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October 31, 2013

Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2014 (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: November 8, 2013
Date of scheduled payment of dividends: December 5, 2013
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: Yes

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

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

(1) Consolidated Operating Results (Cumulative) Percentages indicate year-on-year increase/(decrease).

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter of FY2013	35,087	3.6	1,249	(15.4)	1,505	(6.5)	931	(1.6)
Second Quarter of FY2012	33,867	10.5	1,477	65.6	1,609	58.2	946	32.1

(Note) Comprehensive income: Second Quarter of FY2013: 7 million yen; Second Quarter of FY2012: 626 million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
Second Quarter of FY2013	28.59	-
Second Quarter of FY2012	29.03	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2013	57,586	37,576	65.2
As of March 31, 2013	58,798	37,903	64.4

(Reference) Total shareholders' equity: As of September 30, 2013: 37,554 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)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY 2013	75,500	3.8	4,460	6.4	4,700	9.0	2,870	9.5	88.08

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

4. Other Items

- 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:	September 30, 2013:	32,591,240 shares	March 31, 2013:	32,591,240 shares
2) Number of treasury stock at end of period:	September 30, 2013:	8,290 shares	March 31, 2013:	8,110 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Six months ended September 30, 2013:	32,583,079 shares	Six months ended September 30, 2012:	32,583,250 shares

Indication regarding the status of quarterly review procedures

These financial statements are not subject to quarterly review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

Explanation regarding the appropriate use of forecasts of business results

Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

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1. Qualitative Information on the Results for the Subject Period

(1) Qualitative Information on Consolidated Results

The Japanese economy in the second quarter cumulative period of FY 2013 (April 1, 2013 to September 30, 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 megabanks and 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 released revised versions of our mainstay products, the STRAVIS consolidated accounting system, and the POSITIVE integrated human resources system. In addition, we released a new version of our in-house software product iQUAVIS with enhanced functionality to support the innovative model-based development (MBD) production method currently being adopted by the automotive industry. In the Communications IT segment, to further accelerate cooperation with Dentsu, we proactively made proposals utilizing the iPLAss marketing platform, and moved forward with a new business for local communities, centered on the +fooop! social city platform being used as the foundation for providing information services to visitors to Grand Front Osaka, a new commercial facility in Osaka.

Consolidated net sales for the subject second quarter cumulative period amounted to ¥35,087 million (up 3.6% 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 ¥10,619 million (down 0.2%), 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 ¥9,370 million (up 2.3%), owing mainly to higher personnel expenses to strengthen our network of overseas branch locations. Earnings decreased as a result, with operating income of ¥1,249 million (down 15.4%), ordinary income of ¥1,505 million (down 6.5%), and net income of ¥931 million (down 1.6%).

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.

ISID Group net sales by business segment are as follows:

Financial Solutions

¥10,557 million (up 10.4% year on year)

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

Enterprise Solutions

¥15,327 million (down 4.9% year on year)

Segment sales declined overall. In solution packages for core systems, sales of the STRAVIS consolidated accounting system increased, 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 were steady for consulting services in the conceptual design field that we have been actively promoting for automobiles, as well as for the 3D CAD software NX, but revenue was down sharply as a result of the conclusion in the previous fiscal year of large-scale projects for household appliance manufacturers.

Communications IT

¥9,203 million (up 12.5% 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

¥1,297 million (up 1.5% year on year)

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

Custom system development

¥12,083 million (up 8.3% year on year)

Revenue rose as a result of an increase in services to Dentsu, as well as system development services for megabanks and internet-based financial institutions.

In-house software

¥4,750 million (up 18.4% year on year)

Revenue rose as a result of gains in the BANK•R solution software for regional financial institutions, the LAMP backbone system solution for overseas branches of leasing companies, the BusinessSPECTRE SAP data-linked

framework, and the iPLAss marketing platform.

Third-party software

¥10,837 million (down 3.0% year on year)

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 solutions from such companies as SAP and Oracle, along with a rebound decline for the Teamcenter product lifecycle management (PLM) solution, following the conclusion in the previous fiscal year of a large-scale project for household appliances.

Outsourcing, operation and maintenance services

¥3,322 million (up 7.5% year on year)

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

IT equipment sales and others

¥2,795 million (down 11.7% year on year)

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

(2) Qualitative Information on Consolidated Results Forecasts

Forecasts for the whole-year period are unchanged from those announced on May 10, 2013.

2. Matters Regarding Summary Information (Other)

(1) Significant Changes in Subsidiaries during the Subject Period

Not applicable

(2) Application of Special Accounting Practices in the Preparation of the Consolidated Financial Statements

Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

Not applicable

3. Summary of Significant Events Affecting the Premise of the Company as a Going Concern

Not applicable

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

		(In millions of yen; amounts less than one million yen are rounded down.)	
Item	Period	As of March 31, 2013	As of September 30, 2013
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		4,399	3,017
Notes and accounts receivable—trade		19,703	17,712
Merchandise and finished goods		27	44
Work in process		557	834
Raw materials and supplies		23	18
Advance payments—trade		4,065	5,417
Deposit paid		7,203	9,517
Other		2,171	1,879
Allowance for doubtful accounts		(4)	(54)
Total current assets		38,145	38,386
Noncurrent assets:			
Property, plant and equipment		5,608	5,475
Intangible assets:			
Goodwill		63	50
Other		4,907	5,023
Total intangible assets		4,971	5,073
Investments and other assets:			
Investment and other assets		10,073	8,651
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		10,072	8,650
Total noncurrent assets		20,653	19,199
Total assets		58,798	57,586

(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 September 30, 2013
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		6,570	5,138
Income taxes payable		551	410
Advances received		4,258	6,246
Provision for loss on order received		294	206
Asset retirement obligations		9	—
Other		5,530	4,937
Total current liabilities		17,214	16,938
Noncurrent liabilities:			
Provision for directors' retirement benefits		28	28
Asset retirement obligations		761	776
Other		2,889	2,265
Total noncurrent liabilities		3,679	3,070
Total liabilities		20,894	20,009
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		12,199	12,805
Treasury stock		(28)	(28)
Total shareholders' equity		35,637	36,243
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		2,155	1,210
Deferred gains or losses on hedges		95	5
Foreign currency translation adjustments		(12)	94
Total other comprehensive income		2,238	1,311
Minority interests		27	22
Total net assets		37,903	37,576
Total liabilities and net assets		58,798	57,586

(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	Second Quarter of FY2012 (Six months ended September 30, 2012)	Second Quarter of FY2013 (Six months ended September 30, 2013)
		Amount	Amount
Net sales		33,867	35,087
Cost of sales		23,226	24,468
Gross profit		10,641	10,619
Selling, general and administrative expenses		9,163	9,370
Operating income		1,477	1,249
Non-operating income:			
Interest income		29	20
Dividends income		16	16
Equity in earnings of affiliates		2	89
Foreign exchange gains		68	96
Miscellaneous income		36	63
Total non-operating income		155	286
Non-operating expenses:			
Interest expenses		21	19
Miscellaneous loss		1	9
Total non-operating expenses		22	29
Ordinary income		1,609	1,505
Extraordinary loss:			
Loss on retirement of noncurrent assets		79	—
Total extraordinary loss		79	—
Income before income taxes and minority interests		1,530	1,505
Income taxes—current		374	376
Income taxes—deferred		205	194
Total income taxes		579	571
Income before minority interests		950	934
Minority interests in income		4	3
Net income		946	931

(Consolidated Statements of Comprehensive Income)

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

Item	Period	Second Quarter of FY2012 (Six months ended September 30, 2012)	Second Quarter of FY2013 (Six months ended September 30, 2013)
		Amount	Amount
Income before minority interests.		950	934
Other comprehensive income:			
Valuation difference on available-for-sale securities		(184)	(944)
Deferred gains or losses on hedges		(41)	(89)
Foreign currency translation adjustment		(98)	107
Total other comprehensive income		(324)	(927)
Comprehensive income		626	7
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		621	4
Comprehensive income attributable to minority interests		4	3

(3) Notes regarding Assumption of a Going Concern

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information**I. Second Quarter of FY2012 (from April 1, 2012 to September 30, 2012)****1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment			
	Financial Solutions	Enterprise Solutions	Communications IT	Total
Net sales				
Sales to customers	9,561	16,121	8,184	33,867
Inter-segment sales and transfers	—	—	—	—
Total	9,561	16,121	8,184	33,867
Segment income (loss)	544	(309)	1,242	1,477

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

II. Second Quarter of FY2013 (from April 1, 2013 to September 30, 2013)**1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment			
	Financial Solutions	Enterprise Solutions	Communications IT	Total
Net sales				
Sales to customers	10,557	15,327	9,203	35,087
Inter-segment sales and transfers	—	—	—	—
Total	10,557	15,327	9,203	35,087
Segment income (loss)	818	(962)	1,393	1,249

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

2. Matters Relating to Changes in Reportable Segments

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

human resources and managerial accounting.

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

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

5. Supplementary Information

Status of Production, Orders and Sales

Many of ISID's client companies that submit consolidated financial statements implement IT systems and begin running software either at the start of their fiscal year, or at the start of the third quarter. Consequently, completions of system development, and shipments/deliveries of software are concentrated in March, when many clients close their fiscal year, or in September, the end of the second quarter. As a result, the ISID Group's sales tend to be concentrated in March and September, and there is seasonal variation in the ISID Group's production, orders and sales.

(1) Production

The status of production through the subject second quarter period (April 1–September 30, 2013) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	8,534	113.0
Enterprise Solutions	4,428	85.1
Communications IT	5,233	122.5
Total	18,195	106.9

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

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	12,254	108.9
In-house software add-on development	2,444	122.0
Third-party software add-on development	3,496	92.7
Total	18,195	106.9

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

The status of orders through the subject second quarter period (April 1–September 30, 2013) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	8,936	101.5	4,069	93.6
Enterprise Solutions	4,702	92.9	1,964	99.7
Communications IT	5,799	80.7	2,630	77.4
Total	19,438	92.3	8,664	89.2

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

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	12,800	84.9	5,720	77.4
In-house software add-on development	2,659	133.9	1,661	140.4
Third-party software add-on development	3,977	99.6	1,282	112.5
Total	19,438	92.3	8,664	89.2

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

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	10,557	110.4
Enterprise Solutions	15,327	95.1
Communications IT	9,203	112.5
Total	35,087	103.6

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

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,297	101.5
Custom system development	12,083	108.3
In-house software	4,750	118.4
Third-party software	10,837	97.0
Outsourcing, operation and maintenance services	3,322	107.5
IT equipment sales and others	2,795	88.3
Total	35,087	103.6

Notes

- Figures do not include consumption tax or other additions.
- Sales to major clients and the proportion of total sales are as follows.

Client	Second Quarter of FY2012 (From April 1, 2012 to September 30, 2012)		Second Quarter of FY2013 (From April 1, 2013 to September 30, 2013)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	6,341	18.7	7,625	21.7