

Consolidated Financial Results for the Fiscal Year Ended March 31, 2013

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

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Presentation: Yes

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

1. Consolidated Financial Results for FY 2012 (From April 1, 2012 to March 31, 2013)

(1) Consolidated Financial Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2012	72,764	13.9	4,192	78.5	4,311	72.7
FY 2011	63,869	6.0	2,349	6.9	2,496	6.2

(Note) Comprehensive income: FY2012: 4,002 million yen; FY2011: 2,059 million yen

	Net income (loss)		EPS	Diluted EPS	ROE	ROA	Ratio of operating income to net sales
	(million yen)	(%)	(yen)	(yen)	(%)	(%)	(%)
FY 2012	2,622	73.0	80.48	—	7.3	7.8	5.8
FY 2011	1,516	—	46.55	—	4.5	4.9	3.7

Ref.: Equity in earnings of affiliated companies: FY 2012: (45) million yen; FY 2011: (8) 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 2012	58,798	37,903	64.4	1,162.45
FY 2011	52,295	34,281	65.6	1,052.14

Ref.: Shareholders' equity: FY 2012: 37,876 million yen; FY 2011: 34,281 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 2012	4,761	(2,883)	(1,674)	11,459
FY 2011	2,406	(1,502)	(1,764)	10,562

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 2011	—	10.00	—	10.00	20.00	651	43.0	1.9
FY 2012	—	10.00	—	10.00	20.00	651	24.9	1.8
FY 2013 (Forecasts)	—	10.00	—	10.00	20.00		22.7	

3. Forecast of Consolidated Results for FY 2013 (From April 1, 2013 to March 31, 2014)

(% of change from the same period last year)

	Net sales		Operating income		Ordinary income		Net income		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
First half of FY 2013	34,900	3.1	920	(37.7)	1,040	(35.4)	630	(33.4)	19.34
FY 2013	75,500	3.8	4,460	6.4	4,700	9.0	2,870	9.5	88.08

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
- 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

3. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	FY2012:	32,591,240 shares	FY2011:	32,591,240 shares
2) Number of treasury stock at end of period:	FY2012:	8,110 shares	FY2011:	7,990 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	FY2012:	32,583,234 shares	FY2011:	32,583,359 shares

(Reference) Summary of Non-Consolidated Financial Results

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

1. Non-Consolidated Results for FY 2012 (From April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2012	61,274	12.5	2,075	169.8	3,316	130.4
FY 2011	54,468	4.2	769	(13.6)	1,439	16.0

	Net income (loss)		EPS	Diluted EPS
	(million yen)	(%)	(yen)	(yen)
FY 2012	2,176	179.0	66.79	—
FY 2011	780	—	23.96	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
FY 2012	52,613	34,450	65.5	1,057.31
FY 2011	47,385	31,886	67.3	978.63

Ref.: Shareholders' equity: FY 2012: 34,450 million yen; FY 2011: 31,886 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.

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1. Business Results

(1) Analysis of Business Results

1) Results for FY 2012 (Ended March 31, 2013)

The Japanese economy during FY 2012 (April 1, 2012 – March 31, 2013) showed signs of improvement in certain indicators from early 2013 as a result of expectations surrounding the economic policies of the new administration and other factors, but business conditions remained difficult overall against a backdrop of the debt crisis in Europe, and sluggish growth in developing countries. In the information services industry, despite signs of an upturn in IT investment in the financial and manufacturing industry sectors, overall many companies took a cautious stance toward expanding investment, and the harsh business environment for the ISID Group persisted.

Amid such conditions, the ISID Group worked to differentiate its services and expand business results through the implementation of “ISID Open Innovation 2013,” a three-year medium-term management 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, to further enhance competitiveness ISID is actively conducting research and development for in-house software and new services, and will expand sales and earnings through such means as establishing new overseas business locations, strengthening cloud solutions, and further cultivating business with principal customers. Of note, the non-consolidated subsidiary ISID Fairness, Ltd. was included in the scope of consolidation during the first quarter of the subject fiscal year.

As a result, consolidated net sales for the subject fiscal year amounted to ¥72,764 million (up 13.9% from the previous fiscal year). Of the ISID Group’s four business segments, the Enterprise Solutions—Business segment struggled, but overall revenue increased on gains in the Financial Solutions segment and the Enterprise Solutions—Engineering segment, with particularly strong performance in the Communications IT segment.

In terms of earnings, gross profit rose to ¥22,492 million (up 13.1%), due mainly to increased sales. Selling, general and administrative (SG&A) expenses increased to ¥18,300 million (up 4.4%), centered on greater R&D costs, but this was absorbed by the increase in gross profit. Earnings rose strongly as a result, with ISID recording operating income of ¥4,192 million (up 78.5% year on year), ordinary income of ¥4,311 million (up 72.7%), and net income of ¥2,622 million (up 73.0%).

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

Net Sales by Business Segment

Business Segment	FY 2011 (From April 1, 2011 to March 31, 2012)		FY 2012 (From April 1, 2012 to March 31, 2013)		YoY
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
					%
Financial Solutions	17,722	27.8	20,357	28.0	114.9
Enterprise Solutions—Business	14,063	22.0	13,117	18.0	93.3
Enterprise Solutions—Engineering	19,572	30.6	20,392	28.0	104.2
Communications IT	12,511	19.6	18,897	26.0	151.0
Total	63,869	100.0	72,764	100.0	113.9

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

¥20,357 million (up 14.9% year on year)

Segment sales rose overall. Against a backdrop of robust IT investment demand stemming from global business expansion by major financial institutions, custom system development for megabanks expanded in overseas branch systems, market systems, and transaction banking systems. For regional financial institutions, sales and custom system development increased for finance support, sales support, and electronic *ringi* modules for the BANK•R in-house software package. Revenue was also boosted by an increase in sales to internet-based financial institutions, and the inclusion in the scope of consolidation from the subject fiscal year of ISID Fairness, Ltd., a provider of financial information services to securities firms and other companies.

Enterprise Solutions—Business

¥13,117 million (down 6.7% year on year)

Sales increased for the POSITIVE software package for human resource, salary and employment management, amid an expansion of IT system needs for talent management and other types of advanced utilization of human resources. Sales of the STRAVIS consolidated accounting software package were also strong. However, revenue declined overall as a result of sluggish sales of ERP and other third-party software packages for the accounting and core systems fields.

Enterprise Solutions—Engineering

¥20,392 million (up 4.2% year on year)

Segment revenue rose overall as a result of expansion of consulting services, mainly to the automotive industry, for

upstream product development processes such as concept design, analysis simulations and testing, as well as for the in-house software iQUAVIS to aid in concept design. Revenue was also boosted by strong sales of add-on development services for the Teamcenter product lifecycle management (PLM) solution, main to the automotive, appliance and precision electronics industries.

Communications IT

¥18,897 million (up 51.0% year on year)

Segment revenue rose overall as a result of an ongoing project from Dentsu for development of an extensive core system. Revenue was also boosted by proactive collaboration with the Dentsu Group, resulting in expansion 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, and status of business operations, are as follows.

Net Sales by Service Category

Service category	FY 2011 (From April 1, 2011 to March 31, 2012)		FY 2012 (From April 1, 2012 to March 31, 2013)		YoY
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
					%
Consulting services	2,711	4.2	3,054	4.2	112.7
Custom system development	18,858	29.5	24,864	34.2	131.8
In-house software	7,965	12.5	8,986	12.3	112.8
Third-party software	22,002	34.5	22,330	30.7	101.5
Outsourcing, operation and maintenance services	5,570	8.7	6,529	9.0	117.2
IT equipment sales and others	6,760	10.6	6,998	9.6	103.5
Total	63,869	100.0	72,764	100.0	113.9

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

Consulting services

¥3,054 million (up 12.7% 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 automotive industry.

Custom system development

¥24,864 million (up 31.8% year on year)

Revenue rose as a result of increases to Dentsu, as well as megabanks, regional financial institutions, and internet-based financial institutions.

In-house software

¥8,986 million (up 12.8% year on year)

Revenue rose as a result of gains in the BANK•R solution software for regional financial institutions, the POSITIVE solution software for human resource, salary and employment management, the STRAVIS consolidated accounting solution software, and the iQUAVIS concept design solution software. Sales were also boosted by the market launch of iPLAss, a newly developed marketing platform.

Third-party software

¥22,330 million (up 1.5% year on year)

Revenue rose as a result of positive performance in add-on development services for the Teamcenter solution software for product lifecycle management (PLM), mainly to major manufacturers. Sales were also boosted by expansion in system development services utilizes the cloud-based platform Force.com, mainly through collaboration with the Dentsu Group.

Outsourcing, operation and maintenance services

¥6,529 million (up 17.2% year on year)

Revenue rose mainly as a result of an increase in sales to Dentsu, as well as the inclusion in the scope of consolidation from the subject fiscal year of ISID Fairness, Ltd., a provider of financial information services to securities firms and other companies.

IT equipment sales and others

¥6,998 million (up 3.5% year on year)

Revenue rose mainly as a result of strong sales to Dentsu.

2) Forecast for FY 2013 (Ending March 31, 2014)

Earnings forecasts for the fiscal year ending March 2014 are as follows.

The Japanese economy is exhibiting signs of recovery in certain areas, and gradual recovery in corporate IT investment is expected. Under such conditions, despite the negative effects from the peaking of certain large-scale projects, ISID projects an increase in sales centered on the finance and manufacturing industries. We also anticipate an increase in operating income on revenue gains, amid assumptions for higher costs due to the weak yen, and greater selling, general and administrative (SG&A) expenses stemming from personnel increases centered on overseas business locations.

Fiscal 2013 is the final year of the ISID Group's "ISID Open Innovation 2013" medium-term management plan currently in progress. Considering the negative impact from changes in the external environment, including the European debt crisis and sluggish growth in developing countries, at this point we expect that results for fiscal 2013 will fall short of the medium-term business plan targets (net sales of ¥80 billion with operating income of ¥5.5 billion). The ISID Group will work to further pursue differentiation through implementation of the medium-term business plan, to develop and provide worthwhile solutions that help resolve the issues directly faced by customers and society, to further expand earnings, and to enhance profitability.

The ISID Group's forecasts for FY 2013 are as follows.

Earnings Forecast for FY 2013 (April 1, 2013 to March 31, 2014)

	Consolidated	
	Amount (million yen)	YoY (%)
Sales	75,500	103.8
Operating income	4,460	106.4
Ordinary income	4,700	109.0
Net income	2,870	109.5

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) Basic Policy Regarding Earnings Distribution, and Dividends for FY 2012

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 2013 (record date September 30, 2012), the Company paid a dividend of ¥10 per share. The planned distribution of retained earnings at the end of the fiscal year ended March 2013 (record date March 31, 2013) 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

The ISID Group is currently implementing "ISID Open Innovation 2013," its three-year medium-term business plan covering the period from April 2011 to March 2014. Through this medium-term plan, under the theme of "joint-value creation," we seek to generate new, forward-looking value through collaboration with customers, the Dentsu Group, and a wide range of other partners, and to contribute to the resolution of the issues faced by our customers and society.

The ISID Group has established six basic policies as the issues to address in the medium-term business plan. The status of the principal measures implemented during the subject fiscal year for these basic policies, and issues affecting future growth, are as follows.

(i) Concentration on competitively advantageous fields

The second year of the medium-term business plan has concluded, and although we have had a certain degree of success in terms of concentration on competitively advantageous fields, further progress with applicable measures, and realizing greater growth and enhanced profitability in all business segments remain pressing issues for the ISID Group.

Recognizing these issues, ISID will concentrate management resources in fields in which the ISID Group is able to exert its strengths, such as concept design for the manufacturing industry and global human resources and managerial accounting, as well as in the automotive industry and other priority industry fields, and will pursue business restructuring to develop and offer competitive solutions from a customer-oriented perspective. Under the restructuring program implemented in April 2013, to create a structure to realize these goals, we merged the separate Business Solutions Division with the Engineering Solutions Division. Accordingly, the “Enterprise Solutions—Business” and “Enterprise Solutions—Engineering” business segments have been integrated.

In the Financial Solutions segment, we will continue to focus on fields where active IT system investment is expected, such as overseas branch systems, market systems, settlement operations systems for major banks, and finance-related operational systems for regional financial institutions.

In terms of research and development to differentiate ISID from other firms, in all business segments we will continue to actively pursue R&D, and successively bring to market solutions that effectively utilize the strengths of the ISID Group, such as new in-house software packages and cloud services. Further, for global business operations we are expanding our network of overseas locations, and have established new offices in Taipei, Shenzhen, and San Francisco. In April 2013 we opened new sales offices in Bangkok and Jakarta as part of a program of active business expansion.

(ii) Acceleration of collaboration with the Dentsu

For collaboration with Dentsu, Inc., in response to the growing number of inquiries for short delivery-date system development for government offices, public organizations, and private companies, ISID has enhanced its solution delivery structure, and has developed the iPLAss core marketing platform to further accelerate collaborative efforts. In addition, in May 2013, Dentsu and ISID began providing the jointly developed CubeD service, a new CRM platform incorporating unique analysis methods designed by Dentsu. Together with system development utilizing such packages as the Force.com cloud-based platform centered on government agencies and public bodies, we are continuing to gradually expand collaboration with Dentsu.

Collaboration with Dentsu is gradually being expanded to a variety of fields, including public administrative services for government agencies and public bodies, internet banking services for banks, integrated CRM for consumer goods firms, coordinated promotion of product development processes for the manufacturing industry, and marketing communication for civic and commercial facilities. The ISID Group anticipates that the brisk level of inquiries will continue and increase, and so will further enhance its structures and expand business operations.

(iii) New business development utilizing leading-edge technologies

Centered on the Open Innovation Laboratory, ISID conducts cutting-edge research, prototype development, analysis simulations and testing, and new business development on a variety of topics, including urban development, social media, and education. In the area of urban development, we are further deepening ties with Koozyt, Inc., which was made a group company in the previous fiscal year, and developed the +fooop! social city platform utilizing indoor positioning technology provided by the company. The +fooop! package is first major commercialized project from the Open Innovation Laboratory, and was adopted for Grand Front Osaka opened in April 2013.

Going forward, ISID will pursue research with corporations and universities on utilization of leading-edge technologies in the area of urban development and a variety of other fields, generate the “uniqueness” possible with the ISID Group, and commercialize ideas.

(iv) Strengthening of personnel capabilities

ISID has newly formulated and begun following guidelines establishing principles and standard models for human resource development, as well as a range of educational programs aimed at development of globally-minded personnel. We are also working to formulate new personnel systems intended to enhance employee motivation, which we began implementing in April 2013.

During fiscal 2013, we will take steps to firmly establish these systems, further strengthen our recruitment capabilities, and enhance structures to provide solutions that meet the expectations of customers.

(v) Broadening and enhancing a stable earnings base

In response to the growing customer needs for use of cloud-based systems, ISID has strengthened its system operations monitoring services, expanded the group's cloud-based service CLOUDiS, and taken other steps to broaden cloud-based services, including adapting existing in-house software packages such as BANK•R, POSITIVE, and STRAVIS for cloud use, and newly developing the iPLAss marketing platform. Through these efforts we are working to expand the service-oriented businesses that will allow for stable revenue expectations for the corporate group.

The ISID Group is also contributing to the creation of a safe and secure environment for cloud computing in Japan. In September 2012, to promote the use of cloud services by financial institutions, we compiled specific security measures for utilizing Amazon Web Services (AWS) based on security standards from the Center for Financial Industry Information Systems (FISC), and also participated in the establishment of the JASA Cloud Security Promotion Council, launched in May 2013.

The ISID Group will continue to be actively involved in the formulation of security standards for a variety of envisioned cloud services, and utilizing the highly secure CLOUDiS platform, as well as the AWS and other cloud vendor platforms, will work to provide optimal solutions for client needs.

(vi) Reform of the cost structure

ISID has worked to control costs through optimization of human resources in the administrative department, enhancing administrative efficiency, reducing overhead expenses, and actively expanding offshore development.

In the reorganization program implemented in April 2013, we streamlined administrative and back-office divisions, and rationalized personnel. The ISID Group will continue its efforts to reform cost structures in order to further improve profitability.

Fiscal 2013 is the final year of the medium-term management plan. Considering the negative impact from changes in the external environment, including the European debt crisis and sluggish growth in developing countries, at this point we expect that results for fiscal 2013 will fall short of the medium-term business plan targets (net sales of ¥80 billion with operating income of ¥5.5 billion).

The ISID Group, in an effort to meet the expectations of shareholders, will work to further pursue differentiation through implementation of the medium-term business plan, to develop and provide worthwhile solutions that help resolve the issues directly faced by customers and society, and to further expand earnings and enhance profitability.

3. 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 March 31, 2013
			Amount	Amount
(Assets)				
Current assets:				
Cash and deposits			2,741	4,399
Notes and accounts receivable—trade			15,672	19,703
Lease investment assets			62	52
Merchandise and finished goods			72	27
Work in process			867	557
Raw materials and supplies			23	23
Deferred tax assets			1,491	1,348
Advance payments—trade			3,957	4,065
Deposit paid			8,096	7,203
Other			758	769
Allowance for doubtful accounts			(27)	(4)
Total current assets			33,716	38,145
Noncurrent assets:				
Property, plant and equipment:				
Buildings, net			1,402	1,332
Tools, furniture and fixtures, net			392	331
Land			2,137	2,137
Lease assets, net			2,090	1,807
Total property, plant and equipment			6,024	5,608
Intangible assets:				
Software			3,907	4,232
Goodwill			133	63
Lease assets			718	637
Other			37	37
Total intangible assets			4,796	4,971
Investments and other assets:				
Investment securities			4,077	6,190
Deferred tax assets			75	88
Lease and guarantee deposits			3,403	3,427
Other			204	367
Allowance for doubtful accounts			(1)	(1)
Total investments and other assets			7,758	10,072
Total noncurrent assets			18,579	20,653
Total assets			52,295	58,798

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

Item		Period	As of March 31, 2012	As of March 31, 2013
			Amount	Amount
(Liabilities)				
Current liabilities:				
Notes and accounts payable—trade			5,402	6,570
Lease obligations			923	922
Accrued expenses			2,392	2,873
Income taxes payable			311	551
Advances received			4,096	4,258
Provision for loss on order received			393	294
Asset retirement obligations			—	9
Other			1,481	1,734
Total current liabilities			15,001	17,214
Noncurrent liabilities:				
Lease obligations			1,943	1,562
Deferred tax assets			88	1,206
Provision for directors' retirement benefits			62	28
Asset retirement obligations			717	761
Other			199	120
Total noncurrent liabilities			3,012	3,679
Total liabilities			18,013	20,894
(Net assets)				
Shareholders' equity:				
Capital stock			8,180	8,180
Capital surplus			15,285	15,285
Retained earnings			9,979	12,199
Treasury stock			(28)	(28)
Total shareholders' equity			33,417	35,637
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities			1,182	2,155
Deferred gains or losses on hedges			28	95
Foreign currency translation adjustments			(346)	(12)
Total other comprehensive income			864	2,238
Minority interests			—	27
Total net assets			34,281	37,903
Total liabilities and net assets			52,295	58,798

(2) Consolidated Statements of Income

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

Item	Period	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
		Amount	Amount
Net sales		63,869	72,764
Cost of sales		43,986	50,271
Gross profit		19,883	22,492
Selling, general and administrative expenses		17,533	18,300
Operating income		2,349	4,192
Non-operating income:			
Interest income		55	53
Dividends income		66	57
Dividends income of insurance		36	25
Refund of value-added tax		—	53
Miscellaneous income		100	47
Total non-operating income		258	238
Non-operating expenses:			
Interest expenses		43	42
Foreign exchange losses		33	27
Equity in losses of affiliates		8	45
Loss on retirement of noncurrent assets		20	—
Miscellaneous loss		4	4
Total non-operating expenses		111	119
Ordinary income		2,496	4,311
Extraordinary income:			
Gain on sales of investment securities		106	—
Total extraordinary income		106	—
Extraordinary loss:			
Impairment loss		—	31
Loss on retirement of noncurrent assets		—	79
Total extraordinary loss		—	111
Income before income taxes and minority interests		2,603	4,199
Income taxes—current		503	904
Income taxes—deferred		582	666
Total income taxes		1,086	1,570
Income before minority interests		1,516	2,628
Minority interests in income		—	6
Net income		1,516	2,622

(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, 2012	Fiscal year ended March 31, 2013
		Amount	Amount
Income before minority interests		1,516	2,628
Other comprehensive income:			
Valuation difference on available-for-sale securities		499	972
Deferred gains or losses on hedges		21	66
Foreign currency translation adjustment		22	334
Total other comprehensive income		543	1,373
Comprehensive income		2,059	4,002
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		2,059	3,996
Comprehensive income attributable to minority interests		—	6

(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, 2012	Fiscal year ended March 31, 2013
		Amount	Amount
Shareholders' equity:			
Capital stock:			
Balance at the beginning of the 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 beginning of the 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 beginning of the period		9,114	9,979
Changes of items during the period:			
Dividends from surplus		(651)	(651)
Net income		1,516	2,622
Change of scope of consolidation		—	249
Total changes of items during the period		865	2,220
Balance at the end of current period		9,979	12,199
Treasury stock:			
Balance at the beginning of the period		(28)	(28)
Changes of items during the period:			
Purchase of treasury stock		(0)	(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 beginning of the period		32,552	33,417
Changes of items during the period:			
Dividends from surplus		(651)	(651)
Net income		1,516	2,622
Purchase of treasury stock		(0)	(0)
Change of scope of consolidation		—	249
Total changes of items during the period		865	2,220
Balance at the end of current period		33,417	35,637

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

Item	Period	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
		Amount	Amount
Other comprehensive income:			
Valuation difference on available-for-sale securities:			
Balance at the beginning of the period		683	1,182
Changes of items during the period:			
Net changes of items other than shareholders' equity		499	972
Total changes of items during the period		499	972
Balance at the end of current period		1,182	2,155
Deferred gains or losses on hedges:			
Balance at the beginning of the period		6	28
Changes of items during the period:			
Net changes of items other than shareholders' equity		21	66
Total changes of items during the period		21	66
Balance at the end of current period		28	95
Foreign currency translation adjustment:			
Balance at the beginning of the period		(369)	(346)
Changes of items during the period:			
Net changes of items other than shareholders' equity		22	334
Total changes of items during the period		22	334
Balance at the end of current period		(346)	(12)
Total accumulated other comprehensive income:			
Balance at the beginning of the period		321	864
Changes of items during the period:			
Net changes of items other than shareholders' equity		543	1,373
Total changes of items during the period		543	1,373
Balance at the end of current period		864	2,238
Minority interests:			
Balance at the beginning of the period		—	—
Changes of items during the period:			
Increase of consolidated subsidiaries		—	30
Net changes of items other than shareholders' equity		—	(2)
Total changes of items during the period		—	27
Balance at the end of current period		—	27
Total net assets:			
Balance at the beginning of the period		32,873	34,281
Changes of items during the period:			
Dividends from surplus		(651)	(651)
Net income (loss)		1,516	2,622
Purchase of treasury stock		(0)	(0)
Change of scope of consolidation		—	279
Net changes of items other than shareholders' equity		543	1,371
Total changes of items during the period		1,408	3,621
Balance at the end of current period		34,281	37,903

(5) Consolidated Statements of Cash Flows

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

<div>Period</div> <div>Item</div>		Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
		Amount	Amount
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests		2,603	4,199
Depreciation and amortization		2,916	2,981
Impairment loss		—	31
Amortization of goodwill		37	38
Increase (decrease) in allowance for doubtful accounts		(0)	(0)
Increase (decrease) in provision for directors’ retirement benefits		—	(33)
Increase (decrease) in provision for loss on order received		393	(99)
Interest and dividends income		(121)	(111)
Interest expenses		43	42
Equity in (earnings) losses of affiliates		8	69
Loss on retirement of noncurrent assets		20	79
Loss (gain) on sales of investment securities		(106)	—
Decrease (increase) in notes and accounts receivable—trade		(2,962)	(3,948)
Decrease (increase) in inventories		(473)	371
Decrease (increase) in advance payments		188	(75)
Increase (decrease) in notes and accounts payable—trade		180	1,028
Increase (decrease) in accrued expenses		(21)	452
Increase (decrease) in advances received		172	119
Increase (decrease) in accrued consumption taxes		67	35
Other, net		306	65
Subtotal		3,251	5,247
Interest and dividends income received		101	109
Interest expenses paid		(43)	(42)
Income taxes paid		(908)	(745)
Income taxes refund		5	192
Net cash provided by operating activities		2,406	4,761

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

Item	Period	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
		Amount	Amount
Net cash provided by (used in) investing activities:			
Payments into time deposits		(401)	(396)
Proceeds from withdrawal of time deposits		305	409
Purchase of property, plant and equipment		(237)	(176)
Purchases of intangible assets		(1,636)	(1,992)
Payments for execution of assets retirement obligations		(1)	(0)
Purchases of investment securities		(32)	(713)
Proceeds from sales of investment securities		649	8
Purchase of stocks of subsidiaries and affiliates		(150)	—
Payments of loans receivable		(1)	(2)
Collection of loans receivable		0	0
Payments for lease and guarantee deposits		(21)	(16)
Proceeds from collection of lease and guarantee deposits		17	12
Other, net		7	(15)
Net cash used in investing activities		(1,502)	(2,883)
Net cash provided by (used in) financing activities:			
Repayments of lease obligations		(1,112)	(1,013)
Cash dividends paid		(651)	(651)
Cash dividends paid to minority shareholders		—	(9)
Other, net		(0)	(0)
Net cash used in financing activities		(1,764)	(1,674)
Effect of exchange rate change on cash and cash equivalents		5	282
Net increase (decrease) in cash and cash equivalents		(855)	485
Cash and cash equivalents at beginning of period		11,417	10,562
		—	410
Cash and cash equivalents at end of period		10,562	11,459

4. Supplementary Information

(1) Production

The status of production through the fiscal year ended March 31, 2013 (April 1, 2012–March 31, 2013) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	15,544	110.3
Enterprise Solutions—Business	6,899	91.2
Enterprise Solutions—Engineering	3,801	114.4
Communications IT	10,327	189.0
Total	36,572	120.1

The status of production through the fiscal year ended March 31, 2013 (April 1, 2012–March 31, 2013) by service category is as follows.

Service category	Production output (Millions of yen)	YoY (%)
Custom system development	24,629	128.4
In-house software add-on development	4,568	114.3
Third-party software add-on development	7,373	101.6
Total	36,572	120.1

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, 2013 (April 1, 2012–March 31, 2013) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	16,192	110.7	3,485	121.3
Enterprise Solutions—Business	6,606	81.8	1,449	76.7
Enterprise Solutions—Engineering	3,729	107.9	283	76.7
Communications IT	12,029	212.9	1,991	345.1
Total	38,558	121.2	7,209	126.2

The status of orders through the fiscal year ended March 31, 2013 (April 1, 2012–March 31, 2013) by service category is as follows.

Service category	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	26,402	131.3	5,002	144.4
In-house software add-on development	4,874	119.8	1,407	119.5
Third-party software add-on development	7,280	95.4	799	74.7
Total	38,558	121.2	7,209	126.2

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.