

4. Supplementary Information

(1) Production

The status of production through the fiscal year ended March 31, 2011 (April 1, 2010–March 31, 2011) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	14,434	108.2
Enterprise Solutions—Business	6,501	85.5
Enterprise Solutions—Engineering	3,216	95.3
Communications IT	4,411	103.6
Total	28,564	100.0

The status of production through the fiscal year ended March 31, 2011 (April 1, 2010–March 31, 2011) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	17,623	104.5
In-house software add-on development	4,692	91.4
Third-party software add-on development	6,248	95.1
Total	28,564	100.0

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.

Orders

The status of orders through the fiscal year ended March 31, 2011 (April 1, 2010–March 31, 2011) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	14,693	107.5	2,241	114.7
Enterprise Solutions—Business	6,131	74.7	1,175	71.3
Enterprise Solutions—Engineering	3,162	95.0	262	69.9
Communications IT	4,454	103.3	102	192.5
Total	28,441	96.3	3,782	93.8

The status of orders through the fiscal year ended March 31, 2011 (April 1–March 31, 2011) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	18,277	106.1	2,212	140.6
In-house software add-on development	4,101	71.0	1,037	62.2
Third-party software add-on development	6,062	93.0	532	67.5
Total	28,441	96.3	3,782	93.8

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.