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October 31, 2011

Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2012 (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: November 11, 2011
Date of scheduled payment of dividends: December 5, 2011
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: Yes (for investment analysts and institutional investors)

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

1. Consolidated Business Performance for the Second Quarter of FY2011 (from April 1, 2011 to September 30, 2011)

(1) Consolidated Operating Results (Cumulative)

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

	Net sales		Operating income (loss)		Ordinary income		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter of FY2011	30,638	6.1	892	—	1,017	—	716	—
Second Quarter of FY2010	28,878	0.6	(38)	—	84	—	(1,547)	—

(Note) Comprehensive income: Second Quarter of FY2011: 830 million yen; Second Quarter of FY2010: (1,742) million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
Second Quarter of FY2011	22.00	—
Second Quarter of FY2010	(47.49)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2011	51,529	33,377	64.8
As of March 31, 2011	49,570	32,873	66.3

(Reference) Total shareholders' equity: As of September 30, 2011: 33,377 million yen; As of March 31, 2011: 32,873 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, 2011	—	10.00	—	10.00	20.00
Fiscal year ending March 31, 2012	—	10.00			
Fiscal year ending March 31, 2012 (Forecast)			—	10.00	20.00

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

3. Consolidated Forecasts for FY2011 (from April 1, 2011 to March 31, 2012)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011	64,500	7.1	2,700	22.9	2,900	23.4

	Net income		Net income per share
	Millions of yen	%	Yen
FY2011	1,800	—	55.24

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

4. Other Items

- Changes in the scope of consolidation for significant subsidiaries during six months (Changes in specified subsidiaries resulting in change in the scope of consolidation):
None
Added: __ companies () Removed: __ companies ()
- 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
- Issued and outstanding common stock
 - Number of shares issued and outstanding at end of period, including treasury stock:

September 30, 2011:	32,591,240 shares	March 31, 2011:	32,591,240 shares
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 - Number of treasury stock at end of period:

September 30, 2011:	7,830 shares	March 31, 2011:	7,810 shares
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 - Average number of shares outstanding for each period (cumulative quarterly period):

Six months ended September 30, 2011:	32,583,421 shares	Six months ended September 30, 2010:	32,583,497 shares
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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

The above forecasts of future performance are based on information available to the Company at the present time and are subject to potential risks and uncertainty. Accordingly, actual results may differ significantly from any expressed future performance herein due to various factors.

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1. Qualitative Information on the Results for the Subject Period

(1) Qualitative Information on Consolidated Results

The Japanese economy during the second quarter cumulative period of FY 2011 (April 1, 2011 to September 30, 2011), continued to present difficult circumstances stemming from disruptions to supply chains and restrictions on power supplies in the aftermath of the Great East Japan Earthquake, as well as such concerns as the strong yen and European economy. The outlook for corporate IT investment, despite starting to show signs of recovery in certain areas, has become increasingly clouded, and the business environment for the ISID Group remains tight.

Under such conditions, the ISID Group launched its medium-term management plan “ISID Open Innovation 2013,” a three-year plan through fiscal 2013 (ending March 2014). 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 value through collaboration with a wide range of partners, and to actively expand sales through highly-competitive proposals.

As a result, consolidated net sales for the subject second quarter cumulative period amounted to ¥30,638 million (up 6.1% from the same period of the previous fiscal year).

In terms of earnings, gross profit rose ¥794 million from the same period of the previous fiscal year, due mainly to higher sales and an increase in the gross profit margin. Selling, general and administrative (SG&A) expenses declined ¥138 million, due mainly to a decrease in amortization of goodwill. Earnings improved as a result, and ISID recorded operating income for the subject period of ¥892 million (compared to an operating loss of ¥38 million in the same period of the previous fiscal year), and ordinary income of ¥1,017 million (compared to ordinary income of ¥84 million). Net income improved considerably to ¥716 million (compared to a net loss of ¥1,547 million), due mainly to the recording expenses related to personnel rationalization measures as extraordinary losses in the same period of the previous fiscal year.

ISID Group net sales by business segment are as follows:

Operating Results by Business Segment

Financial Solutions

¥8,801 million (up 2.6% year on year)

Sales rose in this segment mainly as a result of growth in custom system development services for banks, securities companies and insurance firms, as well as an increase in sales of IT equipment to banks. In custom system development, ISID developed systems for banks including overseas branch office systems, cash management systems, and capital market solutions. We also recorded increases from development of capital market solutions for securities companies and web-based policy application systems for insurance companies, along with the development of core systems for leasing companies at our Shanghai subsidiary.

Enterprise Solutions—Business

¥6,679 million (up 11.4% year on year)

Sales rose in this segment mainly as a result of increases in consulting services for the accounting field such as assistance with the advance introduction of IFRS, in-house software such as the human resources management package POSITIVE and the SAP-linked operational support system BusinessSPECTRE, and third-party software for the accounting field such as Oracle EBS and Hyperion.

Enterprise Solutions—Engineering

¥9,473 million (up 5.9% year on year)

Sales rose in this segment mainly as a result of increases in consulting services for concept design in the design and development field, along with sales expansion of third-party software licenses for design support software (CAD, CAE, DM, PLM) to the precision equipment, automotive and shipbuilding industries.

Communications IT

¥5,684 million (up 6.0% year on year)

Segment sales rose as a result of expansion in collaborative business with the Dentsu Group, centered on custom system development, outsourcing, and operations and maintenance services.

ISID Group net sales by service category are as follows:

Net Sales by Service Category

Consulting services

¥1,035 million (up 43.6% year on year)

Revenue from consulting services rose mainly due to expansion in consulting services to the manufacturing industry for concept design in the design and development field, in the accounting field for assistance mainly with the advance introduction of IFRS.

Custom system development

¥9,168 million (up 10.4% year on year)

Revenue from custom system development rose due to increases in system development services for megabanks, and collaborative business with the Dentsu Group.

In-house software (Including maintenance, add-on development, and technical support services)

¥3,807 million (down 6.1% year on year)

Revenue from in-house software declined as a result of the conclusion in the previous year of a large-scale project for the Liquidity Management System package software for the banking industry, despite strong sales of such products as the human resources management package POSITIVE and the SAP-linked operational support system BusinessSPECTRE.

Third-party software (Including maintenance, add-on development, and technical support services)

¥10,628 million (up 2.7% year on year)

Revenue from this service rose as a result of increases in sales of software licenses for design support software (CAD, CAE, DM, PLM) mainly to the precision equipment, automotive and shipbuilding industries in the manufacturing design and development field. Sales were also boosted by increases mainly in sales of software licenses and add-on development in the accounting field for such products as Oracle EBS and Hyperion.

Outsourcing, operation and maintenance services

¥2,752 million (up 8.0% year on year)

Revenue from this service rose mainly as a result of an increase in business to the Dentsu Group.

IT equipment sales and others

¥3,245 million (up 12.2% year on year)

Revenue from this service rose as a result of expanded sales mainly to the finance industry.

(2) Qualitative Information on the Consolidated Financial Position

Assets

Total assets at the end of the subject second quarter cumulative period (September 30, 2011) amounted to ¥51,529 million, an increase of ¥1,959 million from ¥49,570 million at the end of the previous fiscal year (March 31, 2011). This was due mainly to a ¥1,851 million increase in current assets, stemming mainly from increases in deposit paid, accounts receivable, advance payments—trade, and inventories; together with a ¥108 million increase in noncurrent assets, stemming mainly from an increase in intangible leased assets and a decrease in property, plant and equipment resulting mainly from amortization.

Liabilities

Total liabilities at the end of the subject second quarter cumulative period amounted to ¥18,152 million, an increase of ¥1,456 million from ¥16,696 million at the end of the previous fiscal year. This was due mainly to a ¥1,206 million increase in current liabilities, stemming mainly from an increase in advances received, and a decrease in income taxes payable resulting from payment of taxes; together with a ¥249 million increase in noncurrent liabilities, stemming mainly from an increase in lease obligations.

Net Assets

Total net assets at the end of the subject second quarter cumulative period amounted to ¥33,377 million, an increase of ¥504 million from ¥32,873 million at the end of the previous fiscal year. This was due mainly to an increase in retained earnings resulting from the recording of net income for the period, and dividends from surplus.

(3) Qualitative Information on Consolidated Results Forecasts

The ISID Group's Second half results exceeded initial forecasts, due mainly to an increase in orders from the financial and manufacturing industries, along with curbs to costs and SG&A expenses. At the same time, the outlook for corporate IT investment during the second half has been increasingly clouded by the sharp rise in the yen, and economic instability in Europe. Considering this business environment, the ISID Group revised its earnings forecasts on September 14, 2011 and again on October 20, 2011. As of the date of this financial results announcement, forecasts for the whole-year period are unchanged from those announced on October 20, 2011.

Note: Forecasts and other forward-looking statements in this report are based on information available at the time of release. Actual results may vary from forecasts as a result of a variety of 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 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, 2011	As of September 30, 2011
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		2,668	2,413
Notes and accounts receivable—trade		12,698	13,322
Merchandise and finished goods		140	72
Work in process		332	703
Raw materials and supplies		14	17
Advance payments—trade		4,139	4,728
Deposit paid		8,926	9,561
Other		2,399	2,351
Allowance for doubtful accounts		(27)	(24)
Total current assets		31,294	33,145
Noncurrent assets:			
Property, plant and equipment		5,851	5,699
Intangible assets:			
Goodwill		171	152
Other		4,320	4,672
Total intangible assets		4,492	4,824
Investments and other assets:			
Investment and other assets		7,935	7,861
Allowance for doubtful accounts		(2)	(1)
Total investments and other assets		7,932	7,859
Total noncurrent assets		18,276	18,384
Total assets		49,570	51,529

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

Item	Period	As of March 31, 2011	As of September 30, 2011
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		5,213	5,134
Income taxes payable		540	263
Advances received		3,921	5,473
Provision for loss on order received		—	78
Other		4,646	4,578
Total current liabilities		14,321	15,527
Noncurrent liabilities:			
Provision for directors’ retirement benefits		62	62
Asset retirement obligations		705	714
Other		1,606	1,847
Total noncurrent liabilities		2,375	2,624
Total liabilities		16,696	18,152
(Net assets)			
Shareholders’ equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		9,114	9,505
Treasury stock		(28)	(28)
Total shareholders’ equity		32,552	32,943
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities		683	931
Deferred gains or losses on hedges		6	(23)
Foreign currency translation adjustments		(369)	(473)
Total other comprehensive income		321	434
Total net assets		32,873	33,377
Total liabilities and net assets		49,570	51,529

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

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

Item	Period	Second Quarter of FY2010 (Six months ended September 30, 2010)	Second Quarter of FY2011 (Six months ended September 30, 2011)
		Amount	Amount
Net sales		28,878	30,638
Cost of sales		19,981	20,948
Gross profit		8,896	9,690
Selling, general and administrative expenses		8,935	8,797
Operating income (loss)		(38)	892
Non-operating income:			
Interest income		22	27
Dividends income		18	21
Foreign exchange gains		94	49
Miscellaneous income		33	68
Total non-operating income		169	167
Non-operating expenses:			
Interest expenses		27	22
Equity in losses of affiliates		12	16
Miscellaneous loss		5	3
Total non-operating expenses		46	42
Ordinary income		84	1,017
Extraordinary income:			
Gain on sales of investment securities		—	106
Total extraordinary income		—	106
Extraordinary loss:			
Impairment loss		88	—
Loss on retirement of noncurrent assets		2	—
Loss on valuation of investment securities		60	—
Loss on adjustment for changes of accounting standard for asset retirement obligations		357	—
Special retirement expenses		1,491	—
Total extraordinary loss		2,000	—
Income (loss) before income taxes and minority interests		(1,915)	1,124
Income taxes—current		169	227
Income taxes for prior periods		(34)	—
Income taxes—deferred		(470)	179
Total income taxes		(336)	407
Income (loss) before minority interests.		(1,579)	716
Minority interests in loss		(32)	—
Net income (loss)		(1,547)	716

(Consolidated Statements of Comprehensive Income)

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

Item	Period	Second Quarter of FY2010 (Six months ended September 30, 2010)	Second Quarter of FY2011 (Six months ended September 30, 2011)
		Amount	Amount
Income (loss) before minority interests.		(1,579)	716
Other comprehensive income:			
Valuation difference on available-for-sale securities		(26)	248
Deferred gains or losses on hedges		(12)	(30)
Foreign currency translation adjustment		(123)	(104)
Total other comprehensive income		(162)	113
Comprehensive income		(1,742)	830
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		(1,709)	830
Comprehensive income attributable to minority interests		(32)	—

(3) Notes regarding Assumption of a Going Concern

No events to be noted for this purpose.

(4) Segment Information

I. Second Quarter of FY2010 (from April 1, 2010 to September 30, 2010)

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	8,575	5,995	8,945	5,362	28,878
Inter-segment sales and transfers	—	—	—	—	—
Total	8,575	5,995	8,945	5,362	28,878
Segment income (loss)	358	(734)	(157)	495	(38)

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

2. Impairment Losses on Noncurrent Assets or Goodwill by Reportable Segment

Significant changes in goodwill

In the “Enterprise Solutions—Engineering” segment ISID recorded ¥88 million in impairment losses on goodwill.

II. Second Quarter of FY2011 (from April 1, 2011 to September 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	8,801	6,679	9,473	5,684	30,638
Inter-segment sales and transfers	—	—	—	—	—
Total	8,801	6,679	9,473	5,684	30,638
Segment income (loss)	401	(228)	252	466	892

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

(5) Note on Significant Changes in Shareholders' Equity

Not applicable

5. Supplementary Information

Status of Production, Orders and Sales

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

(1) Production

The status of production through the subject Second quarter period (April 1–September 30, 2011) by segment is as follows:

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	7,218	102.4
Enterprise Solutions—Business	3,515	97.9
Enterprise Solutions—Engineering	1,533	96.2
Communications IT	2,292	110.1
Total	14,559	101.7

The status of production through the subject Second quarter period (April 1–September 30, 2011) by service category is as follows:

Service category	Production output (Millions of yen)	YoY (%)
Custom system development	9,528	112.8
In-house software add-on development	1,924	77.9
Third-party software add-on development	3,107	91.5
Total	14,559	101.7

Notes

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

(2) Orders

The status of orders through the subject Second quarter period (April 1–September 30, 2011) by segment is as follows:

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	7,607	100.0	2,846	105.4
Enterprise Solutions—Business	4,328	138.7	2,015	160.0
Enterprise Solutions—Engineering	1,660	98.9	370	79.7
Communications IT	2,428	107.4	335	139.0
Total	16,024	109.2	5,568	119.3

The status of orders through the subject Second quarter period (April 1–September 30, 2011) by service category is as follows:

Service category	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	10,370	112.0	3,414	135.0
In-house software add-on development	1,821	100.5	908	82.2
Third-party software add-on development	3,832	106.5	1,245	120.4
Total	16,024	109.2	5,568	119.3

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 Second quarter period (April 1– September 30, 2011) by segment is as follows:

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	8,801	102.6
Enterprise Solutions—Business	6,679	111.4
Enterprise Solutions—Engineering	9,473	105.9
Communications IT	5,684	106.0
Total	30,638	106.1

The status of sales through the subject Second quarter period (April 1– September 30, 2011) by service category is as follows:

Service category	Sales volume (Millions of yen)	YoY (%)
Consulting services	1,035	143.6
Custom system development	9,168	110.4
In-house software	3,807	93.9
Third-party software	10,628	102.7
Outsourcing, operation and maintenance services	2,752	108.0
IT equipment sales and others	3,245	112.2
Total	30,638	106.1

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	Second Quarter of FY2010 (From April 1, 2011 to September 30, 2010)		Second Quarter of FY2011 (From April 1, 2011 to September 30, 2011)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	4,159	14.4	4,530	14.8