

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

February 5, 2013

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2013 (JapanGAAP)

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: February 8, 2013
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 FY2012 (from April 1, 2012 to December 31, 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	%
Third Quarter of FY2012	49,360	12.6	1,539	-	1,692	-	996	-
Third Quarter of FY2011	43,844	4.0	(31)	-	122	(54.1)	30	-

(Note) Comprehensive income: Third Quarter of FY2012: 1,146 million yen; Third Quarter of FY2011: 739 million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
Third Quarter of FY2012	30.59	-
Third Quarter of FY2011	0.95	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2012	52,605	35,049	66.6
As of March 31, 2012	52,295	34,281	65.6

(Reference) Total shareholders' equity: As of December 31, 2012: 35,022 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	-	10.00	-		
Fiscal year ending March 31, 2013 (Forecast)				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
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:	December 31, 2012:	32,591,240 shares	March 31, 2012:	32,591,240 shares
2) Number of treasury stock at end of period:	December 31, 2012:	8,010 shares	March 31, 2012:	7,990 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Nine months ended December 31, 2012:	32,583,249 shares	Nine months ended December 31, 2011:	32,583,395 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.

Index of the Attachment

1. Qualitative Information on the Results for the Subject Period

(1) Qualitative Information on Consolidated Results	2
(2) Qualitative Information on Consolidated Results Forecasts.....	4

2. Matters Regarding Summary Information (Other)

(1) Significant Changes in Subsidiaries during the Subject Period.....	4
(2) Application of Special Accounting Practices in the Preparation of the Consolidated Financial Statements	4
(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements	4

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

4

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Consolidated Statements of Income).....	7
(Consolidated Statements of Comprehensive Income).....	8
(3) Notes regarding Assumption of a Going Concern.....	9
(4) Note on Significant Changes in Shareholders' Equity	9
(5) Segment Information.....	9
(6) Notes to Significant Subsequent Events	10

5. Supplementary Information

Status of Production, Orders and Sales	10
--	----

1. Qualitative Information on the Results for the Subject Period

(1) Qualitative Information on Consolidated Results

The Japanese economy during the third quarter cumulative period of FY 2012 (April 1, 2012 to December 31, 2012) had initially exhibited a tone of gentle recovery on the back of disaster recovery-related demand, but this recovery trend began to show signs of stalling as a result of the prolonged European debt crisis, and weakening business sentiment in emerging countries. In the information service industry, corporate IT investment showed signs of improvement in the finance and manufacturing industries, but as the sense of uncertainty regarding the economic outlook grew, in recent months companies took an increasingly guarded stance.

Amid such conditions, the ISID Group worked to 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, we will 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, 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 third quarter cumulative period amounted to ¥49,360 million (up 12.6% from the same period of the previous fiscal year). Of the ISID Group’s four business segments, the Enterprise Solutions—Business segment recorded a decline, but overall revenue increased on gains in the Financial Solutions, Enterprise Solutions—Engineering, and Communications IT segments.

In terms of earnings, gross profit rose to ¥15,213 million (up 15.5%), due mainly to increased sales. Selling, general and administrative (SG&A) expenses increased to ¥13,674 million (up 3.6%), centered on sales promotion and R&D costs, but this was absorbed by the increase in gross profit. Earnings rose as a result, with ISID recording operating income of ¥1,539 million (compared to an operating loss of ¥31 million in the same period of the previous fiscal year), ordinary income of ¥1,692 million (compared to ¥122 million a year earlier), and net income of ¥996 million (compared to ¥30 million a year earlier).

ISID Group net sales by business segment are as follows:

Financial Solutions

¥14,299 million (up 12.9% year on year)

Segment revenue rose overall as a result of an increase in sales for custom system development, mainly to megabanks, regional financial institutions, Internet-based financial institutions, and leasing companies. Revenue was also boosted by the inclusion in the scope of consolidation from the subject fiscal year of ISID Fairness, Ltd., a provider of financial information services to securities companies and other financial institutions.

Enterprise Solutions—Business

¥9,222 million (down 2.6% year on year)

Segment revenue declined overall despite strong sales of the POSITIVE software package for human resource, salary

and employment management, due mainly to slow sales of third-party software for the accounting and core systems fields.

Enterprise Solutions—Engineering

¥13,697 million (up 1.7% 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. Revenue was also boosted by a steady increase in sales of the in-house software iQUAVIS to aid in concept design.

Communications IT

¥12,140 million (up 47.3% year on year)

Segment revenue rose overall as a result of the receipt of orders for development of Dentsu's large-scale core system, along with expansion in collaborative business with the Dentsu Group to public bodies, local governments, and private corporations.

ISID Group net sales by service category are as follows:

Consulting services

¥1,899 million (up 31.8% year on year)

Revenue rose mainly as a result of increases in services for the automotive industry.

Custom system development

¥16,880 million (up 25.8% year on year)

Revenue rose mainly as a result of increases to Dentsu, as well as megabanks, regional financial institutions, Internet-based financial institutions, and leasing companies.

In-house software

¥5,753 million (up 10.3% year on year)

Revenue rose mainly as a result of increase in sales of the POSITIVE and iQUAVIS software packages.

Third-party software

¥15,655 million (up 3.2% year on year)

Revenue rose mainly as a result of an increase in sales of licenses for the Force.com cloud-based platform from Salesforce.com Inc., along with expansion in system development services on Force.com.

Outsourcing, operation and maintenance services

¥4,490 million (up 13.0% year on year)

Revenue rose as a result of the inclusion of ISID Fairness, Ltd. in the scope of consolidation from the subject fiscal year.

IT equipment sales and others

¥4,682 million (up 1.5% year on year)

Revenue rose as a result of a steady increase in sales to Dentsu.

(2) Qualitative Information on Consolidated Results Forecasts

Forecasts for the whole-year period are unchanged from those announced on May 11, 2012.

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 of this change on earnings for the third quarter cumulative period 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.)

		(In millions of yen; amounts less than one million yen are rounded down.)	
Item	Period	As of March 31, 2012	As of December 31, 2012
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		2,741	3,211
Notes and accounts receivable—trade		15,672	12,779
Short-term investment securities		—	999
Merchandise and finished goods		72	181
Work in process		867	2,148
Raw materials and supplies		23	23
Advance payments—trade		3,957	3,786
Deposit paid		8,096	8,027
Other		2,312	2,160
Allowance for doubtful accounts		(27)	(28)
Total current assets		33,716	33,288
Noncurrent assets:			
Property, plant and equipment		6,024	5,763
Intangible assets:			
Goodwill		133	104
Other		4,663	4,915
Total intangible assets		4,796	5,020
Investments and other assets:			
Investment and other assets		7,760	8,534
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		7,758	8,532
Total noncurrent assets		18,579	19,316
Total assets		52,295	52,605

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

Item	Period	As of March 31, 2012	As of December 31, 2012
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		5,402	4,448
Income taxes payable		311	108
Advances received		4,096	5,261
Provision for loss on order received		393	15
Other		4,797	5,166
Total current liabilities		15,001	14,999
Noncurrent liabilities:			
Provision for directors' retirement benefits		62	28
Asset retirement obligations		717	759
Other		2,232	1,767
Total noncurrent liabilities		3,012	2,555
Total liabilities		18,013	17,555
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		9,979	10,576
Treasury stock		(28)	(28)
Total shareholders' equity		33,417	34,014
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		1,182	1,157
Deferred gains or losses on hedges		28	67
Foreign currency translation adjustments		(346)	(217)
Total other comprehensive income		864	1,008
Minority interests		—	26
Total net assets		34,281	35,049
Total liabilities and net assets		52,295	52,605

(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 FY2011 (Nine months ended December 31, 2011)	Third Quarter of FY2012 (Nine months ended December 31, 2012)
		Amount	Amount
Net sales		43,844	49,360
Cost of sales		30,676	34,146
Gross profit		13,168	15,213
Selling, general and administrative expenses		13,199	13,674
Operating income (loss)		(31)	1,539
Non-operating income:			
Interest income		41	43
Dividends income		46	34
Foreign exchange gains		36	25
Refund of value-added tax		—	51
Miscellaneous income		93	36
Total non-operating income		217	192
Non-operating expenses:			
Interest expenses		32	32
Equity in losses of affiliates		26	4
Miscellaneous loss		4	2
Total non-operating expenses		64	39
Ordinary income		122	1,692
Extraordinary income:			
Gain on sales of investment securities		106	—
Total extraordinary income		106	—
Extraordinary loss:			
Loss on retirement of noncurrent assets		—	79
Total extraordinary loss		—	79
Income before income taxes and minority interests		228	1,612
Income taxes—current		244	324
Income taxes—deferred		(46)	286
Total income taxes		197	610
Income before minority interests.		30	1,002
Minority interests in income		—	5
Net income		30	996

(Consolidated Statements of Comprehensive Income)

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

Item	Period	Third Quarter of FY2011 (Nine months ended December 31, 2011)	Third Quarter of FY2012 (Nine months ended December 31, 2012)
		Amount	Amount
Income before minority interests		30	1,002
Other comprehensive income:			
Valuation difference on available-for-sale securities		800	(24)
Deferred gains or losses on hedges		(14)	38
Foreign currency translation adjustment		(77)	129
Total other comprehensive income		708	144
Comprehensive income		739	1,146
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		739	1,140
Comprehensive income attributable to minority interests		—	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 FY2011 (from April 1, 2011 to December 31, 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	12,667	9,471	13,465	8,239	43,844
Inter-segment sales and transfers	—	—	—	—	—
Total	12,667	9,471	13,465	8,239	43,844
Segment income (loss)	386	(1,019)	(28)	630	(31)

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

II. Third Quarter of FY2012 (from April 1, 2012 to December 31, 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	14,299	9,222	13,697	12,140	49,360
Inter-segment sales and transfers	—	—	—	—	—
Total	14,299	9,222	13,697	12,140	49,360
Segment income (loss)	740	(661)	(207)	1,667	1,539

Note: Total values for segment earnings or losses (in parenthesis) matches that for the operating income 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 third quarter period (April 1–December 31, 2012) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	10,984	104.8
Enterprise Solutions—Business	4,990	93.8
Enterprise Solutions—Engineering	2,491	110.3
Communications IT	6,803	200.4
Total	25,269	117.8

The status of production through the subject third quarter period (April 1–December 31, 2012) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	17,124	122.5
In-house software add-on development	3,056	109.7
Third-party software add-on development	5,088	108.6
Total	25,269	117.8

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 period (April 1–December 31, 2012) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	11,807	105.9	3,619	111.8
Enterprise Solutions—Business	4,513	76.0	1,539	71.6
Enterprise Solutions—Engineering	2,640	106.4	630	109.0
Communications IT	11,045	265.2	5,173	436.9
Total	30,007	126.4	10,963	153.4

The status of orders through the subject third quarter period (April 1–December 31, 2012) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	21,681	140.6	8,265	196.6
In-house software add-on development	3,094	114.1	1,421	118.7
Third-party software add-on development	5,231	93.3	1,276	73.1
Total	30,007	126.4	10,963	153.4

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 period (April 1–December 31, 2012) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	14,299	112.9
Enterprise Solutions—Business	9,222	97.4
Enterprise Solutions—Engineering	13,697	101.7
Communications IT	12,140	147.3
Total	49,360	112.6

The status of sales through the subject third quarter period (April 1–December 31, 2012) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,899	131.8
Custom system development	16,880	125.8
In-house software	5,753	110.3
Third-party software	15,655	103.2
Outsourcing, operation and maintenance services	4,490	113.0
IT equipment sales and others	4,682	101.5
Total	49,360	112.6

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 FY2011 (From April 1, 2011 to December 31, 2011)		Third Quarter of FY2012 (From April 1, 2012 to December 31, 2012)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	6,229	14.2	9,491	19.2