

February 4, 2015

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2015 (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: February 6, 2015
Date of scheduled payment of dividends: --
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: No

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

1. Consolidated Business Performance for the Third Quarter of FY2014 (from April 1, 2014 to December 31, 2014)

(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	%
Third Quarter of FY2014	53,795	6.3	1,073	(12.0)	1,266	(20.0)	674	(30.4)
Third Quarter of FY2013	50,611	2.5	1,219	(20.8)	1,583	(6.4)	969	(2.7)

(Note) Comprehensive income: Third Quarter of FY2014: 1,155 million yen; Third Quarter of FY2013: 362 million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
Third Quarter of FY2014	20.70	-
Third Quarter of FY2013	29.76	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2014	57,481	39,228	68.2
As of March 31, 2014	58,877	38,864	66.0

(Reference) Total shareholders' equity: As of December 31, 2014: 39,206 million yen; As of March 31, 2014: 38,838 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, 2014	-	10.00	-	12.00	22.00
Fiscal year ending March 31, 2015	-	12.00	-		
Fiscal year ending March 31, 2015 (Forecast)				12.00	24.00

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

3. Consolidated Forecasts for FY2014 (from April 1, 2014 to March 31, 2015)

Percentages indicate year-on-year increase/(decrease)0

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY 2014	76,200	3.0	4,500	4.4	4,670	(2.0)	2,960	3.1	90.85

(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:	December 31, 2014:	32,591,240 shares	March 31, 2013:	32,591,240 shares
2) Number of treasury stock at end of period:	December 31, 2014:	8,390 shares	March 31, 2013:	8,350 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Nine months ended December 31, 2014:	32,582,871 shares	Nine months ended December 31, 2013:	32,583,029 shares

Indication regarding the status of quarterly review procedures

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

Explanation regarding the appropriate use of forecasts of business results

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

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1. Qualitative Information on the Results for the Subject Period

(1) Qualitative Information on Consolidated Results

The Japanese economy in the third quarter cumulative period of FY 2014 (April 1, 2014 to December 31, 2014) continued on a moderate recovery trend on the effects of government-led economic policy, but signs of weakness appeared in certain areas, including the rebound decline in demand following the surge preceding the consumption tax hike, and the risk of downturn in overseas economies. In the information services industry, IT investment showed signs of an upward trend centered on the expanding manufacturing industry, but the outlook remains clouded as companies have become cautious in their business outlook as a result of higher import costs stemming from the rapid decline in the yen, and increasing geopolitical risk.

Amid such conditions, the ISID Group implemented from the subject fiscal year “ISID Open Innovation 2016—Progress to the Future,” a medium-term management plan covering the period through the fiscal year ending March 2017. The new plan continues the basic principle in the previous management plan (April 2011 – March 2014) of “joint value creation,” aiming to help resolve the issues faced by customers and society by creating new value through collaboration with various partners. We will undertake activities in line with the three basic policies of “Pursue competitive advantages,” “Develop new business fields,” and “Enhance human resources,” in an effort to further differentiate our services, and expand our earnings.

Consolidated net sales for the subject third quarter cumulative period amounted to ¥53,795 million (up 6.3% from the same period of the previous fiscal year). Of the ISID Group’s three business segments, the Communications IT segment posted declines from the conclusion of large-scale projects in the previous fiscal year, with revenue gains driven by expansion in the Financial Solutions and Enterprise Solutions segments.

In terms of earnings, gross profit fell to ¥14,428 million (down 4.6% from the same period of the previous fiscal year), mainly because of a weakening in the gross profit ratio stemming from cost increases for software purchases due to the weaker yen, and higher development costs for in-house software. As a result, although selling, general and administrative (SG&A) expenses declined to ¥13,355 million (down 3.9%) on a decrease in depreciation cost and curbs on R&D expenditures, earnings declined in all categories. Operating income amounted to ¥1,073 million (down 12.0%), with ordinary income of ¥1,266 million (down 20.0%), and net income of ¥674 million (down 30.4%).

Compared to business plan targets, net sales were ahead of plan on positive performance in the Financial Solutions and Enterprise Solutions segments, together with front-loading of sales recorded ahead of the fourth quarter. Earnings were mainly in line with plan, as higher development costs for in-house software incurred in the first half were absorbed by the revenue increase and curbs on SG&A expenses.

Net sales by business segment, and status of business operations, are as follows.

Net Sales by Business Segment

Business Segment	Third Quarter of FY2013 (From April 1, 2013 to December 31, 2013)		Third Quarter of FY2014 (From April 1, 2014 to December 31, 2014)		YoY
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
					%
Financial Solutions	15,786	31.2	17,281	32.1	109.5
Enterprise Solutions	21,909	43.3	24,658	45.8	112.5
Communications IT	12,916	25.5	11,855	22.1	91.8
Total	50,611	100.0	53,795	100.0	106.3

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	Provides business solutions for corporate core system such as human resources, accounting and production management, as well as 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

¥17,281 million (up 9.5% year on year)

Segment sales rose overall, due mainly to increases in development projects including overseas branch systems and market-based systems for mega-banks, together with an expansion in license sales for the Stream-R settlement management solution compatible with Phase 2 of New BOJ-NET.

Enterprise Solutions

¥24,658 million (up 12.5% year on year)

Segment sales rose overall. In engineering solution packages for product development in the manufacturing industry, sales increased for the iQUAVIS solution to support the innovative production method of model-based development (MBD), along with consulting services mainly to the automotive industry. Steady gains were also recorded in sales of third-party software for design support, centered on the Teamcenter product lifecycle management (PLM) solution.

In business solution packages for core systems and the business management field, sales expanded, centered on the POSITIVE human resources management solution, and large-scale projects for core system architecture services.

Communications IT

¥11,855 million (down 8.2% year on year)

Segment sales declined overall. In collaborative business with the Dentsu Group, a steady rise in referrals for system development services utilizing marketing platforms, centered on public organizations, was offset by a large-scale project for Dentsu for core system architecture that reached its peak in the previous fiscal year.

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

Net Sales by Service Category

Service category	Third Quarter of FY2013 (From April 1, 2013 to December 31, 2013)		Third Quarter of FY2014 (From April 1, 2014 to December 31, 2014)		YoY %
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
Consulting services	1,798	3.5	2,242	4.2	124.7
Custom system development	17,155	33.9	15,935	29.6	92.9
In-house software	7,137	14.1	9,298	17.3	130.3
Third-party software	15,419	30.5	15,349	28.5	99.5
Outsourcing, operation and maintenance services	4,703	9.3	5,287	9.8	112.4
IT equipment sales and others	4,398	8.7	5,681	10.6	129.2
Total	50,611	100.0	53,795	100.0	106.3

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.

Operating Results by Service Category

Consulting services

¥2,242 million (up 24.7% year on year)

Revenue increased overall, mainly as a result of expansion in consulting services to the manufacturing industry for the innovative production method of model-based development (MBD), together with steady growth in business consulting services to support more advanced management.

Custom system development

¥15,935 million (down 7.1% year on year)

Sales in this category fell overall, as an increase in system architecture projects for mega-banks and the manufacturing industry was offset by the rebound decline from a large-scale project for Dentsu that reached its peak in the previous fiscal year.

In-house software

¥9,298 million (up 30.3% year on year)

Revenue increased overall as a result of growth in product sales, including the POSITIVE human resources management solution, the iQUAVIS solution to support the innovative production method of model-based development (MBD), the STRAVIS consolidated accounting solution, the Stream-R settlement management solution compatible with Phase 2 of New BOJ-NET, and the iPLAss marketing platform.

Third-party software

¥15,349 million (down 0.5% year on year)

Sales in this category were on a par with the previous fiscal year, as a decrease in system architecture projects utilizing Force.com was offset by steady expansion in design and development tools for the manufacturing industry, centered on the Teamcenter product lifecycle management (PLM) solution.

Outsourcing, operation and maintenance services

¥5,287 million (up 12.4% year on year)

Revenue increased as a result of a steady rise in services to the Dentsu Group.

IT equipment sales and others

¥5,681 million (up 29.2% year on year)

Revenue rose on expansion in all business segments, with growth centered on major customers.

(2) Qualitative Information on Consolidated Results Forecasts

Net sales in the subject third quarter cumulative period were ahead of plan on positive performance in the Financial Solutions and Enterprise Solutions segments, together with front-loading of sales recorded ahead of the fourth quarter. Earnings are also mainly in line with plan, as higher development costs for in-house software incurred in the first half were absorbed by the revenue increase and curbs on SG&A expenses. Accordingly, there is no change in our full-year forecasts from those announced on May 12, 2014.

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

Not applicable

3. Summary of Significant Events Affecting Assumption 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, 2014	As of December 31, 2014
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		3,476	3,957
Notes and accounts receivable—trade		20,338	14,556
Merchandise and finished goods		23	197
Work in process		541	2,396
Raw materials and supplies		20	26
Advance payments—trade		4,574	4,604
Deposit paid		9,528	12,534
Other		1,787	1,891
Allowance for doubtful accounts		(2)	—
Total current assets		40,287	40,163
Noncurrent assets:			
Property, plant and equipment		5,210	4,907
Intangible assets:			
Goodwill		38	19
Other		5,419	4,608
Total intangible assets		5,457	4,627
Investments and other assets:			
Investment and other assets		7,922	7,783
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		7,921	7,782
Total noncurrent assets		18,590	17,317
Total assets		58,877	57,481

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

Item	Period	As of March 31, 2014	As of December 31, 2014
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		5,766	5,004
Income taxes payable		1,197	142
Advances received		4,834	6,299
Provision for loss on order received		165	44
Other		5,423	4,874
Total current liabilities		17,387	16,366
Noncurrent liabilities:			
Provision for directors' retirement benefits		28	28
Asset retirement obligations		789	803
Other		1,807	1,053
Total noncurrent liabilities		2,625	1,886
Total liabilities		20,013	18,252
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		14,419	14,312
Treasury stock		(28)	(28)
Total shareholders' equity		37,857	37,750
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		721	499
Deferred gains or losses on hedges		22	228
Foreign currency translation adjustments		236	728
Total other comprehensive income		980	1,456
Minority interests		25	22
Total net assets		38,864	39,228
Total liabilities and net assets		58,877	57,481

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

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

Item	Period	Third Quarter of FY2013 (Nine months ended December 31, 2013)	Third Quarter of FY2014 (Nine months ended December 31, 2014)
		Amount	Amount
Net sales		50,611	53,795
Cost of sales		35,493	39,367
Gross profit		15,118	14,428
Selling, general and administrative expenses		13,899	13,355
Operating income		1,219	1,073
Non-operating income:			
Interest income		29	31
Dividends income		59	43
Equity in earnings of affiliates		100	41
Foreign exchange gains		85	—
Refund of value-added tax		59	47
Miscellaneous income		68	61
Total non-operating income		402	225
Non-operating expenses:			
Interest expenses		28	21
Foreign exchange losses		—	6
Miscellaneous loss		10	4
Total non-operating expenses		39	32
Ordinary income		1,583	1,266
Income before income taxes and minority interests		1,583	1,266
Income taxes—current		398	463
Income taxes—deferred		209	123
Total income taxes		608	586
Income before minority interests.		974	679
Minority interests in income		4	5
Net income		969	674

(Consolidated Statements of Comprehensive Income)

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

Item	Period	Third Quarter of FY2013 (Nine months ended December 31, 2013)	Third Quarter of FY2014 (Nine months ended December 31, 2014)
		Amount	Amount
Income before minority interests		974	679
Other comprehensive income:			
Valuation difference on available-for-sale securities		(955)	(222)
Deferred gains or losses on hedges		(12)	206
Foreign currency translation adjustment		355	491
Total other comprehensive income		(612)	475
Comprehensive income		362	1,155
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		357	1,150
Comprehensive income attributable to minority interests		4	5

(3) Notes regarding Assumption of a Going Concern

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information**I. Third Quarter of FY2013 (from April 1, 2013 to December 31, 2013)****1. Sales and Earnings (or Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment			
	Financial Solutions	Enterprise Solutions	Communications IT	Total
Net sales				
Sales to customers	15,786	21,909	12,916	50,611
Inter-segment sales and transfers	—	—	—	—
Total	15,786	21,909	12,916	50,611
Segment income (loss)	1,285	(1,811)	1,744	1,219

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

II. Third Quarter of FY2014 (from April 1, 2014 to December 31, 2014)**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	17,281	24,658	11,855	53,795
Inter-segment sales and transfers	—	—	—	—
Total	17,281	24,658	11,855	53,795
Segment income (loss)	416	(669)	1,325	1,073

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

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 third quarter cumulative period (April 1–December 31, 2014) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	14,671	112.6
Enterprise Solutions	8,509	127.0
Communications IT	6,058	82.2
Total	29,239	107.9

The status of production through the subject third quarter cumulative period (April 1–December 31, 2014) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	18,857	105.3
In-house software add-on development	5,218	124.1
Third-party software add-on development	5,164	103.6
Total	29,239	107.9

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 third quarter cumulative period (April 1–December 31, 2014) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	13,258	96.0	3,695	75.8
Enterprise Solutions	10,370	142.3	4,159	145.3
Communications IT	5,945	75.2	2,146	74.8
Total	29,574	102.0	10,000	94.3

The status of orders through the subject third quarter cumulative period (April 1–December 31, 2014) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	17,726	93.3	5,122	74.7
In-house software add-on development	6,262	133.4	2,985	127.1
Third-party software add-on development	5,585	105.5	1,892	135.2
Total	29,574	102.0	10,000	94.3

Notes:

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

(3) Sales

The status of sales through the subject third quarter cumulative period (April 1–December 31, 2014) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	17,281	109.5
Enterprise Solutions	24,658	112.5
Communications IT	11,855	91.8
Total	53,795	106.3

The status of sales through the subject third quarter cumulative period (April 1–December 31, 2014) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	2,242	124.7
Custom system development	15,935	92.9
In-house software	9,298	130.3
Third-party software	15,349	99.5
Outsourcing, operation and maintenance services	5,287	112.4
IT equipment sales and others	5,681	129.2
Total	53,795	106.3

Notes:

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

Client	Third Quarter of FY2013 (From April 1, 2013 to December 31, 2013)		Third Quarter of FY2014 (From April 1, 2014 to December 31, 2014)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	10,612	21.0	8,076	15.0