

July 31, 2012

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2013 (Japan GAAP)

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 scheduled filing of securities report: August 3, 2012
Date of scheduled payment of dividends: ---
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: No

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

1. Consolidated Business Performance for the First Quarter of FY2012 (from April 1, 2012 to June 30, 2012)

(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	%
First Quarter of FY2012	14,084	9.5	(325)	-	(261)	-	(219)	-
First Quarter of FY2011	12,866	4.0	(548)	-	(464)	-	(158)	-

(Note) Comprehensive income: First Quarter of FY2012: (694) million yen; First Quarter of FY2011: (122) million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
First Quarter of FY2012	(6.73)	-
First Quarter of FY2011	(4.87)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2012	52,139	33,535	64.3
As of March 31, 2012	52,295	34,281	65.6

(Reference) Total shareholders' equity: As of June 30, 2012: 33,510 million yen; As of March 31, 2012: 34,281 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, 2012	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2013	-				
Fiscal year ending March 31, 2013 (Forecast)		10.00	-	10.00	20.00

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

3. Consolidated Forecasts for FY2012 (from April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
First half of FY 2012	31,600	3.1	510	(42.8)	530	(47.9)	270	(62.3)	8.29
FY 2012	67,700	6.0	3,380	43.9	3,450	38.2	2,100	38.5	64.45

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

4. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	June 30, 2012:	32,591,240 shares	March 31, 2012:	32,591,240 shares
2) Number of treasury stock at end of period:	June 30, 2012:	7,990 shares	March 31, 2012:	7,990 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Three months ended June 30, 2012:	32,583,250 shares	Three months ended June 30, 2011:	32,583,430 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 tight conditions in the Japanese economy continued during the first quarter period of FY 2012 (April 1, 2012 to June 30, 2012), despite a trend toward gentle recovery on the back of recovery-related demand. In the information service industry, signs of recovery in IT investment began to appear in the finance and manufacturing industries, but the outlook for the future is clouded by the growing risk of an economic downturn resulting from the European debt crisis.

Amid such conditions, the ISID Group placed top priority on implementing the measures in its medium-term management plan “ISID Open Innovation 2013,” a three-year plan launched in fiscal 2011. 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 second year of the plan, we will continue to actively conduct research and development for in-house software and new services in order to raise competitiveness, and will increase sales and earnings through such means as expanding our global business, developing and enhancing cloud solutions, and cultivating customer insight.

Of note, the non-consolidated subsidiary ISID Fairness Co., Ltd. was included in the scope of consolidation during the subject first quarter period.

As a result, consolidated net sales for the subject first quarter period amounted to ¥14,084 million (up 9.5% from the same period of the previous fiscal year). Of the ISID Group’s four business segments, the Enterprise Solutions—Engineering segment recorded a revenue decline due to the conclusion of large-scale projects for major customers, but sales increased year on year in the Financial Solutions, Enterprise Solutions—Business, and Communications IT segments.

In terms of earnings, gross profit rose to ¥4,157 million (up 8.9%), due mainly to increased sales. The gross profit margin was on a par with a year earlier, as the large, unprofitable projects generated during fiscal 2011 were concluded in the subject first quarter period. Selling, general and administrative (SG&A) expenses increased to ¥4,482 million (up 2.7%), due mainly to expansion of R&D activities, but this was absorbed by the increase in gross profit. Earnings improved as a result, with ISID recording an operating loss for the subject first quarter period of ¥325 million (compared to an operating loss of ¥548 million in the same period of the previous fiscal year), and an ordinary loss of ¥261 million (compared to an ordinary loss of ¥464 million).

The net loss for the period worsened slightly to ¥219 million (compared to a net loss of ¥158 million in the same period of the previous fiscal year). This was due mainly to the recording of an extraordinary loss during the subject period of ¥79 million for disposal of noncurrent assets, and the recording during the previous fiscal year of an extraordinary gain of ¥105 million on sales of investment securities.

ISID Group net sales by business segment are as follows:

Financial Solutions

¥4,304 million (up 4.2% year on year)

Sales to financial institutions were down from the same period of the previous fiscal year on a non-consolidated basis, due mainly to delays in the start of certain projects. Overall, however, revenue was up as a result of an increase in sales to financial institutions by our Shanghai subsidiary, and the income boost from consolidation of ISID Fairness

Co., Ltd.

Enterprise Solutions—Business

¥2,845 million (up 8.3% year on year)

Segment revenue increased as a result of strong sales of the POSITIVE human resources management package, along with an expansion in sales to the manufacturing industry of third-party software in the core systems field.

Enterprise Solutions—Engineering

¥3,804 million (down 6.5% year on year)

Sales were positive for consulting services for upstream product development processes such as concept design, analysis simulations and testing, centered on the automotive industry. However, sales of design support software such as CAD and PLM systems declined with the conclusion in the previous fiscal year of large-scale projects to major customers. Segment sales declined as a result.

Communications IT

¥3,129 million (up 53.8% year on year)

Segment sales rose as a result of numerous orders won by the Dentsu for core system-related development projects and the start of development, along with steady growth in collaborative business with the Dentsu Group. One strong-selling offering from the collaborative business with the Dentsu Group is agile application development services utilizing the Force.com cloud-based platform from Salesforce.com Inc.

ISID Group net sales by service category are as follows:

Consulting services

¥361 million (up 37.3% year on year)

Revenue rose mainly as a result of consulting services for upstream product development processes such as concept design, analysis simulations and testing, centered on the automotive industry.

Custom system development

¥4,204 million (up 12.8% year on year)

Revenue rose mainly as a result of the start of numerous core system development projects for Dentsu.

In-house software

¥1,710 million (up 9.7% year on year)

Revenue rose mainly as a result of strong sales of the POSITIVE human resources management package, and an increase in sales of the iQUAVIS concept design solution to the automotive industry.

Third-party software

¥4,743 million (up 1.0% year on year)

Sales declined for design support software such as CAD and PLM, but increased for the Force.com cloud-based platform from Salesforce.com Inc., as well as for third-party software in the core systems field to the manufacturing

industry. As a result, sales overall were on a par with the same period of the previous fiscal year.

Outsourcing, operation and maintenance services

¥1,402 million (up 24.5% year on year)

Revenue rose mainly as a result of the income boost from consolidation of ISID Fairness Co., Ltd., along with an increase in operations and maintenance services to the Dentsu Group.

IT equipment sales and others

¥1,661 million (up 11.0% year on year)

(2) Qualitative Information on Consolidated Results Forecasts

Forecasts for the second-quarter cumulative and whole-year periods are unchanged from those announced on May 11, 2012.

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

2. Matters Regarding Summary Information (Other)

(1) Significant Changes in Subsidiaries during the Subject Period

Not applicable

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

Not applicable

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

(Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates)

The Company and its domestic consolidated subsidiaries, in accordance with revisions to the Corporation Tax Act, from the first quarter of the subject fiscal year, have changed the accounting policy for property, plant and equipment acquired on or after April 1, 2012, to the depreciation method based on the revised Corporation Tax Act.

The effect on first quarter earnings for the subject first quarter period as a result of this change is negligible.

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, 2012	As of June 30, 2012
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		2,741	3,198
Notes and accounts receivable—trade		15,672	10,752
Merchandise and finished goods		72	80
Work in process		867	2,167
Raw materials and supplies		23	15
Advance payments—trade		3,957	5,477
Deposit paid		8,096	9,524
Other		2,312	2,733
Allowance for doubtful accounts		(27)	(27)
Total current assets		33,716	33,922
Noncurrent assets:			
Property, plant and equipment		6,024	6,061
Intangible assets:			
Goodwill		133	123
Other		4,663	4,645
Total intangible assets		4,796	4,768
Investments and other assets:			
Investment and other assets		7,760	7,388
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		7,758	7,386
Total noncurrent assets		18,579	18,217
Total assets		52,295	52,139

(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, 2012	As of June 30, 2012
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		5,402	4,859
Income taxes payable		311	74
Advances received		4,096	6,505
Provision for loss on order received		393	30
Other		4,797	4,249
Total current liabilities		15,001	15,720
Noncurrent liabilities:			
Provision for directors' retirement benefits		62	28
Asset retirement obligations		717	753
Other		2,232	2,102
Total noncurrent liabilities		3,012	2,884
Total liabilities		18,013	18,604
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		9,979	9,686
Treasury stock		(28)	(28)
Total shareholders' equity		33,417	33,124
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		1,182	818
Deferred gains or losses on hedges		28	1
Foreign currency translation adjustments		(346)	(433)
Total other comprehensive income		864	386
Minority interests		—	24
Total net assets		34,281	33,535
Total liabilities and net assets		52,295	52,139

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

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

Item	Period	First Quarter of FY2011 (Three months ended June 30, 2011)	First Quarter of FY2012 (Three months ended June 30, 2012)
		Amount	Amount
Net sales		12,866	14,084
Cost of sales		9,050	9,927
Gross profit		3,816	4,157
Selling, general and administrative expenses		4,364	4,482
Operating loss		(548)	(325)
Non-operating income:			
Interest income		15	14
Dividends income		15	16
Foreign exchange gains		28	51
Miscellaneous income		60	13
Total non-operating income		120	96
Non-operating expenses:			
Interest expenses		11	10
Equity in losses of affiliates		23	20
Miscellaneous loss		2	0
Total non-operating expenses		36	31
Ordinary loss		(464)	(261)
Extraordinary income:			
Gain on sales of investment securities		105	—
Total extraordinary income		105	—
Extraordinary loss:			
Loss on retirement of noncurrent assets		—	79
Total extraordinary loss		—	79
Loss before income taxes and minority interests		(359)	(340)
Income taxes—current		54	39
Income taxes—deferred		(254)	(163)
Total income taxes		(200)	(124)
Loss before minority interests.		(158)	(216)
Minority interests in income		—	3
Net loss		(158)	(219)

(Consolidated Statements of Comprehensive Income)

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

Item	Period	First Quarter of FY2011 (Three months ended June 30, 2011)	First Quarter of FY2012 (Three months ended June 30, 2012)
		Amount	Amount
Loss before minority interests		(158)	(216)
Other comprehensive income:			
Valuation difference on available-for-sale securities		82	(364)
Deferred gains or losses on hedges		(12)	(27)
Foreign currency translation adjustment		(33)	(86)
Total other comprehensive income		36	(478)
Comprehensive income		(122)	(694)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		(122)	(697)
Comprehensive income attributable to minority interests		—	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. First Quarter of FY2011 (from April 1, 2011 to June 30, 2011)****1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Enterprise Solutions— Business	Enterprise Solutions— Engineering	Communications IT	Total
Net sales					
Sales to customers	4,131	2,628	4,070	2,035	12,866
Inter-segment sales and transfers	—	—	—	—	—
Total	4,131	2,628	4,070	2,035	12,866
Segment income (loss)	92	(321)	(178)	(140)	(548)

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

II. First Quarter of FY2012 (from April 1, 2012 to June 30, 2012)**1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Enterprise Solutions— Business	Enterprise Solutions— Engineering	Communications IT	Total
Net sales					
Sales to customers	4,304	2,845	3,804	3,129	14,084
Inter-segment sales and transfers	—	—	—	—	—
Total	4,304	2,845	3,804	3,129	14,084
Segment income (loss)	130	(388)	(352)	285	(325)

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

(6) Notes to Significant Subsequent Events

Not applicable

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 first quarter period (April 1–June 30, 2012) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	3,475	101.0
Enterprise Solutions—Business	1,489	95.8
Enterprise Solutions—Engineering	669	104.4
Communications IT	1,716	227.6
Total	7,349	115.0

The status of production through the subject first quarter period (April 1–June 30, 2012) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	4,916	118.5
In-house software add-on development	838	96.7
Third-party software add-on development	1,595	116.2
Total	7,349	115.0

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.

(2) Orders

The status of orders through the subject first quarter period (April 1–June 30, 2012) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	3,707	79.9	3,504	96.2
Enterprise Solutions—Business	1,541	80.8	2,004	112.5
Enterprise Solutions—Engineering	894	111.8	802	180.2
Communications IT	3,960	273.7	3,169	335.3
Total	10,104	114.9	9,481	139.1

The status of orders through the subject first quarter period (April 1–June 30, 2012) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	7,237	113.4	6,496	133.4
In-house software add-on development	793	106.2	1,231	123.3
Third-party software add-on development	2,073	124.5	1,752	184.4
Total	10,104	114.9	9,481	139.1

Notes

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

(3) Sales

The status of sales through the subject first quarter period (April 1–June 30, 2012) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	4,304	104.2
Enterprise Solutions—Business	2,845	108.3
Enterprise Solutions—Engineering	3,804	93.5
Communications IT	3,129	153.8
Total	14,084	109.5

The status of sales through the subject first quarter period (April 1–June 30, 2012) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	361	137.3
Custom system development	4,204	112.8
In-house software	1,710	109.7
Third-party software	4,743	101.0
Outsourcing, operation and maintenance services	1,402	124.5
IT equipment sales and others	1,661	111.0
Total	14,084	109.5

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	First Quarter of FY2011 (From April 1, 2011 to June 30, 2011)		First Quarter of FY2012 (From April 1, 2012 to June 30, 2012)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	1,665	12.9	2,290	16.3