

July 31, 2014

## Consolidated Financial Results for the First 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 payment of dividends: --  
Quarterly earnings supplementary explanatory documents: Yes  
Quarterly earnings presentation: No

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

### 1. Consolidated Business Performance for the First Quarter of FY2014 (from April 1, 2014 to June 30, 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	%
<b>First Quarter of FY2014</b>	14,161	(5.3)	(1,183)	-	(1,140)	-	(777)	-
First Quarter of FY2013	14,956	6.2	(431)	-	(301)	-	(179)	-

(Note) Comprehensive income: First Quarter of FY2014: (837) million yen; First Quarter of FY2013: (737) million yen

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
<b>First Quarter of FY2014</b>	(23.86)	-
First Quarter of FY2013	(5.51)	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
<b>As of June 30, 2014</b>	57,891	37,627	65.0
As of March 31, 2014	58,877	38,864	66.0

(Reference) Total shareholders' equity: As of June 30, 2014: 37,608 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	-				
Fiscal year ending March 31, 2015 (Forecast)		12.00	-	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)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
First half of FY 2014	34,700	(1.1)	820	(34.3)	870	(42.2)	540	(42.0)	16.57
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:	June 30, 2014:	32,591,240 shares	March 31, 2014:	32,591,240 shares
2) Number of treasury stock at end of period:	June 30, 2014:	8,370 shares	March 31, 2014:	8,350 shares
3) Average number of shares outstanding for each period (cumulative quarterly period):	Three months ended June 30, 2014:	32,582,876 shares	Three months ended June 30, 2013:	32,583,130 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 first quarter period of FY 2014 (April 1, 2014 to June 30, 2014) slowed temporarily with the rebound decline in demand following the surge preceding the consumption tax hike, but remained on a recovery track as a result of stability in the yen exchange rate, and the boost from government-led economic measures. In the information services industry, IT investment showed signs of recovery, centered on the expanding manufacturing industry, and outlook has begun to brighten.

Amid such conditions, the ISID Group formulated “ISID Open Innovation 2016—Progress to the Future,” a new three-year medium-term management plan starting from the subject fiscal year, announced on May 12, 2014. Following the focus on “regeneration” in the previous three-year plan, we have designated the three-year period for this new plan as a “stage for further development.” The new plan continues the principle 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 first quarter period amounted to ¥14,161 million (down 5.3% from the same period of the previous fiscal year). Of the ISID Group’s three business segments, the Enterprise Solutions segment recorded a year-on-year increase in sales, but the Financial Solutions segment and the Communications IT segment posted declines from the conclusion of large-scale projects in the previous fiscal year, resulting in an overall decrease in revenue.

In terms of earnings, gross profit fell to ¥3,216 million (down 21.9% from the same period of the previous fiscal year), mainly because of a weakening in the gross profit ratio stemming from cost increases of ¥130 million due to the weaker yen, and ¥400 million for in-house software development. Selling, general and administrative (SG&A) expenses were held to ¥4,400 million (down 3.3%) on a decrease in depreciation cost, though earnings declined in all categories. For the subject period, ISID posted an operating loss of ¥1,183 million (down ¥431 million year on year), an ordinary loss of ¥1,140 million (down ¥301 million), and a net loss of ¥777 million (down ¥179 million).

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

#### Net Sales by Business Segment

Business Segment	First Quarter of FY 2013 (From April 1, 2013 to June 30, 2013)		First Quarter of FY 2014 (From April 1, 2014 to June 30, 2014)		YoY %
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
Financial Solutions	4,888	32.7	4,496	31.7	92.0
Enterprise Solutions	6,354	42.5	6,494	45.9	102.2
Communications IT	3,712	24.8	3,169	22.4	85.4
Total	14,956	100.0	14,161	100.0	94.7

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

¥4,496 million (down 8.0% year on year)

Segment sales declined overall. This was due mainly to a rebound decline following the conclusion of large-scale projects in the previous fiscal year for both custom system development for internet-based financial institutions, and the LAMP backbone system solution for overseas branches of leasing companies.

### Enterprise Solutions

¥6,494 million (up 2.2% year on year)

Segment sales rose overall. In engineering solution packages for the product development field, sales were tight for both consulting services in the analysis and experimentation field, as well as for third-party software, centered on the NX 3D CAD software. However, sales expanded steadily in business solution packages for core systems and business management, centered on the POSITIVE human resources management solution, and large-scale projects for core system architecture services.

### Communications IT

¥3,169 million (down 14.6% year on year)

Segment sales declined overall. Through proactive collaboration with Dentsu, sales expanded steadily for system development services utilizing the iPLAss marketing platform and the Force.com cloud-based platform, mainly for public organizations and government agencies. However, a core system development project for Dentsu passed 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	First Quarter of FY 2013 (From April 1, 2013 to June 30, 2013)		First Quarter of FY 2014 (From April 1, 2014 to June 30, 2014)		YoY %
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
Consulting services	485	3.3	355	2.5	73.2
Custom system development	5,572	37.3	4,195	29.6	75.3
In-house software	1,842	12.3	2,420	17.1	131.4
Third-party software	4,447	29.7	4,372	30.9	98.3
Outsourcing, operation and maintenance services	1,380	9.2	1,408	9.9	102.0
IT equipment sales and others	1,229	8.2	1,409	10.0	114.6
Total	14,956	100.0	14,161	100.0	94.7

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 as databases, middleware and other types of software and services.

## Operating Results by Service Category

### Consulting services

¥355 million (down 26.8% year on year)

Revenue decreased overall, mainly on a decline in consulting services for analysis and experimentation in the product development field.

### Custom system development

¥4,195 million (down 24.7% year on year)

Despite the start of a large-scale core system development project, sales in this category fell overall on the rebound decline following the conclusion of large-scale projects for Dentsu and internet-based financial institutions.

### In-house software

¥2,420 million (up 31.4% year on year)

Revenue increased overall as a result of growth in product sales, including the POSITIVE human resources management solution, the STRAVIS consolidated accounting solution, the BusinessSPECTRE SAP data-linked framework, and the iPLAss marketing platform.

### Third-party software

¥4,372 million (down 1.7% year on year)

Sales declined overall. Despite a steady increase in system architecture services utilizing the Force.com cloud-based platform, growth was sluggish for package sales to the manufacturing industry centered on the NX 3D CAD software, as well as for core system architecture services utilizing SAP ERP and other software.

### Outsourcing, operation and maintenance services

¥1,408 million (up 2.0% year on year)

Revenue increased as a result of a steady rise in services to existing customers.

### IT equipment sales and others

¥1,409 million (up 14.6% year on year)

Revenue rose in this service category, centered on the Enterprise Solutions segment.

## (2) Qualitative Information on Consolidated Results Forecasts

Both revenue and earnings declined in the subject first quarter period, but sales exceeded plan. Earnings were mostly in line with plan, as the increase in costs for development of in-house software was offset by higher than anticipated revenue, and curbs to SG&A expenses. Considering that orders and the order balance are steadily increasing, there is no change in our interim or 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.)

Item	Period	As of March 31, 2014	As of June 30, 2014
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		3,476	3,582
Notes and accounts receivable—trade		20,338	13,228
Merchandise and finished goods		23	129
Work in process		541	2,095
Raw materials and supplies		20	20
Advance payments—trade		4,574	6,582
Deposit paid		9,528	11,219
Other		1,787	2,439
Allowance for doubtful accounts		(2)	—
Total current assets		40,287	39,297
<b>Noncurrent assets:</b>			
Property, plant and equipment		5,210	5,166
Intangible assets:			
Goodwill		38	31
Other		5,419	5,520
Total intangible assets		5,457	5,552
Investments and other assets:			
Investment and other assets		7,922	7,876
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		7,921	7,875
Total noncurrent assets		18,590	18,593
<b>Total assets</b>		<b>58,877</b>	<b>57,891</b>



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

Item	Period	As of March 31, 2014	As of June 30, 2014
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		5,766	4,872
Income taxes payable		1,197	84
Advances received		4,834	8,135
Provision for loss on order received		165	184
Other		5,423	4,480
Total current liabilities		17,387	17,758
<b>Noncurrent liabilities:</b>			
Provision for directors' retirement benefits		28	28
Asset retirement obligations		789	792
Other		1,807	1,685
Total noncurrent liabilities		2,625	2,506
<b>Total liabilities</b>		20,013	20,264
<b>(Net assets)</b>			
<b>Shareholders' equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		14,419	13,251
Treasury stock		(28)	(28)
Total shareholders' equity		37,857	36,688
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		721	745
Deferred gains or losses on hedges		22	(10)
Foreign currency translation adjustments		236	185
Total other comprehensive income		980	919
<b>Minority interests</b>		25	18
<b>Total net assets</b>		38,864	37,627
<b>Total liabilities and net assets</b>		58,877	57,891

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

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

Item	Period	First Quarter of FY2013 (Three months ended June 30, 2013)	First Quarter of FY2014 (Three months ended June 30, 2014)
		Amount	Amount
Net sales		14,956	14,161
Cost of sales		10,839	10,945
Gross profit		4,116	3,216
Selling, general and administrative expenses		4,548	4,400
Operating loss		(431)	(1,183)
Non-operating income:			
Interest income		9	9
Dividends income		16	10
Equity in earnings of affiliates		45	—
Foreign exchange gains		41	25
Refund of value-added tax		4	16
Miscellaneous income		29	17
Total non-operating income		146	79
Non-operating expenses:			
Interest expenses		9	8
Equity in losses of affiliates		—	25
Miscellaneous loss		6	2
Total non-operating expenses		16	36
Ordinary loss		(301)	(1,140)
Loss before income taxes and minority interests		(301)	(1,140)
Income taxes—current		53	42
Income taxes—deferred		(176)	(407)
Total income taxes		(123)	(364)
Loss before minority interests.		(178)	(775)
Minority interests in income		1	1
Net loss		(179)	(777)

**(Consolidated Statements of Comprehensive Income)**

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

Item	Period	First Quarter of FY2013 (Three months ended June 30, 2013)	First Quarter of FY2014 (Three months ended June 30, 2014)
		Amount	Amount
Loss before minority interests		(178)	(775)
Other comprehensive income:			
Valuation difference on available-for-sale securities		(654)	23
Deferred gains or losses on hedges		(41)	(33)
Foreign currency translation adjustment		136	(51)
Total other comprehensive income		(559)	(61)
Comprehensive income		(737)	(837)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		(738)	(838)
Comprehensive income attributable to minority interests		1	1

**(3) Notes regarding Assumption of a Going Concern**

Not applicable

**(4) Notes on Significant Changes in Shareholders' Equity**

Not applicable

**(5) Segment Information****I. First Quarter of FY2013 (from April 1, 2013 to June 30, 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	4,888	6,354	3,712	14,956
Inter-segment sales and transfers	—	—	—	—
Total	4,888	6,354	3,712	14,956
Segment income (loss)	328	(1,052)	293	(431)

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

**II. First Quarter of FY2014 (from April 1, 2014 to June 30, 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	4,496	6,494	3,169	14,161
Inter-segment sales and transfers	—	—	—	—
Total	4,496	6,494	3,169	14,161
Segment income (loss)	(416)	(919)	151	(1,183)

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

## (6) Notes to Significant Subsequent Events

Not applicable

## 5. Supplementary Information

### Status of Production, Orders and Sales

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

#### (1) Production

The status of production through the subject first quarter period (April 1–June 30, 2014) by segment is as follows.

Segment	Production output (Millions of yen)	YoY (%)
Financial Solutions	3,984	82.6
Enterprise Solutions	2,305	95.8
Communications IT	1,703	63.9
Total	7,993	80.8

The status of production through the subject first quarter period (April 1–June 30, 2014) by business line is as follows.

Business line	Production output (Millions of yen)	YoY (%)
Custom system development	4,936	71.6
In-house software add-on development	1,637	116.7
Third-party software add-on development	1,420	88.5
Total	7,993	80.8

#### 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 first quarter period (April 1–June 30, 2014) by segment is as follows.

Segment	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Financial Solutions	4,269	94.8	3,893	93.0
Enterprise Solutions	5,350	238.8	5,172	211.2
Communications IT	3,167	93.3	2,942	86.6
Total	12,787	126.1	12,008	119.7

The status of orders through the subject first quarter period (April 1–June 30, 2014) by business line is as follows.

Business line	Orders received (Millions of yen)	YoY (%)	Order backlog (Millions of yen)	YoY (%)
Custom system development	7,957	107.5	7,094	103.9
In-house software add-on development	2,914	324.1	3,063	200.9
Third-party software add-on development	1,916	104.1	1,851	110.3
Total	12,787	126.1	12,008	119.7

Notes

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

### (3) Sales

The status of sales through the subject first quarter period (April 1–June 30, 2014) by segment is as follows.

Segment	Sales volume (Millions of yen)	YoY (%)
Financial Solutions	4,496	92.0
Enterprise Solutions	6,494	102.2
Communications IT	3,169	85.4
Total	14,161	94.7

The status of sales through the subject first quarter period (April 1–June 30, 2014) by business line is as follows.

Business line	Sales volume (Millions of yen)	YoY (%)
Consulting services	355	73.2
Custom system development	4,195	75.3
In-house software	2,420	131.4
Third-party software	4,372	98.3
Outsourcing, operation and maintenance services	1,408	102.0
IT equipment sales and others	1,409	114.6
Total	14,161	94.7

Notes

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

Client	First Quarter of FY2013 (From April 1, 2011 to June 30, 2013)		First Quarter of FY2014 (From April 1, 2012 to June 30, 2014)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	2,970	19.9	2,268	16.0