IT Solution Innovator

iSiD

Annual Report 2002

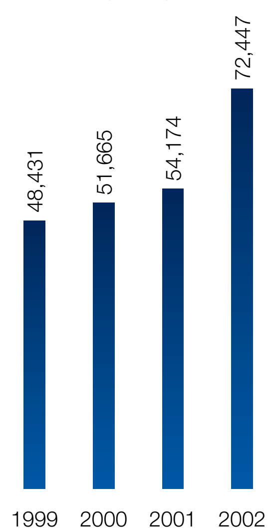
INFORMATION SERVICES INTERNATIONAL - DENTSU, LTD.

Consolidated Financial Highlights

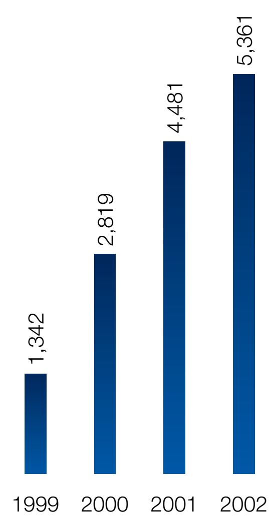
	Millions of yen (except per share amounts)		Thousands of US dollars (except per share amounts)
	2002	2001	**2002**
For the year			
Net sales	**¥ 72,447**	¥ 54,174	**$ 544,714**
Operating income	**5,361**	4,481	**40,308**
Net income	**2,752**	2,252	**20,692**
At end of year			
Total assets	**56,087**	51,802	**421,707**
Shareholders' equity	**33,244**	30,958	**249,955**
Per share data (Unit: Yen, U.S. dollars)			
Net income	**168.95**	171.29	**1.27**
Shareholders' equity	**2,040.37**	2,089.76	**15.34**

1. The U.S. dollar amounts in this Annual Report have been translated from Japanese yen, solely for the convenience of the reader, at the rate of ¥133 to $1.
2. Net income per share is based on the average number of outstanding shares during each year, retroactively adjusted for stock splits to the beginning of the year.
3. Shareholders' equity per share is calculated based on the number of outstanding shares at the end of each year.

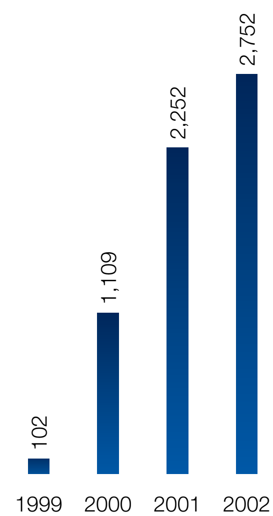
Net sales
(¥ million)



Operating income
(¥ million)



Net income
(¥ million)



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Cautionary Remarks Regarding Forward-Looking Statements
This Annual Report includes forward-looking statements that represent ISID's assumptions and expectations in light of currently available information. These statements reflect industry trends, clients' situations and other factors, and involve risks and uncertainties which may cause actual performance results to differ from those discussed in the forward-looking statements in accordance with changes in the domestic and overseas business environment.


ISID, FOREVER NEW

ISID, FOREVER NEW

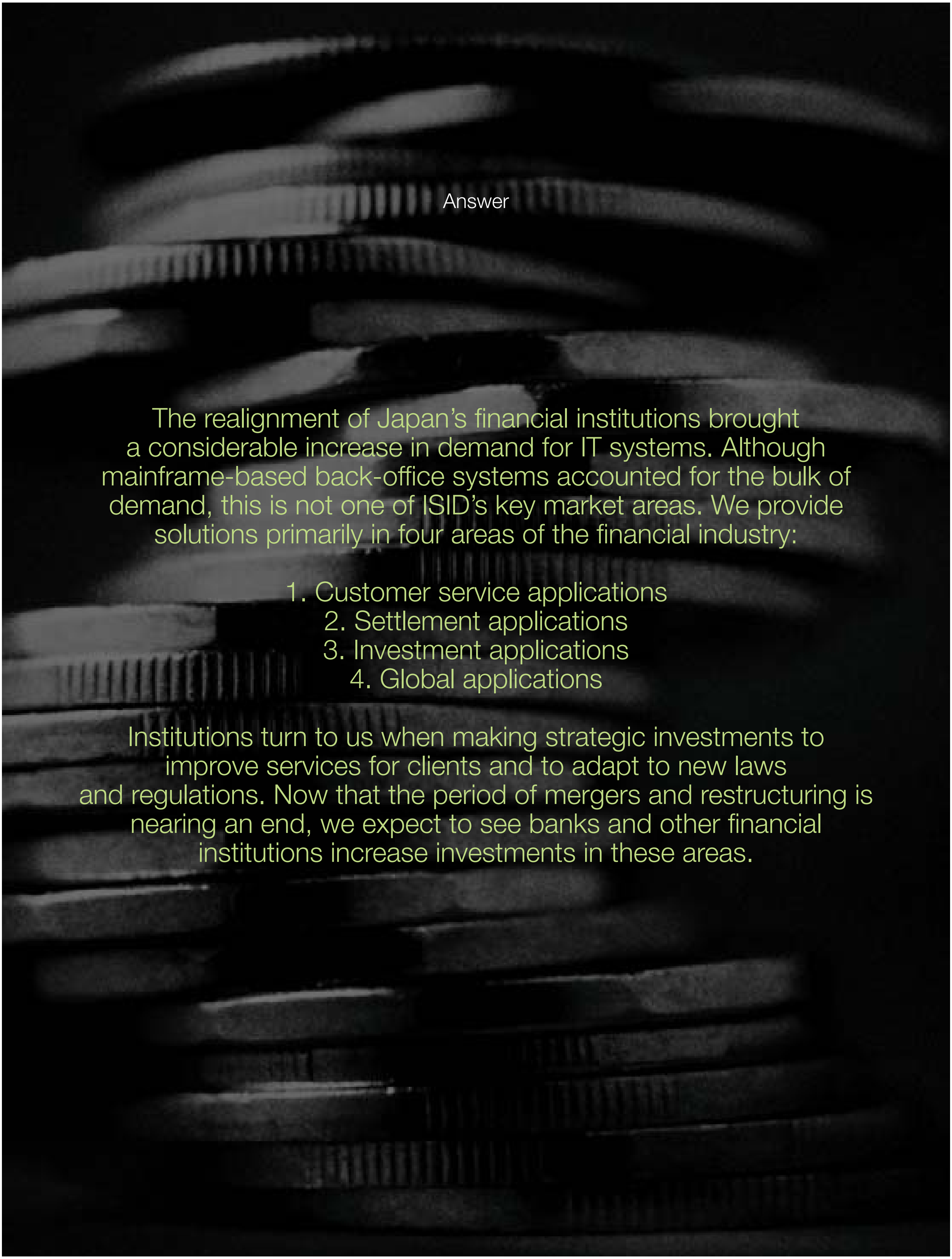
Information Services International-Dentsu, Ltd. (ISID) has identified the following two strategies as keys to ensuring our continued business growth.

- **Select and concentrate resources in strategic fields**
  Strategic fields include financial and manufacturing industries solution fields and the broadband–related solution field
- **Group management strategy**
  Expand the group through equity investments, joint ventures and other actions

The following pages explain how ISID is implementing these strategies. This section is organized by questions frequently posed by shareholders and investors.

#1 Question

Services for the financial industry have been a steadily growing business for ISID. Now that large-scale mergers and restructuring actions among financial institutions are largely over, will demand for ISID's financial industry systems level off or even weaken?



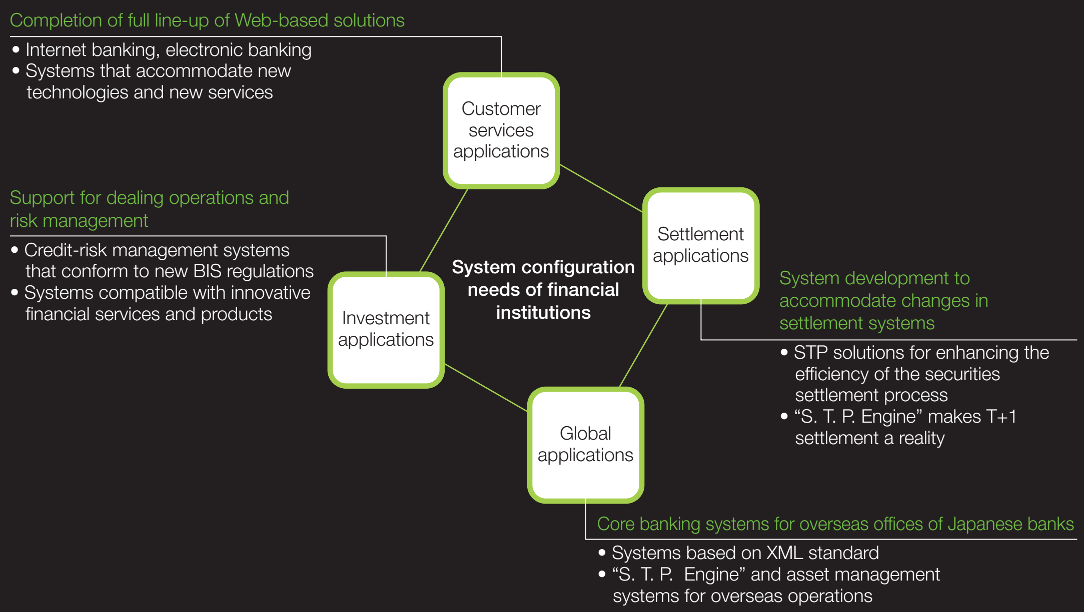
Answer

The realignment of Japan’s financial institutions brought a considerable increase in demand for IT systems. Although mainframe-based back-office systems accounted for the bulk of demand, this is not one of ISID’s key market areas. We provide solutions primarily in four areas of the financial industry:

1. Customer service applications
2. Settlement applications
3. Investment applications
4. Global applications

Institutions turn to us when making strategic investments to improve services for clients and to adapt to new laws and regulations. Now that the period of mergers and restructuring is nearing an end, we expect to see banks and other financial institutions increase investments in these areas.

The Financial Industry Solutions



Customer services applications

Financial institutions use these systems to upgrade the range and quality of services they provide to clients. ISID has an outstanding reputation in Internet banking, one of widely used B-to-C solutions in Japan. For the Tokyo Mitsubishi Direct service of the Bank of Tokyo-Mitsubishi, Ltd., we built a system capable of handling one million users. During the fiscal year that ended in March 2002, we completed new Internet banking systems for IY Bank Co., Ltd. and The Daiwa Bank, Limited. ISID also offers expertise in domestic B-to-B solutions. We supplied an electronic banking system to a major Japanese bank to improve its service to corporate clients, and we provided a system to the Tokyo Stock Exchange for distributing information to financial institutions. These accomplishments, combined with the expertise in international cash management services (international B-to-B solutions) we developed in March 1999, give us a full lineup of Web-based solutions for financial institutions. Market trends in the customer services applications sector point to increasing demand for systems that support new technologies and services. With technical skills and experience that cover the entire spectrum of Web-based solutions, ISID is well positioned to capitalize on these opportunities.

Settlement applications

Settlement processing is a core activity at all financial institutions. ISID has extensive knowledge in building the systems needed to adapt to regulation revisions in settlement systems. As the demand for building Real-Time Gross Settlement systems (RTGS), which had contributed substantially in the fiscal year that ended in March 2001, began to level off, we shifted our focus to the area of Straight Through Processing (S. T. P.) solutions, designed to bring greater efficiency to electronic settlements in the securities industry. In July 2001, we developed a system called "S. T. P. Engine", a core system for STP solutions that realizes T+1, the next day settlement of securities transactions. As a result, various life insurance companies and trust banks are already using our new system. We are marketing it to additional trust banks, institutional investors, and securities companies. Because it was announced that the adoption of T+1 has been postponed in the U.S., however the settlement application business in the past fiscal year fell short of initial forecasts. But, enhancing efficiency of the securities settlement process is an important issue for financial institutions, and the demand is certain to expand.

Investment applications

Applications in this area involve dealing operations and risk management support systems. Our business in this area grew during the fiscal year under review as bank mergers and restructuring led to enhancement of the dealing support systems we had supplied in earlier years. We anticipate continued growth in demand for system renewals. In risk management, we believe that the non-performing loan crisis and the expected adoption of new BIS regulations will push up demand for more sophisticated credit-risk management solutions. Since 1998, ISID has provided large banks with systems for managing market risk, allowing us to acquire valuable experience that gives us a significant advantage in the risk management field. We plan to leverage our deep understanding of our clients' businesses and our advanced system design skills to create customized solutions that add the highest value possible.

Global applications

Our global applications are designed to support the activities of Japanese banks operating abroad. We have acquired considerable experience in this area, having designed and supplied these systems since our company was founded. In the past fiscal year, we received orders from leading Japanese banks for core banking systems, fueling our steady growth in this business. Looking ahead, we expect to see growing demand for upgrades to the systems now used at overseas offices of Japanese banks. We also see the emergence of XML as a de-facto standard, an area in which foreign banks now lead their Japanese counterparts, as a potential source of new business.
Our further plans include expanding our financial business internationally by promoting "S.T.P. Engine", asset management systems, and other systems to non-Japanese companies operating overseas.

Group strategy for the financial industry

ISID has added two subsidiaries in moves designed to allow us to deploy system development teams more effectively and deliver high-quality systems with the shorter time in delivery. Brainyworks, Ltd. joined the ISID Group in March 2001, and Keicho, Ltd. (now ISID InterTechnologies, Ltd.) followed in September 2001. Brainyworks boasts an extensive line of its own in-house developed software, as well as a customer base that brings many new relationships to the ISID Group, notably with regional banks. These additions to the group give us both a more powerful line of services and an expanded client base.

Strengths for the financial industry

By focusing from the start on services for the financial industry, ISID has acquired deep experience and developed specialized skills in this area. ISID's strength in the financial industry lies in its advanced expertise, which has been cultivated since the company's foundation by focusing on specific fields. Among our key assets are the insights into our clients' business operations gained through direct contact with them. We have also trained in-house experts in advanced financial mathematics called "Quants SE" for more than a decade, developing systems design with high added value. Project management skills we bring to the job to deliver quality systems on schedule are highly regarded. The reputation we have earned as a reliable partner has been a key to our continued long-term growth as an IT solutions provider for the financial industry.

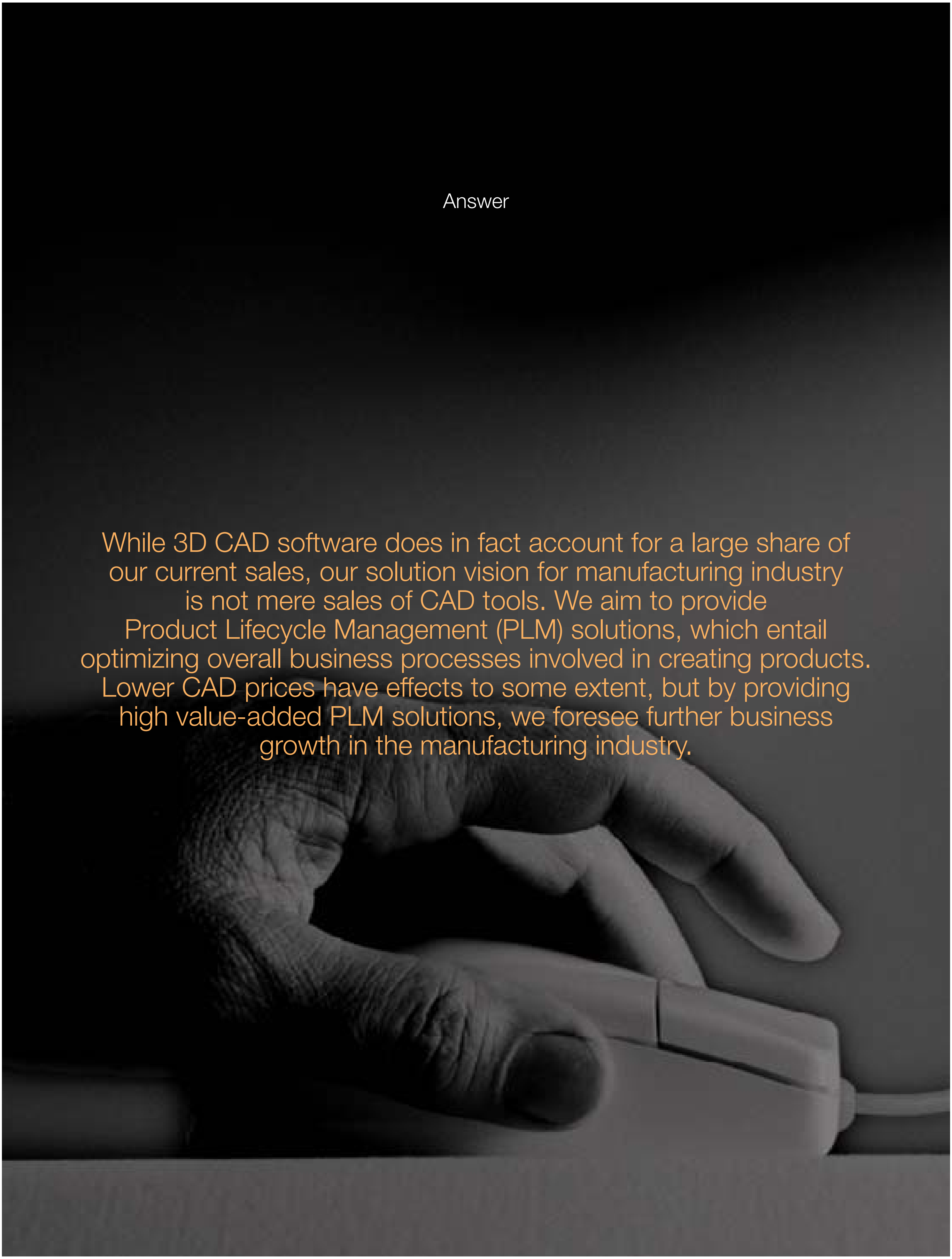
ISID will continue to focus its strengths in four strategic areas of the financial industry: customer services applications, settlement applications, investment applications, and global applications. By pursuing this strategy we aim to strengthen our abilities to deliver quality IT solutions and expand our business.

#2 Question

Most of your sales to the manufacturing industry come from CAD products.

As CAD technology becomes common, prices will fall. Does this trend affect ISID?

Answer



While 3D CAD software does in fact account for a large share of our current sales, our solution vision for manufacturing industry is not mere sales of CAD tools. We aim to provide Product Lifecycle Management (PLM) solutions, which entail optimizing overall business processes involved in creating products. Lower CAD prices have effects to some extent, but by providing high value-added PLM solutions, we foresee further business growth in the manufacturing industry.

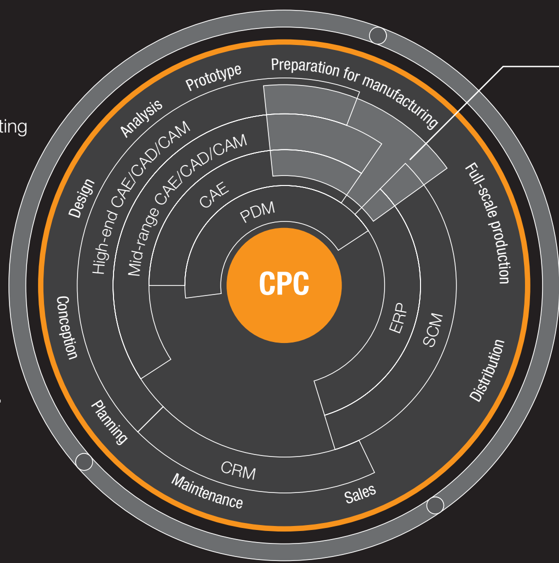
The Manufacturing Industry Solutions

PLM solutions for the manufacturing industry

iTiD Consulting, Ltd.
Design process consulting

C-Three Inc.
CAD/CAM
Training services

Kanematsu Electronics Ltd.
Creating system infrastructure



SIID, Ltd.
Provider of MDA solutions

Japan Business Create Co., Ltd.
ERP/SCM consulting

ISID Deloitte, Inc.
CRM consulting

ISID's solution vision: PLM

All manufacturers face the same issues: making products that sell; reducing time to market; reducing product development costs; and improving quality. Manufacturers are continually trying to refine product design, development, and production processes – and in recent years, an increasing number of companies have turned to Product Lifecycle Management (PLM) for this purpose. The PLM methodology helps manufacturers optimize overall processes throughout a product's lifecycle. This begins with upstream functions such as planning and design, and extends through sales and servicing. As IT is an essential part of any PLM solution, this fast-emerging field lies at the core of our vision for manufacturing industry solutions.

ISID solutions to actualize PLM

We have been focusing on sales of 3D CAD* because we have believed that diffusion of 3D CAD will be a foundation for PLM. Creating 3D digital models of objects unlocks a host of revolutionary possibilities. For example, a model can be analyzed using an array of software tools. This process called Computer Aided Engineering (CAE) can be used to learn more about proposed product's strength, operating noise, vibration, and other characteristics. Digital Mock-Up (DMU) technology can be used to assemble 3D digital models into a complete product, giving insight into ease of assembly and maintenance and issues. This process also reveals potential conflicts between individual components. Performing these analyses before an expensive physical prototype is fabricated can greatly reduce development costs, speed up overall development time, and yield a higher-quality finished product.

* Computer Aided Design (CAD) software allows engineers to design products and produce drawings on a computer screen.

Our solutions also encompass Collaborative Product Commerce (CPC), a concept designed to enhance efficiency in all processes for products. CPC aims to dramatically improve cooperation among different divisions and companies involved in making a product, by promoting the exchange of design information. CPC is now attracting attention as a framework for new business models, created by changes such as clients' globalizations. It uses the Product Data Management (PDM) system to make all digital data for a product available throughout the manufacturer's facilities, as well as to vendors and other external partners. CPC further includes Enterprise Resource Planning (ERP), which optimizes procurement, production, distribution and sales processes, Supply Chain Management (SCM), and other key business processes. Providing this seamless link between data and individual processes leads to the ultimate goal: the best possible overall process.

Complementing these activities is our Customer Relationship Management system (CRM). This system is designed to support a company's efforts to provide a high level of customer satisfaction while also identifying customer needs by enabling feedback on the product design process.

Our vision for manufacturing industry solutions is to help companies reap the benefits of PLM by strategically applying IT to all manufacturing processes.

Services for the manufacturing industry during the fiscal year under review

The fiscal year that ended March 31, 2002, brought unfavorable conditions for CAD sales. Japan's weakening economy forced electrical mechanical manufacturers and other companies to scale back their IT expenditures. We saw some demand shift to lower-priced, mid-range CAD software, a product category we did not offer in the past. Inevitably, manufacturers will see PLM as essential to their ability to succeed in a competitive marketplace, and turn to 3D CAD as the basis for successful PLM. We are adding mid-range CAD products and new CAE products to our line-up in the current fiscal year. We continue to build a product portfolio that meets a broad range of needs related to 3D design processes innovation.

The past fiscal year saw a solid increase in demand for corporate backbone systems such as ERP and PDM, and we expect demand to increase. Accordingly, we have formed an organization dedicated exclusively to these systems and are taking steps to capitalize on this attractive market.

The ISID group strategy for the manufacturing industry

The key to success for taking these strategies relies on our ability to provide high level of added value based on high level of knowledge in its business processes and abundant experience. We have been investing in and forming strategic alliances with other companies whose skills and experience can help us attain our goals. In this way, the ISID group will be able to provide a comprehensive range of solutions to the manufacturing sector.

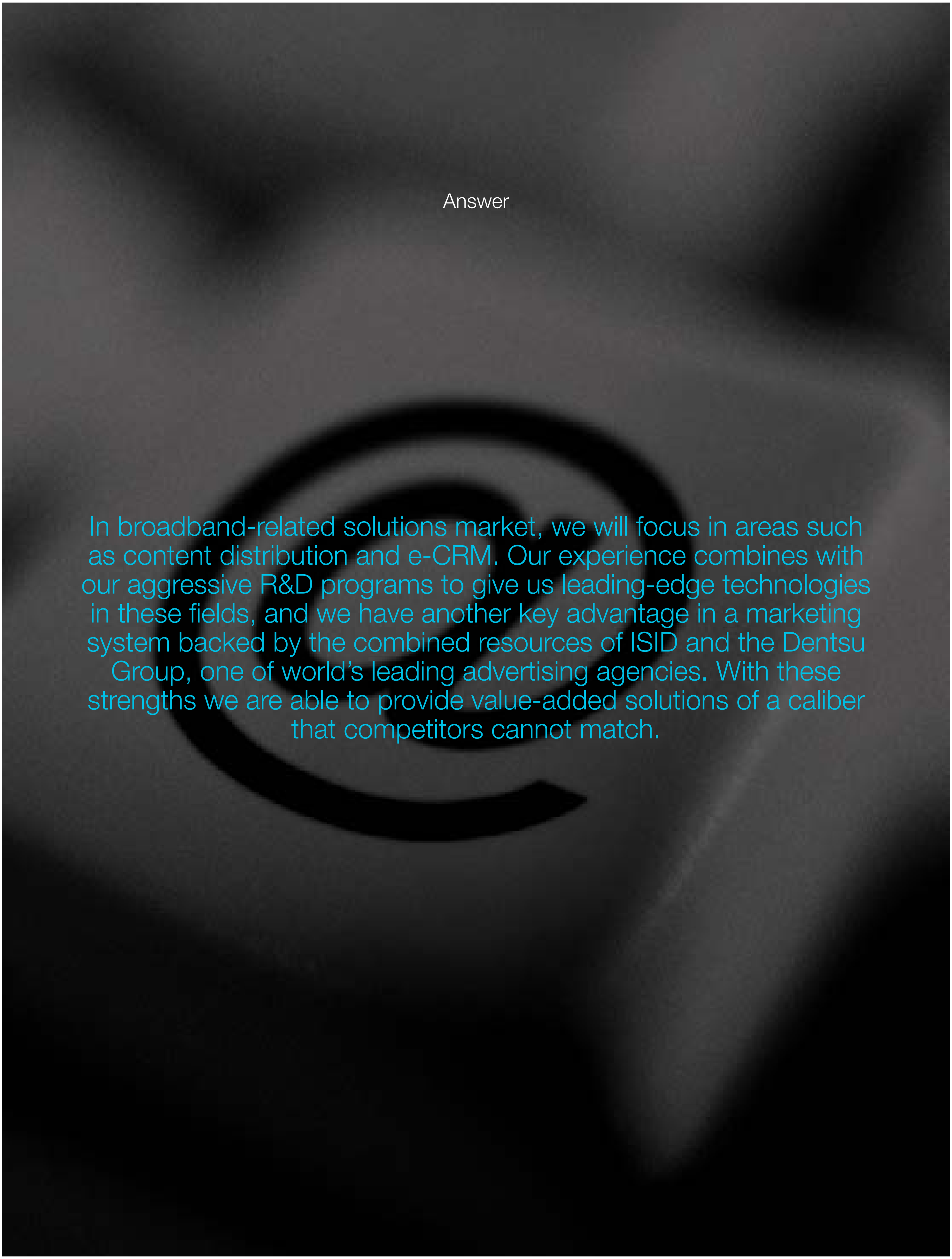
iTiD Consulting, Ltd. uses a unique tool called the iTiD Index to quantitatively assess the problems, weaknesses, and other aspects of a customer's processes. This information allows us to find ways to improve those processes and maximize the customer's competitive strength. At Japan Business Create Co., Ltd., experts provide consulting that focuses on upstream processes with the objective of constructing ERP, SCM and other systems without regard for certain types of software. SIID, Ltd. uses expertise in metal molds and processing technology as a basis for providing CAD and other mechanical design solutions that not only complement ISID's services, but, by integrating the strengths of the two companies, also provides optimum solutions to clients. ISID Deloitte, Inc. offers integrated services that range from e-business consulting to systems design. And, ISID with its extensive solutions and the deep understanding of business processes that comes with 27 years' experience in serving manufacturers, provides added value. We also have a high-quality support capability that accommodates more than 30,000 inquiries a year. These many strengths and capabilities enable us to offer clients high-value PLM solutions.

As the question correctly notes, CAD software prices are gradually declining as this technology becomes commodity. Our objective is to focus on offering PLM solutions to the manufacturing industry. To maximize profitability in a manufacturing operation, it is not enough to optimize a single process. ISID seeks to help companies integrate and optimize overall processes throughout their manufacturing system, laying the groundwork for further business growth.

#3

Question

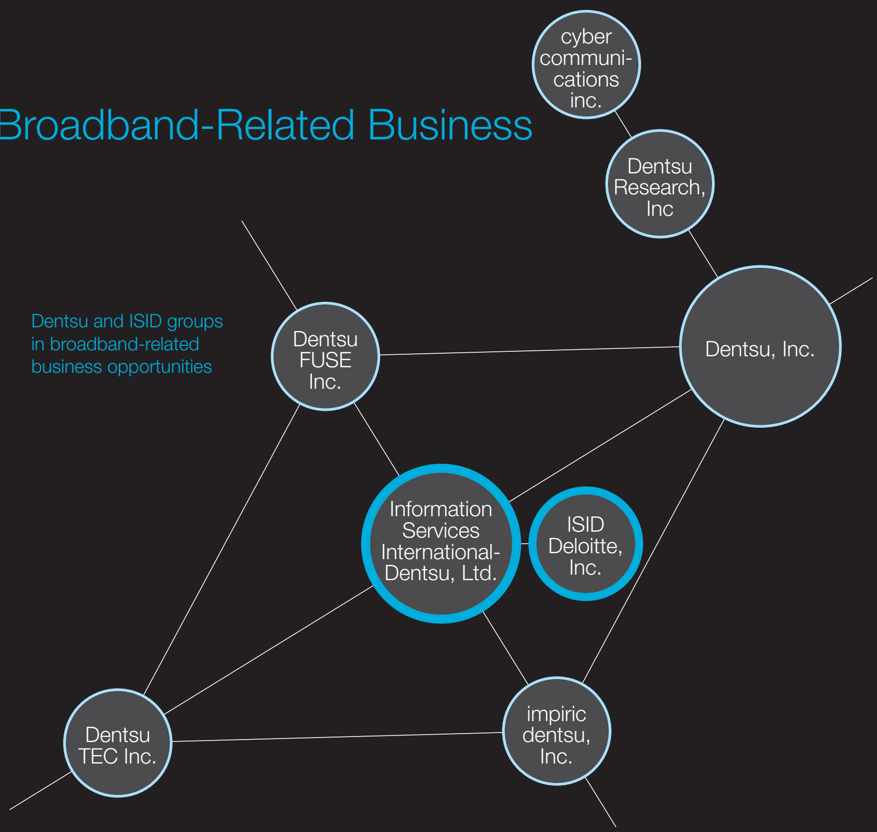
In what ways do you plan to develop the broadband-related solutions market as a new business field? What specific strengths can ISID bring to this fiercely competitive market?



Answer

In broadband-related solutions market, we will focus in areas such as content distribution and e-CRM. Our experience combines with our aggressive R&D programs to give us leading-edge technologies in these fields, and we have another key advantage in a marketing system backed by the combined resources of ISID and the Dentsu Group, one of world's leading advertising agencies. With these strengths we are able to provide value-added solutions of a caliber that competitors cannot match.

The Broadband-Related Business



Dawn of the broadband era

Japan's broadband infrastructure is rapidly taking shape. According to Japan's Ministry of Public Management, Home Affairs, Posts and Telecommunications, there were almost 2.4 million Digital Subscriber Line (DSL) connections in Japan as of March 2002 – 33 times more than there were just one year ago. The national government "e-Japan" strategy calls for an infrastructure that will bring high-speed network access to 30 million homes by the end of 2005. Many advanced companies are already creating new business models for the broadband age, giving ISID a new business opportunity to explore.

Solutions in the broadband era

With the diffusion of broadband networks, we will see the advent of innovative business opportunities such as new customer services that use images, music, and other types of volume-rich content. Broadband will also increase business opportunities providing more communication among companies, regardless of the industry type or B-to-C, B-to-B solutions. Strategic systems will be required to capitalize on these opportunities. The implications for system integrators are clear: Success will hinge on the ability to provide the technology needed to build applications that take advantage of broadband technology.

ISID has been aware of these evolving technologies and changing market conditions. To ensure that we can thrive in the coming broadband era, we began to develop solutions businesses targeting those emerging needs early in the past fiscal year. Our business is focused primarily on the two strategic fields of content distribution and e-CRM.

Solutions in the content distribution field

The dissemination of rich, high-volume content to consumers will no longer be limited to broadcasting and communication companies. Various companies will be taking advantage of technologies for video conferencing, e-learning, e-manual, Web 3D technology, and other means of sharing information both internally and externally, contributing to higher productivity. Client needs involving both content and reception platforms are diversifying, for example, on-demand services or content distribution in different formats to match different types of terminal devices. Efficiency is a must in producing, storing and managing digital content, as well as in dissemination and distribution.

Media Asset Management (MAM) can deliver this efficiency. ISID's proposals on MAM categorize digital content by copyright holder, type, format, and other parameters, and use a database system to facilitate integrated management. MAM makes it easy to search, revise, and reorganize data, simplifying secondary use of the digital content and other applications that use these assets. We design and assemble complete digital content distribution systems that incorporate Digital Rights Management (DRM) for copyright protection, CRM systems, billing systems, and other functions.

The growing importance of e-CRM solutions

Diversifying consumer preferences and purchasing patterns are creating new opportunities for e-CRM solutions. For a company to maintain a stable business base and promote long-term growth, preserving customer loyalty to a particular product, brand, or the company itself is vital. Marketing activities that stress customer relationships are equally important. CRM strategy is vital to both of these tasks. With an e-CRM solution, a company can use its Web site and other Internet channels to communicate with clients. These channels work bi-directionally, allowing companies to gather consumer data even as they disseminate information. Gradually, companies are realizing that corporate and product web sites are valuable means for learning about their clients while promoting their corporate or product brand. To compete globally, companies are redesigning their web sites from a brand marketing perspective. These sites can help attract a loyal base of clients. Success today depends on more than just reliable maintenance and repair services; it also requires effective use of a web site to reach clients, convey information, and promote a brand's appeal. Broadband gives companies a powerful infrastructure for providing more information to more clients and adding value to a product or brand.

Business performance during the fiscal year under review, and future outlook

In the fiscal year that ended March 2002, ISID achieved a number of notable results in the broadband-related solutions area. We completed a pilot testing system for an electric utility company, installed an experimental image distribution system for a newspaper publisher, and built a customer software downloading site for an electrical equipment manufacturer. We also designed e-CRM sites for several precision equipment manufacturers and completed a number of MAM projects. These undertakings gave us valuable insight into the needs of companies seeking to take advantage of broadband technology and allowed us to further enhance our system design expertise.

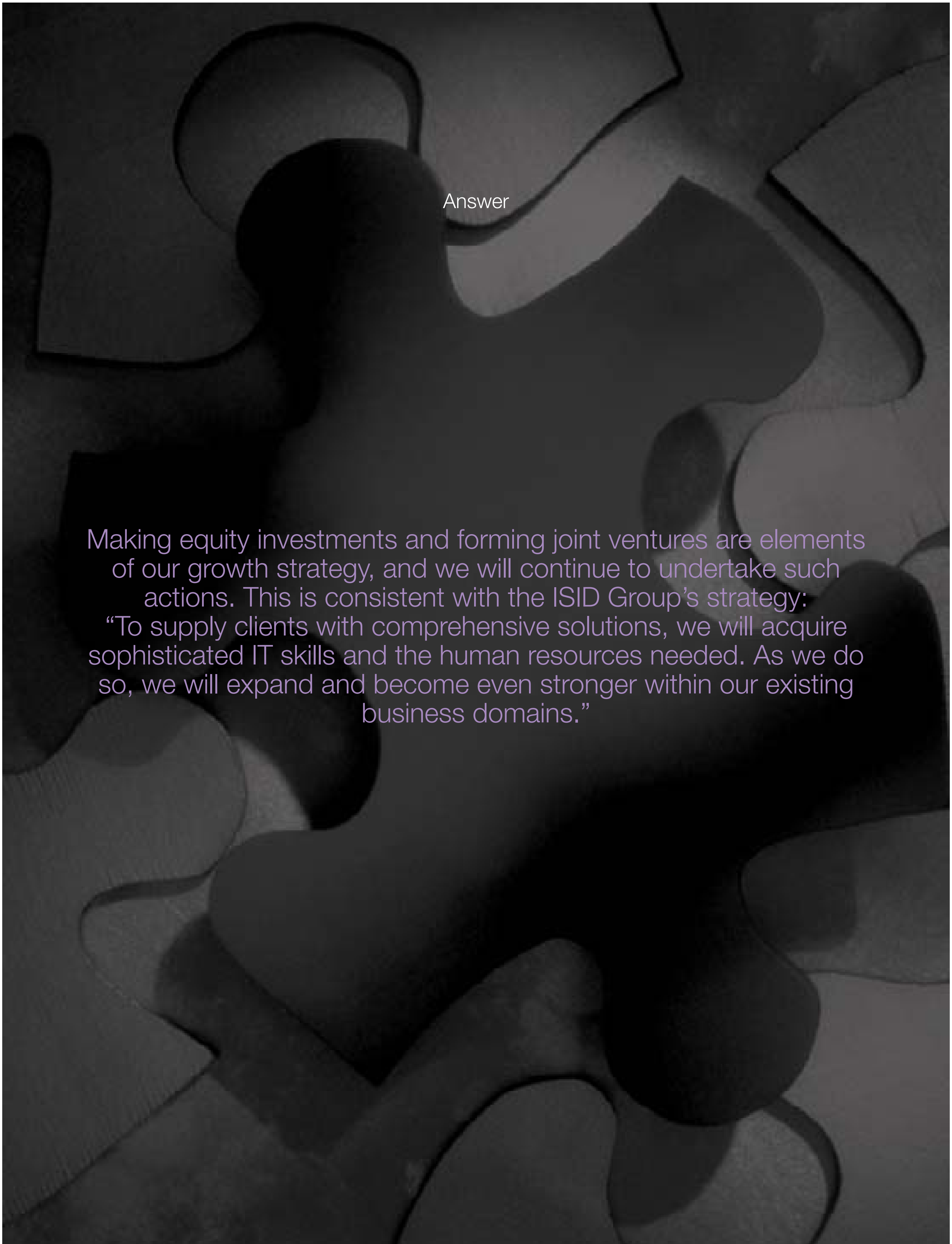
Corporate investment in broadband-related solutions is certain to expand, but competition to provide these solutions will be fierce. Our goal is to use our R&D programs and increasing level of experience to further strengthen our technological advantage over our competitors. Creating broadband-related solutions also requires effective strategies based on market insight. Our group company, ISID Deloitte, Inc., provides a variety of upstream consulting for e-business activities. Dentsu Inc. and all Dentsu group companies offer vast expertise in business development, strategy formulation, and marketing. The combination of this knowledge and our system design expertise gives us a solid platform for creating value-added solutions that distinguish us from all others in the field.

In the broadband field, our basic plan is therefore to draw on the combined strengths of the ISID and Dentsu groups. We will support companies that are seeking to explore opportunities created by the emerging broadband network era.

#4 Question

Will ISID continue to acquire new companies?

What is your basic strategy regarding acquisitions, joint ventures, and similar actions aimed at expanding the group? What types of companies will you target?



Answer

Making equity investments and forming joint ventures are elements of our growth strategy, and we will continue to undertake such actions. This is consistent with the ISID Group's strategy: "To supply clients with comprehensive solutions, we will acquire sophisticated IT skills and the human resources needed. As we do so, we will expand and become even stronger within our existing business domains."

The ISID Group Strategy

Core business	Company	Primary target: Financial Industry	Primary target: Manufacturing Industry	Primary target: Distribution, Services and Other Industries
e-Business operations	Account One Corporation	●	●	●
Consulting	Japan Business Create Co., Ltd		●	
	iTiD Consulting, Ltd.		●	
	ISID Deloitte, Inc.	●	●	●
	Mechanical Dynamics Japan K. K.		●	
Applications • System design • Software products	Brainyworks, Ltd.	●		●
	ISID InterTechnologies, Ltd.	●		●
	SIID, Ltd.		●	
	C-Three Inc.		●	
	Enterprise Financial Solutions, Inc.	●		
	Overseas group companies	●	●	●
Hardware and system infrastructures	Kanematsu Electronics Ltd.	●	●	●

One objective of being listed on the first section of the Tokyo Stock Exchange on November 30, 2000 was to obtain a more solid base for providing value-added solutions, and procure funds for future expansion. Our philosophy is to be a source of fully integrated “total solutions” for client companies, mainly in the financial, manufacturing, and distribution and services industries. We offer a complete line of services related to information systems: consulting, planning and design, software sales and support, network construction, and hardware selection and procurement.

We will continue to deliver higher levels of customer satisfaction through alliances with business partners and investments, and to enhance our strengths in system development, software product diversity, consulting, and other critical areas. The result is a continual process of qualitative and quantitative improvement in our ability to provide total solutions that satisfy clients.

Domestic Group Companies

Brainyworks, Ltd.
Became a subsidiary: March 2001
Capital:¥405 million
Equity interest: 70.0%
Employees: 317
Activities: System integration service for the financial industry, and distribution, services and other industries; package software development and sales

Keicho, Ltd.
(renamed ISID InterTechnologies, Ltd. in April 2002)
Became a subsidiary: September 2001
Capital: ¥326 million
Equity interest: 91.7%
Employees: 379
Activities: Software development and system network operation, management and maintenance services for the financial industry and distribution, service and other industries

SIID, Ltd.
Became a subsidiary: March 2002
Capital: ¥100 million
Equity interest: 51.0%
Employees: 79
Activities: CAD/CAM/PDM software marketing and technical support, and consulting service for productivity enhancement and for enhancing the efficiency of product design and development processes for the manufacturing industry

Japan Business Create Co., Ltd.
Became a subsidiary: January 2002
Capital: ¥150 million
Equity interest: 66.8%
Employees: 48
Activities: Consulting for business model development and business process re-engineering mainly for the manufacturing industry from the standpoint of SCM; assessment, planning and implementation support for the implementation of SCM, and ERP systems

iTiD Consulting, Ltd.
Established: June 2001
Capital:¥300 million
Equity interest: 66.0%
Employees: 30
Activities: Consulting and technical support service for improvement of design and manufacturing processes innovation for the manufacturing industry

ISID Deloitte, Inc.
Established: February 2002
Capital: ¥150 million
Equity interest: 66.0%
Employees: 21
Activities: Consulting and system development services for strategy planning, business model development, business process re-engineering for broadband-based e-business

Kanematsu Electronics Ltd.
Became an affiliate: June 2001
Capital: ¥9,031 million
Equity interest: 20.0%
Employees: 490
Activities: Import/export, marketing, rent, lease, maintenance, development, and manufacture of electronic equipment and software, data processing service, data communications service and contents distribution service.

Account One Corporation
Established: August 2001
Capital: ¥480 million
Equity interest: 50.0%
Employees: 6
Activities: Providing ASP-based account aggregation service system

Mechanical Dynamics Japan K. K.
Established: April 1997
Capital: ¥170 million
Equity interest: 34.0%
Employees: 15
Activities: Marketing, technical consulting, design process re-engineering support service for mechanical system simulation software ADAMS

C-Three Inc.
Established: October 1997
Capital:¥200 million
Equity interest: 34.0%
Employees: 102
Activities: Training seminars for CAD/CAM/CAE and PDM systems, software installation support, operation support, system customization and operation tool development.

Overseas Group Companies

ISI-Dentsu Holdings, Inc.
Established: September 1997
Capital:US$1
Equity interest: 100%
Employees:1
Activities: Financial holding company in the U. S.

ISI-Dentsu of America, Inc.
Established: March 1987
Capital: US$3,000
Equity interest: 100% (indirect holding)
Employees: 9
Activities: Network service, software sales and support and system development and support for North America-based subsidiaries of Japanese corporations.

ISI-Dentsu of Europe, Ltd.
Established: January 1991
Capital: £500,000
Equity interest: 100%
Employees: 13
Activities: Network service, software sales and support and system development and support for Europe-based subsidiaries of Japanese corporations.

ISI-Dentsu of Asia, Ltd.
Established: August 1990
Capital: HK$8,000,000
Equity interest: 100%
Employees: 31
Activities: Network service, software sales and support and system development and support for China-based subsidiaries of Japanese corporations.

ISI-Dentsu Singapore Pte. Ltd.
Established: April 1992
Capital: S$2,000,000
Equity interest: 100%
Employees: 28
Activities: Network service, software sales and support and system development and support for Singapore-based subsidiaries of Japanese corporations.

ISI-Dentsu (Malaysia) Sdn. Bhd.
Established: March 1997
Capital: Malaysian Ringgit 750,000
Equity interest: 100% (indirect holding)
Employees: 4
Activities: Network service, software sales and support and system development and support for Malaysia-based subsidiaries of Japanese corporations.

Enterprise Financial Solutions, Inc.
Became an affiliate: February 2000
Capital: US$1,100,000
Equity interest: 38%
Employees: 1
Activities: Development and marketing of financial industry software (asset management systems) for overseas markets.

(as of March 2002)

Message to Our Shareholders

Jutaro Takinami
President and CEO

Business results for the year ended March 31, 2002

Despite challenging conditions in the markets for information services, the ISID Group is pleased to report another year of solid growth. Consolidated net sales rose 33.7% to ¥72,447 million, operating income increased 19.6% to ¥5,361 million, and net income climbed 22.2% to ¥2,752 million. The group achieved all-time highs in both sales and earnings. As good as the year was, however, performance fell short of our initial expectations due primarily to the falling demand from the manufacturing industry in the second half of the year. The manufacturing industry is one of our four core markets, along with financial, distribution and service industries, plus Dentsu-related businesses. As Japan's economy continued to slump, manufacturers were forced to curtail capital spending.

To ensure our continued growth in this difficult environment, we began full-scale implementation of group-wide management practices. To provide clients with an optimal solution to their needs as ISID Group, we actively made capital investments and established new companies. Among the companies joining the group were Japan Business Create Co., Ltd., iTiD Consulting, Ltd., Kanematsu Electronics Ltd., Account One Corporation, Keicho, Ltd. (now ISID InterTechnologies, Ltd.), ISID Deloitte, Inc, and SIID, Ltd. We also entered into business alliances with Oracle Corporation Japan, IBM Japan Ltd., Microsoft Corporation, Electronic Data Systems Corporation, MSC. Software Ltd. and others. In a move to assure continuing and efficient support for group management, we decided to establish ISID Horizon Inc. in April 2002, to provide back-office services to the entire group. This new subsidiary will consolidate group administrative and support services, including installation and operation of the group’s information systems.

More challenges lie ahead in the fiscal year now under way. By marshaling our collective resources, we expect to achieve another year of solid growth. We forecast consolidated net sales to climb 20.1% to ¥87,000 million, operating income to rise 23.1% to ¥6,600 million, and net income to increase 23.5% to ¥3,400 million.

Sharing earnings and raising shareholder value

To ensure that shareholders benefit from our growth, we will follow up a 1:1.1 stock split in the fiscal year under review with a 1:2 stock split for shareholders of record as of September 30, 2002. We further plan to pay cash dividends of ¥20.00 per share applicable to this fiscal year.

We are implementing several initiatives to encourage our executives to focus their efforts even more on improving operating results. One step was the distribution of stock options to directors and executives in charge of operating units. Another was to end the practice of setting aside allowances for directors' retirement benefits, which basically were payments that increased in line with length of service. In the fiscal year ending in March 2003, group company presidents and certain other executives will become eligible to receive stock options. This move underscores our high hopes that group companies will make even greater contributions to promoting business growth. In another personnel-related action, we replaced the previous non-contributory retirement and severance plan and the funded tax-qualified pension plan for all employees with a defined-contribution pension program. This allows us to operate a merit-based personnel system more effectively, while also strengthening our financial position.

The ISID growth strategy

Over the years, ISID has expanded by identifying areas where highly specialized knowledge and advanced technological skills were needed, and then deploy the resources necessary to acquire those specialized skills. Typically, we target markets where expansion is driven by both customer demand and the scale of the required systems. At the end of March 2002, the ISID Group had 1,782 employees. This number still falls well short of the level we need to take on several large-scale projects simultaneously. Being a winner in the information services industry is not easy. Success depends firstly on possessing such qualitative strengths, as advanced technology and highly specialized knowledge. Secondly, success can be attained only by companies with sufficient size. Since our initial public offering, we have invested in many other companies and joint ventures as part of a key strategy: pursuing synergies within the ISID Group to provide total solutions to customer needs. This strategy entails acquiring new skills where needed and strengthening our resources in other strategic areas, within the bounds of existing business domains. We are committed to making effective use of the funds entrusted to us by shareholders to generate sustained growth backed by sound, group-wide management practices.

ISID's most valuable asset is people

Our employees remain our key asset. The ISID Group employs specialists with capabilities in a number of specialized disciplines. They propose to our clients the best-suited solutions for their needs. Our technical experts are what makes it possible to build large, mission-critical systems, to adapt quickly to emerging customer needs, to continually acquire the fast-changing technologies we depend on, and to see that work is completed on time. The ISID Group has made it a priority to create a corporate culture in which these individual skills are backed by a desire to tackle new challenges and reach higher goals. ISID employees are not cogs in a big machine, guided simply by self-interest. All employees, regardless of age or job description, are encouraged to express opinions freely and empowered to fully apply their skills in creating plans and proposing solutions. Our management philosophy reflects this spirit and culture. This philosophy, which has been in place since our inception, is a reflection of our belief that business success and growth depend first and foremost on the people who make up our team.

ISID Management Philosophy

Mission Statement

ISID is dedicated to significantly contribute to the prosperity of our clients and society, with integrity as our moral backbone, by the judicious application of information technologies, working as a team of professionals who are always creative and innovative.

Corporate Vision

"IT Solution Innovator" ISID

1. Market Creation
ISID challenges to create the new market through its advanced expertise and high degree of creativity.

2. Best Solution through Best Practice
ISID, fully utilizing Best Practices, proposes to its clients effective IT solutions that take advantage of the state-of-the-art technologies available, and implement them to clients' satisfaction.

3. The Key Asset, Human Resources
ISID strives to improve the quality of its services to clients by encouraging its people to make efforts to enhance their professional caliber and personal virtue.

ISID, Forever New

Continually innovate, and remain at the forefront.

ISID Corporate Culture

- Responsive Teamwork with Integrity
- Being Alert and Eager to Do What You Have to Do
- Service to Our Clients Comes First

ISID, Forever New. This corporate slogan expresses our commitment to "continually innovate, and remain at the forefront." Our corporate vision includes three distinct elements: market creation, best solution through best practices and human resources. I am convinced that our pursuit of this three-fold vision will keep us on a growth track for many years to come, generating continuing returns for our shareholders.

June 25, 2002

Jutaro Takinami
President and CEO

Financial Condition and Management's Discussion and Analysis

Review of Operations

In the past fiscal year, Japan's economy weakened further as manufacturing output and capital expenditures continued to decline against a backdrop of falling exports and consumer spending. In this environment, IT-related spending by companies remained strong in the first half of the fiscal year. However, a further deterioration in the economy in the second half caused companies to cut back even on IT investments aimed at becoming more competitive.

The difficulty of the operating environment had a direct impact on the business activities and operating results of the ISID Group. The decline in the field of manufacturing industry solutions was particularly severe as the worsening economy in the fiscal year's second half forced manufacturers to limit their IT investments. Demand was strong for PDM and ERP systems, which are used to manage product information and production activities, while sales of CAD/CAM/CAE software, our core business, was affected by the economical environment.

Despite the adversity of market conditions, the ISID Group took actions to maximize its corporate value. The Group focused on selecting and concentrating management resources and increased emphasis on group management in an effort to seek more business. The result was a 33.7% increase in net sales to ¥72,447 million. Due to the increase in sales, operating income rose 19.6% to ¥5,361 million and net income increased 22.2% to ¥2,752 million. These figures are all-time highs for the ISID Group.

The Group terminated its non-contributory retirement and severance plans and the funded tax-qualified pension plan on March 31, 2002. Both will be replaced from April 1, 2002 with a defined contribution pension plan. This action is expected to contribute to both a stronger financial position and the implementation of a merit-based personnel system.

Income Statement Analysis

In the past fiscal year, CAD/CAM/CAE software sales, one component of solutions for the manufacturing industry, had difficulty. Sales of solutions for the financial industry, however, had favorable results. Sales were also aided by the contribution of Brainyworks, Ltd., Keicho Co., Ltd. (currently ISID InterTechnologies, Ltd.), which were newly consolidated in the past fiscal year. The result was a 33.7% increase in net sales to ¥72,447 million.

By product line, system development sales surged 51.7% to ¥29,719 million as orders were strong for Internet-based customer service systems and systems for overseas branches of financial institutions. In software products (Original), a delay in the schedule for introducing the T+1 securities settlement system hurt sales. Nevertheless, sales of software products (Original) increased 58.8% to ¥3,137 million mainly because of solid demand for Brainyworks' agency support system for The Government Housing Loan Corporation. In information processing and communication services, sales increased 20.2% to ¥5,469 million as demand rose for system outsourcing (SO) services. In software products (developed by other venders), orders from manufacturers for CAD/CAM/CAE software declined, but there was growth in demand for consulting services involving the adoption of PDM and ERP systems. The result was an 8.2% increase in sales to ¥23,733 million. In communication equipment sales, steps to grow in the market for designing network server environments resulted in a 82.8% increase in sales to ¥10,034 million. In others, which represents training seminars and other activities, sales fell 43.5% to ¥353 million. By industry segment, net sales to the financial industry increased 92.4% to ¥27,628 million, sales to the manufacturing industry increased 2.1% to ¥22,472 million, sales to the Dentsu Group decreased 0.7% to ¥9,870 million, and sales to the distribution, service and other industries increased 58.9% to ¥12,477 million.

Gross profit was up 20.5% to ¥20,250 million, mainly because of the significant growth in sales. However, the gross margin declined 3.0 percentage points from 31.0% to 28.0%, due to three main reasons. First, in the system development, sales related to "developing phase", which has a high cost of sales ratio, increased; Second, in software products, there was a decline in licensing sales, which have a relatively high profit margin. Third, also in software products, earnings were reduced by the yen's weakness because a large share of software products are purchased from overseas. Selling, general and administrative expenses increased 20.9% to ¥14,889 million, primarily a reflection of the higher sales, however, these expenses ratio to sales fell 2.1 percentage points from 22.7% to 20.6% due to the benefits of the

Group's ongoing cost containment initiatives. The result was a 19.6% increase in operating income to ¥5,361 million.

The other income and expense account recorded a deficit of ¥2,337 million. This reflects the equity in the earnings of Kanematsu Electronics, Ltd. which became an equity-method affiliate, gains on foreign exchange forward contracts, costs related to the reform and termination of the employee retirement benefits program and a one-time charge to the amortization of the consolidation adjustment account as the expected impairment related to Brainyworks, Ltd. met the criteria for recovery of deferred assets.

Due to these expenses, income before income taxes fell 24.0% to ¥3,023 million. After income and other taxes, which included a charge of ¥1,989 million associated with the recognition of deferred tax assets at Brainyworks and others, net income increased 22.2% to ¥2,752 million.

Financial Condition

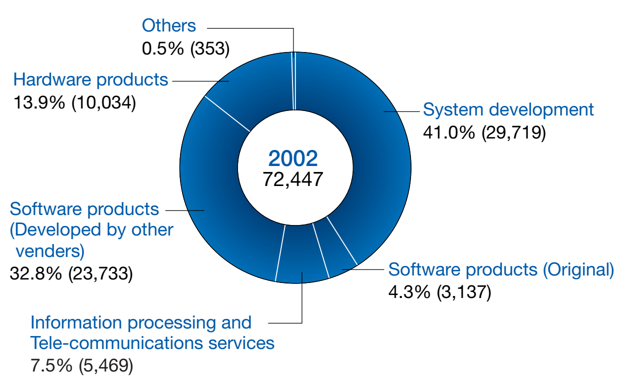
Total assets as of March 31, 2002 were ¥56,087 million, 8.3% higher than one year ago. Trade notes and accounts receivable increased ¥2,773 million because of the growth in sales, but there was a decline of ¥9,579 million in cash because of the purchase of marketable and investment securities. The result was a 2.0% decrease in current assets to ¥40,781 million. Fixed assets rose 50.2% to ¥15,306 million, mainly due to an increase of ¥3,100 million in investment securities to expand and empower ISID as a group. Total liabilities increased 8.0% to ¥22,507 million. Current liabilities rose ¥2,114 million as a lump-sum payable was recorded in association with termination of the employee retirement benefit program.

Shareholders' equity increased 7.4% to ¥33,244 million due to growth in retained earnings. This resulted in an equity ratio of 59.3% and an ROE of 8.6%.

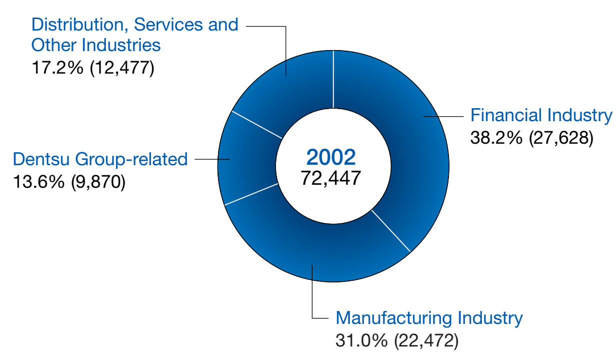
Cash Flow Analysis

Net cash provided by operating activities decreased ¥4,653 million to ¥485 million. This was mainly attributable to the increased need for working capital to support the growth in sales. Net cash used in investing activities increased ¥4,067 million to ¥8,669 million mainly due to investments of excess funds in securities and an equity investment in Kanematsu Electronics. Net cash used in financing activities was ¥966 million, ¥21,526 million less than the cash provided in the previous fiscal year. This was mainly attributable to the repayment of loans at a newly consolidated subsidiary to reduce the Group's interest-bearing liabilities and to the payment of dividends. The net result of these cash flows was a decrease of ¥9,081 million in cash and cash equivalents to ¥15,072 million compared to the previous fiscal year-end.

Consolidated sales ratio by product line
(¥ million)



Composition of sales by industry
(¥ million)



Consolidated Balance Sheets

INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (note 3)
	2002	2001	**2002**
Assets			
Current assets:			
Cash (notes 4 and 7)	**¥ 9,074**	¥18,653	**$ 68,226**
Trade notes and account receivables (note 15)	**14,780**	12,007	**111,128**
Securities (notes 4 and 5)	**9,337**	5,501	**70,203**
Inventories (note 6)	**1,755**	1,498	**13,195**
Deferred tax assets (note 9)	**2,426**	361	**18,241**
Advance payments	**3,015**	3,157	**22,669**
Other	**451**	482	**3,391**
Allowance for doubtful receivables	**(60)**	(51)	**(451)**
Total current assets	**40,781**	41,611	**306,624**
Property and equipment:			
Buildings	**717**	570	**5,391**
Furniture and fixtures	**276**	200	**2,075**
Other	**3**	3	**23**
Total property and equipment	**997**	774	**7,496**
Intangible assets:			
Consolidation goodwill (notes 12 and 17)	**4,139**	3,638	**31,120**
Other	**1,120**	922	**8,421**
Total intangible assets	**5,260**	4,561	**39,549**
Investments and other assets:			
Investment securities (note 5)	**5,597**	2,497	**42,083**
Long-term loans	**4**	—	**30**
Deferred tax assets (note 9)	**601**	19	**4,519**
Lease deposits	**2,506**	1,950	**18,842**
Other	**367**	408	**2,759**
Allowance for doubtful receivables	**(29)**	(21)	**(218)**
Total investments and other assets	**9,048**	4,854	**68,030**
	¥56,087	¥51,802	**$421,707**

	Millions of yen		Thousands of U.S. dollars (note 3)
	2002	2001	**2002**
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade notes and account payables	**¥ 8,101**	¥ 8,540	**$ 60,910**
Short-term debt (note 7)	**16**	—	**120**
Current installments of long-term debt (note 7)	**31**	—	**233**
Accrued income taxes (note 9)	**1,569**	1,298	**11,797**
Deferred tax liabilities (note 9)	**2**	5	**15**
Other payables	**4,085**	943	**30,714**
Accrued expenses	**2,138**	2,123	**16,075**
Advance receipts	**2,829**	3,610	**21,271**
Other	**477**	614	**3,586**
Total current liabilities	**19,250**	17,136	**144,737**
Long-term liabilities:			
Long-term debt, excluding current installments (note 7)	**65**	—	**489**
Deferred tax liabilities (note 9)	**1,609**	1,201	**12,098**
Allowance for employees' retirement benefits (note 8)	**1,267**	2,198	**9,526**
Other	**313**	308	**2,353**
Total long-term liabilities	**3,256**	3,708	**24,481**
Total liabilities	**22,507**	20,844	**169,226**
Minority interests	**335**	—	**2,519**
Shareholders' equity:			
Common stock (notes 13 and 18)	**8,180**	8,180	**61,504**
Authorized 49,000,000 shares in 2002 and 2001; issued 16,295,620 shares and 14,814,200 shares in 2002 and 2001, respectively			
Additional paid-in capital (note 14)	**15,285**	15,285	**114,925**
Retained earnings (note 14)	**9,729**	7,295	**73,150**
Other securities valuation difference	**(75)**	191	**(564)**
Foreign currency translation adjustments	**147**	4	**1,105**
Treasury stock, at cost;			
2,090 shares in 2002	**(22)**	—	**(165)**
Total shareholders' equity	**33,244**	30,958	**249,955**
Commitments and contingencies (note 7)			
	¥56,087	¥51,802	**$421,707**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (note 3)
	2002	2001	**2002**
Net sales (note 15)	**¥72,447**	¥54,174	**$544,714**
Cost of sales	**52,196**	37,373	**392,451**
Gross profit	**20,250**	16,800	**152,256**
Selling, general and administrative expenses (notes 10 and 11)	**14,889**	12,319	**111,947**
Operating income	**5,361**	4,481	**40,308**
Other income (expenses):			
Interest and dividend income	**52**	86	**391**
Interest expenses	**(12)**	(14)	**(90)**
Exchange gain (loss)	**35**	(97)	**263**
Equity in income (loss) of affiliated companies	**265**	(0)	**1,992**
Amortization of transition difference at adoption of accounting standard for retirement benefits (note 8)	**(521)**	(404)	**(3,917)**
Loss on termination and amendments of employees' retirement benefit plans (note 8)	**(1,363)**	—	**(10,248)**
Amortization of consolidation goodwill (note 12)	**(793)**	—	**(5,962)**
Other, net	**0**	(72)	**0**
	(2,337)	(502)	**(17,571)**
Income before income taxes	**3,023**	3,979	**22,729**
Income taxes (note 9)	**268**	1,726	**2,015**
Minority interests	**1**	—	**8**
Net income	**¥ 2,752**	¥ 2,252	**$ 20,692**

	Yen		U.S. Dollars (note 3)
	2002	2001	**2002**
Net income per share (note 2 (m))	**¥168.95**	¥171.29	**$1.27**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (note 3)
	2002	2001	**2002**
Common stock:			
Balance at beginning of year	**¥ 8,180**	¥ 743	**$ 61,504**
Issuance of shares of common stock (note 13)	**—**	7,437	**—**
Balance at end of year	**8,180**	8,180	**61,504**
Additional paid-in capital:			
Balance at beginning of year	**15,285**	278	**114,925**
Issuance of shares of common stock (note 13)	**—**	15,007	**—**
Balance at end of year	**15,285**	15,285	**114,925**
Retained earnings:			
Balance at beginning of year	**7,295**	5,123	**54,850**
Net income	**2,752**	2,252	**20,692**
Dividends	**(296)**	(79)	**(2,226)**
Directors' bonuses	**(22)**	—	**(165)**
Balance at end of year	**9,729**	7,295	**73,150**
Other securities valuation difference:			
Balance at beginning of year	**191**	—	**1,436**
Net change during the year	**(266)**	191	**(2,000)**
Balance at end of year	**(75)**	191	**(564)**
Foreign currency translation adjustments:			
Balance at beginning of year	**4**	—	**30**
Net change during the year	**143**	4	**1,075**
Balance at end of year	**147**	4	**1,105**
Treasury stock:			
Balance at beginning of year	**—**	—	**—**
Increase during the year	**(22)**	—	**(165)**
Balance at end of year	**(22)**	—	**(165)**
Total shareholders' equity at end of year	**¥33,244**	¥30,958	**$249,955**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (note 3)
	2002	2001	**2002**
Cash flows from operating activities:			
Income before income taxes	**¥ 3,023**	¥ 3,979	**$ 22,729**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	**647**	679	**4,865**
Amortization of consolidation goodwill	**1,189**	—	**8,940**
Provision for employees' retirement benefits, net of payments	**(1,478)**	731	**(11,113)**
Payable for termination and amendments of employees' retirement benefit plans	**3,374**	—	**25,368**
Interest and dividend income	**(52)**	(86)	**(391)**
Interest expenses	**12**	14	**90**
Equity in (income) loss of affiliated companies	**(222)**	0	**(1,669)**
Increase in trade receivables	**(2,178)**	(791)	**(16,376)**
(Increase) decrease in inventories	**(122)**	897	**(917)**
(Increase) decrease in advance payments	**146**	(1,136)	**1,098**
Increase (decrease) in trade payables	**(825)**	1,798	**(6,203)**
Increase (decrease) in advance receipts	**(800)**	76	**(6,015)**
Other, net	**(275)**	369	**(2,068)**
Sub-total	**2,436**	6,532	**18,316**
Proceeds from interest and dividend income	**46**	82	**346**
Interest paid	**(5)**	(14)	**(38)**
Income taxes paid	**(1,992)**	(1,463)	**(14,977)**
Net cash provided by operating activities	**485**	5,138	**3,647**
Cash flows from investing activities:			
Payments for purchase of securities	**(4,184)**	—	**(31,459)**
Proceeds from redemption of securities	**1,004**	—	**7,549**
Payments for purchase of property and equipment	**(317)**	(56)	**(2,383)**
Payments for purchase of investment securities	**(3,508)**	(1,656)	**(26,376)**
Payments for loans	**(5)**	(3,300)	**(38)**
Proceeds from collection of loans	**6**	352	**45**
Payments for purchase of intangible assets	**(605)**	(361)	**(4,549)**
Increase (decrease) of cash and cash equivalents from acquisition of the consolidated subsidiaries	**(604)**	366	**(4,541)**
Payments for time deposits	**(74)**	(17)	**(556)**
Proceeds from time deposits	**—**	197	**—**
Other, net	**(380)**	(126)	**(2,857)**
Net cash used in investing activities	**¥(8,669)**	¥(4,602)	**$(65,180)**

	Millions of yen		Thousands of U.S. dollars (note 3)
	2002	2001	**2002**
Cash flows from financing activities:			
Repayments of short-term debt	**¥ (655)**	¥ (1,800)	**$ (4,925)**
Proceeds from issuance of shares of common stock	**—**	22,445	**—**
Payments for purchase of treasury stock	**(56)**	—	**(421)**
Proceeds from sale of treasury stock	**31**	—	**233**
Dividends paid	**(294)**	(79)	**(2,211)**
Other, net	**7**	(4)	**53**
Net cash provided by (used in) financing activities	**(966)**	20,560	**(7,263)**
Effect of exchange rate changes on cash and cash equivalents	**69**	87	**519**
Net increase (decrease) in cash and cash equivalents	**(9,081)**	21,185	**(68,278)**
Cash and cash equivalents at beginning of year	**24,154**	2,969	**181,609**
Cash and cash equivalents at end of year (note 4)	**¥15,072**	¥24,154	**$113,323**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD. AND CONSOLIDATED SUBSIDIARIES

(1) Basis of Presenting Consolidated Financial Statements

Information Services International-Dentsu, Ltd. (“the Company”) maintains its books of account and prepares its financial statements in conformity with financial accounting standards of Japan, and its subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company and its subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically under the Securities and Exchange Law in Japan in order to present them in a form which is more familiar to the readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted under accounting practices generally accepted in Japan, amounts of less than ¥1 million have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. The excess of the cost of the Company’s investments in the consolidated subsidiaries over the fair value of the net assets of the acquired subsidiaries at the date of acquisition is being amortized on a straight-line basis over 5 or 10 years. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Foreign Currency Translation

Until the year ended March 31, 2000, foreign currency transactions were translated into Japanese yen at the exchange rates in effect at the dates they were transacted, and the gain or loss arising on the settlement of the related receivables or payables was included in operations and reflected in other income (expenses). Receivables and payables, except non-current receivables and payables, denominated in foreign currencies at the balance sheet date were translated at the rates in effect as of the balance sheet dates or foreign exchange forward contract rates and the unrealized gain or loss was reflected in other income (expenses). Non-current receivables and payables denominated in foreign currencies were translated at the exchange rates in effect as of the transaction dates.

The assets and liabilities of the foreign subsidiaries were translated into Japanese yen at the exchange rates in effect at the balance sheet dates. Revenue and expense accounts were translated at the average exchange rates prevailing during the year. Gain and loss resulting from the translation of financial statements were generally excluded from the consolidated statements of income and were accumulated under the balance sheet caption “Foreign currency translation adjustments.”

Effective from the year ended March 31, 2001, the Company adopted the revised accounting standard for foreign currency transactions (“Opinion Concerning Establishment of Accounting for Foreign Currency Transactions”, the Business Accounting Deliberation Council, October 22, 1999). Under the revised accounting standard, all receivables and payables, including non-current receivables and payables, denominated in foreign currencies at the balance sheet dates are translated at the exchange rates in effect as of the balance sheet dates, and the unrealized gain or loss is reflected in other income (expenses). There was no effect of translating non-current receivables and payables denominated in foreign currencies using the exchange rate at the balance sheet date for the year ended March 31, 2001.

(c) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers cash, bank deposits which may be withdrawn on demand and all highly liquid investments with maturities of three months or less that are easily transferable to cash and without diminution of principal to be cash and cash equivalents.

(d) Securities

Until the year ended March 31, 2000, marketable securities held for temporary and long-term investment purposes were included in balance sheet captions “Securities” and “Investment securities”, respectively, and were carried at the lower of cost or market. The cost of such securities sold was based on the average cost. Other securities were stated at cost.

Effective from the year ended March 31, 2001, the Company adopted the new accounting standard for financial instruments (“Opinion Concerning Establishment of Accounting for Financial Instruments”, the Business Accounting Deliberation Council, January 22, 1999). To comply with the new accounting standard, the Company changed the valuation method of securities. The effect of the adoption for the year ended March 31, 2001 was insignificant.

The accounting standard for financial instruments requires the Company to classify its securities into one of the following three categories; trading, held-to-maturity, or other securities. At April 1, 2000, the Company reviewed the classification of all securities. Based on the classification, all other securities are included in “Securities” as current assets and “Investment securities” as investments and other assets.

To comply with the accounting standard for financial instruments, held-to-maturity securities are amortized or accumulated to face value. Other securities with market value are principally carried at market value. The difference between acquisition cost and carrying value of other securities, including unrealized holding gain and loss, is recognized in “Other securities valuation difference”. Other securities without market value are principally carried at cost. Cost of other securities sold is principally computed based on the moving average method.

(e) Inventories

Inventories are principally stated at cost. Cost is determined principally by the individual method.

(f) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation of ¥2,160 million ($16,241 thousand) and ¥1,846 million at March 31, 2002 and 2001, respectively. Depreciation of property and equipment is computed principally by the declining-balance method.

The range of useful life is principally as follows:

Buildings................................ 8–18 years
Furniture and fixtures .... 5–15 years

(g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(h) Software

Software is carried at cost less amortization. Amortization of software to be sold is calculated using the greater of the amount computed either based on the current sales distribution to the estimated total products’ sales or by the straight-line method over the estimated useful lives of 3 years or less, and amortization of software for internal use is calculated using the amount computed by the straight-line method over the estimated useful lives of 5 years or less. Software is included in intangible assets – other.

(i) Retirement Benefits

Until March 31, 2002, the Company had non-contributory retirement and severance plans that provide for lump-sum payments of benefits, based on length of service and certain other factors, to employees who retire or terminate their employment for reasons other than dismissal for cause and also maintained funded tax-qualified pension plans as retirement and severance plans for their employees. The Company ceased these defined retirement benefit plans at March 31, 2002 and introduced a defined contribution pension plan that is effective from April 1, 2002. Certain of the Company's consolidated subsidiaries still have these defined retirement benefit plans.

Until the year ended March 31, 2000, provision of the non-contributory retirement and severance plans had been made for 40% of the estimated liability assuming all employees were to voluntarily retire at the balance sheet dates. Also the funded tax-qualified pension premium had been charged to expenses upon payment.

Effective from the year ended March 31, 2001, the Company adopted the new accounting standard for retirement benefits ("Opinion Concerning Establishment of Accounting Standard for Retirement Benefits", the Business Accounting Deliberation Council, June 16, 1998). In accordance with this standard, the allowance for retirement benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets. As a result of adoption of this standard, retirement benefit costs increased by ¥514 million, operating income decreased by ¥110 million, and income before income taxes decreased by ¥514 million for the year ended March 31, 2001. Furthermore, payable for past services liabilities of the employer's tax-qualified pension plan is included in allowance for retirement benefits.

The transition differences at adoption of the new accounting standard of ¥2,864 million and ¥2,346 million for the years ended March 31, 2002 and 2001, respectively, are being amortized over 5 years. The amortization costs for the years ended March 31, 2002 and 2001 are included in other income (expenses).

Past service liabilities are amortized using the straight-line method over 10 years, which is within the estimated average remaining service years of employees. Actuarial gain and loss are amortized using the straight-line method over 5 years commencing in the following year when it is incurred.

Following the cease of the defined retirement benefit plans, the Company adopted "Accounting for the Transfers among Retirement Benefit Plans" issued by the Accounting Standards Board of Japan. In accordance with this standard, unrecognized net obligation that was incurred by March 31, 2002 was accounted for as "Loss on termination and amendments of retirement benefit plans" of ¥1,363 million ($10,248 thousand) included in other income (expenses) for the year ended March 31, 2002.

Directors and statutory auditors of the Company and a certain consolidated subsidiary are entitled to lump-sum payments under an unfunded retirement plan. Allowance for retirement benefits for directors and statutory auditors has been provided at an estimated amount of ¥283 million ($2,128 thousand) and ¥272 million at March 31, 2002 and 2001, respectively, and is included in long-term liabilities – other.

(j) Derivatives

The Company does not hold or issue derivatives for trading purposes. Significant derivatives held by the Company are comprised principally of foreign exchange forward contracts and currency option contracts to manage foreign currency risk.

Until the year ended March 31, 2000, hedged assets and liabilities were translated at the contract rate. Gains and losses on the hedged derivative financial instruments that were designated and effective as hedges of firm commitments were not recognized until the transaction of the hedged item occurs.

Effective from the year ended March 31, 2001, the Company adopted the new accounting standard for financial instruments as explained in (d) and derivatives are principally stated at market value.

These contracts are accounted for using deferral hedge accounting. Deferral hedge accounting requires unrealized gains or losses to be deferred as liabilities or assets.
The Company has also developed a hedging policy to control various aspects of derivative transactions including authorization levels and transaction volumes. Based on this policy, the Company hedges, within certain scopes, risks arising from changes in foreign currency exchange rates.

The Company does not assess the hedge effectiveness of these contracts, because it can assume that the important conditions about the means for hedging and the hedged item are the same, and the currency risk of cash flow is avoided through the hedge term.

(k) Leases

Financial leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for as operating leases.

(l) Appropriation of Retained Earnings

Under the Japanese Commercial Code, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation (see note 14).

(m) Net Income per Share

The average number of shares outstanding during each year retroactively adjusted for stock splits to beginning of year, less the average number of treasury shares, has been used in computing net income per share.

(n) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform the presentation used for the year ended March 31, 2002.

(3) Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the readers, the consolidated financial statements at and for the year ended March 31, 2002 have been translated into United States dollars at the rate of ¥133 = US$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 29, 2002. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate. Also, the individual amounts expressed in Japanese yen, of which amounts less than ¥1 million have been omitted, have been translated into United States dollars. As a result, the totals shown in the accompanying consolidated financial statements expressed in United States dollars do not necessarily agree with the sum of the individual amounts.

(4) Cash and Cash Equivalents

Reconciliations of the cash per consolidated balance sheets and cash and cash equivalents per consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Cash	**¥ 9,074**	¥18,653	**$ 68,226**
Add:			
Securities with maturities of three months or less	**6,104**	5,501	**45,895**
Less:			
Time deposits with maturities greater than three months	**105**	—	**789**
Cash and cash equivalents	**¥15,072**	¥24,154	**$113,323**

(5) Securities

a. Marketable other securities

The acquisition cost, carrying amount (market value) and gross unrealized holding gain or loss for marketable other securities are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (Market value)
2002:				
Equity securities	**¥ 449**	**¥ —**	**¥137**	**¥ 311**
	¥ 449	**¥ —**	**¥137**	**¥ 311**
2001:				
Equity securities	¥1,361	¥330	¥ —	¥1,691
	¥1,361	¥330	¥ —	¥1,691

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (Market value)
2002:				
Equity securities	**$3,376**	**$ —**	**$1,030**	**$2,338**
	$3,376	**$ —**	**$1,030**	**$2,338**

b. Non-marketable securities

The following is the summary of the non-marketable securities:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Held-to-maturity securities:			
Commercial paper	**¥6,991**	¥2,499	**$52,564**
Discounted financial bonds	**239**	—	**1,797**
Other securities:			
Unlisted shares (excluding shares traded in the over-the-counter market)	**978**	556	**7,353**
Unlisted convertible bonds	**—**	250	**—**
Free financial fund	**2,004**	3,002	**15,068**
Money management fund	**100**	—	**752**
Other	**2**	—	**15**

c. Aggregate annual maturities

The aggregate annual maturities at par value of other securities with maturity and held-to-maturity securities at March 31, 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Due within one year	Due over one year	Due within one year	Due over one year
Other:				
Commercial paper	¥7,000	¥—	$52,632	$—
Discounted financial bonds	239	—	1,797	—
	¥7,239	¥—	$54,429	$—

(6) Inventories

Inventories at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Merchandise	**¥ 127**	¥ 384	**$ 955**
Work in process	**1,624**	1,101	**12,211**
Other	**3**	11	**23**
	¥1,755	¥1,498	**$13,195**

(7) Short-term Debt and Long-term Debt

Short-term debt at March 31, 2002 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Bank borrowings with an average interest rate of 1.7%	**¥16**	**$120**
	¥16	**$120**

Long-term debt at March 31, 2002 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Loans, principally from banks due 2002 to 2005 with an average interest rate of 2.1%	**¥97**	**$729**
	97	**729**
Less: Portion due within one year	**31**	**233**
	¥65	**$489**

The aggregate annual maturities of long-term debt outstanding at March 31, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2003	**¥31**	**$233**
2004	**62**	**466**
2005	**2**	**15**
2006	**0**	**0**
	¥97	**$729**

As is customary in Japan, bank borrowings are made under general agreements which provide that under certain circumstances security and guarantees for present and future indebtedness will be given upon banks' request, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank.

At March 31, 2002, bank deposit of ¥20 million is pledged for bank borrowings of Japan Business Create Co., Ltd., a consolidated subsidiary of the Company.

(8) Employees' Retirement Benefits

The plan's funded status and amount recognized in the consolidated balance sheets at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Retirement benefit obligation	**¥1,932**	¥5,009	**$14,526**
Plan assets at fair value	**—**	(681)	**—**
Retirement benefit obligation in excess of plan assets	**1,932**	4,328	**14,526**
Unrecognized transition difference at adoption of accounting standard for retirement benefits	**(505)**	(1,877)	**(3,797)**
Unrecognized actuarial loss	**34**	(35)	**256**
Unrecognized past service liabilities	**(194)**	(216)	**(1,459)**
Allowance for retirement benefits	**¥1,267**	¥2,198	**$ 9,526**

Net periodic benefit cost for the years ended March 31, 2002 and 2001 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥ 511**	¥383	**$ 3,842**
Interest cost	**162**	107	**1,218**
Estimated return on plan assets	**(13)**	(12)	**(98)**
Amortization of transition difference at adoption of accounting standard for retirement benefits	**521**	404	**3,917**
Amortization of actuarial loss	**(0)**	—	**(0)**
Amortization of past service liabilities	**21**	—	**158**
Net periodic benefit cost	**1,203**	883	**9,045**
Loss on termination and amendments of retirement benefit plans	**1,363**	—	**10,248**
Total cost	**¥2,567**	¥883	**$19,301**

Actuarial assumptions and basis for the calculation of retirement benefits are as follows:

	2002	2001
Method of benefit attribution	Benefit/year-of-service approach	Benefit/year-of-service approach
Discount rate	3.0%	3.0%
Estimated rate of return on plan assets	2.0%	2.0%
Period of amortization of unrecognized past service liabilities	10 years	10 years
Period of amortization of unrecognized actuarial gain or loss	5 years	5 years
Period of amortization of transition difference at adoption of accounting standard for retirement benefits	5 years	5 years

(9) Income Taxes

The Company and its domestic subsidiary are subject to Japanese corporation, inhabitant and business taxes based on income which, in the aggregate, result in a normal tax rate of approximately 42% for the years ended March 31, 2002 and 2001.

The income tax expenses reflected in the consolidated statements of income for the years ended March 31, 2002 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current	¥2,258	¥1,819	$16,977
Deferred	(1,989)	(92)	(14,955)
	¥ 268	¥1,726	$ 2,015

Reconciliations of the normal tax rate and the effective tax rate as a percentage of income before income taxes are as follows:

	2002	2001
Normal tax rate	42.0%	42.0%
Change in valuation allowance	(35.4)	—
Expenses not deductible for income tax purposes	2.8	1.9
Other	(0.5)	(0.5)
Effective tax rate	8.9%	43.4%

Significant components of deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Tax loss carryforward	**¥ 539**	¥ —	**$ 4,053**
Allowance for retirement benefits	**324**	459	**2,436**
Accrued expenses	**527**	438	**3,962**
Accrued business taxes	**135**	116	**1,015**
Amortization of goodwill	**793**	1,190	**5,962**
Other payables	**1,417**	—	**10,654**
Other	**497**	541	**3,737**
Total gross deferred tax assets	**4,235**	2,747	**31,842**
Less: Valuation allowance	**(677)**	(1,663)	**(5,090)**
Total net deferred tax assets	**3,558**	1,083	**26,752**
Deferred tax liabilities:			
Reserve for software development and maintenance provided solely for tax purpose	**(2,140)**	(1,764)	**(16,090)**
Other	**(2)**	(143)	**(15)**
Total deferred tax liabilities	**(2,142)**	(1,908)	**(16,105)**
Net deferred tax assets (liabilities)	**¥1,415**	¥ (824)	**$10,639**

Until March 31, 2001, certain consolidated subsidiaries did not recognize deferred tax assets since the temporary differences were not likely to be realized in the foreseeable future. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that one of the consolidated subsidiaries will realize the benefits of these deductible differences, net of valuation allowance, at March 31, 2002 in the foreseeable future. As a result, the deferred tax assets of the consolidated subsidiary were recognized with a change in valuation allowance as of March 31, 2002.

(10) Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Provision for doubtful receivables	**¥ 27**	¥ 38	**$ 203**
Sales promotion	**1,213**	1,218	**9,120**
Market development	**1,510**	1,247	**11,353**
Salary and wages	**4,400**	3,713	**33,083**
Provision for retirement benefits	**219**	180	**1,647**
Entrustment costs	**1,506**	1,523	**11,323**

(11) Research and Development Costs

Research and development costs charged to expenses for the years ended March 31, 2002 and 2001 are ¥951 million ($7,150 thousand) and ¥675 million, respectively.

(12) Amortization of Consolidation Goodwill

In connection with the recognition of deferred tax assets, which were not recognized in the prior year's consolidated financial statements, in a certain consolidated subsidiary as explained in note (9), the Company amortized the related consolidation goodwill of ¥793 million ($5,962 thousand) for the year ended March 31, 2002.

(13) Common Stock

During the years ended March 31, 2002, 2001 and 2000, the Company issued 1,481,420, 14,278,800 and 2,200 shares of common stock, respectively. The Company's share with ¥1,000 par value was split into 23 shares with ¥50 par value effectively on August 1, 2000. In addition, the Company's 1 share was split into 1.1 shares effectively on August 20, 2001. Due to amendments of the Japanese Commercial Code, which were effective on October 1, 2001, common stock has no par value.

(14) Additional Paid-in Capital, Retained Earnings and Dividends

The Japanese Commercial Code provided that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until such reserve equals 25% of common stock. The Japanese Commercial Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of common stock.

Retained earnings included legal reserve of ¥160 million ($1,203 thousand), ¥128 million and ¥118 million at March 31, 2002, 2001 and 2000, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Japanese Commercial Code.

In accordance with the Japanese Commercial Code, proposed appropriation of retained earnings has not been reflected in the financial statements at the end of each financial period. The proposed appropriation of retained earnings at March 31, 2002 which was approved by the shareholders' meeting held on June 25, 2002 was cash dividends of ¥325 million ($2,444 thousand) and directors' bonus of ¥24 million ($180 thousand).

(15) Transactions with Related Parties

At March 31, 2002 and 2001, the Company's outstanding shares of common stock are owned 61.8% and 54.3% by Dentsu Inc. and 38.2% and 45.7% by other shareholders, respectively.

Significant balances and transactions with Dentsu Inc. at and for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Trade notes and accounts receivable	**¥3,140**	¥1,327	**$23,609**
Net sales	**8,629**	8,576	**64,880**

(16) Leases

The Company and its consolidated subsidiaries occupy offices and other facilities under various lease arrangements.

Finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for as operating leases. Had machinery and equipment under such finance leases been capitalized at March 31, 2002 and 2001, the effect would be summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Market value at inception of leases	**¥6,932**	¥4,872	**$52,120**
Less: Accumulated depreciation	**3,441**	2,440	**25,872**
Assets under finance leases, net	**¥3,490**	¥2,432	**$26,241**

Future minimum payments required under finance leases at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Within one year	**¥1,554**	¥1,103	**$11,684**
Over one year	**1,997**	1,433	**15,015**
	¥3,551	2,537	**$26,699**

The lease expenses for finance leases for the years ended March 31, 2002 and 2001 amounted to ¥1,733 million ($13,030 thousand) and ¥1,398 million, respectively.

(17) Acquisitions

In March 2001, the Company acquired 60% of the outstanding shares in Brainyworks, Ltd. ("Brainyworks") in cash. As a result, the Company owns 70.0% of the outstanding shares in Brainyworks at March 31, 2002.

In May 2001and January 2002, the Company acquired, in two installments, 66.8% of the outstanding shares in Japan Business Create Co., Ltd. ("JBC") in cash. As a result, the Company owns 66.8% of the outstanding shares in JBC at March 31,2002.

In September 2001 and March 2002, the Company subscribed newly issued 333,333 shares in Keicho Ltd. ("Keicho") in connection with conversion of debentures and acquired 36.7% of the outstanding shares in Keicho in cash, respectively. As a result, the Company owns 91.7% of the outstanding shares in Keicho at March 31, 2002.

In March 2002, the Company acquired 51.0% of the outstanding shares in SIID Ltd. ("SIID") in cash. As a result, the Company owns 51.0% of the outstanding shares in SIID at March 31, 2002.

The difference between the purchase price and the fair value of the net assets of the acquired subsidiary at the date of acquisition is included in consolidation goodwill and amounted to ¥4,139 million ($31,120 thousand) and ¥3,638 million at March 31, 2002 and 2001, respectively. The consolidation goodwill is being amortized on a straight-line basis over 5 or 10 years.

In May and June 2001, the Company acquired 3.8% of the outstanding shares in Kanematsu Electronics Ltd. ("KEL") in cash and subscribed to purchase newly issued 1,980,000 shares in KEL in cash, respectively. As a result, the Company owns 20.0% of the outstanding shares in KEL, which is defined as an affiliated company of the Company, at March 31, 2002.

(18) Subsequent Event

(a) Share Split

Based on the resolution of the directors' meeting held on May 15, 2002, the Company's 1 share will be split into 2 shares, effective November 20, 2002. As a result, the number of the issued shares shall increase to 32,591,240 shares.

(b) Stock Option

At the directors' meeting held on May 15, 2002 and the shareholders' meeting held on June 25, 2002, the Company's directors and shareholders approved the following stock option plan.

(i) Type of shares applicable for stock option
Common stock

(ii) Persons to receive stock option and number of issuance of new shares for stock option
Directors and employees who have a role in division management of the Company and subsidiaries of the Company will be allocated with a maximum of 116,000 new shares.

(iii) Stock option exercise price
The stock option exercise price of the newly issued shares for the purpose of stock option is determined by the price multiplied 1.05 by the average of the closing prices of the Company's common stock in the previous month in which the new stock is issued, excluding non-trading days of the Tokyo Stock Exchange, with numbers less than ¥1 being rounded up, or the closing price on the issue date (or the most recent closing price in the event that there is no closing price for this date), whichever is higher.

(iv) Stock option exercise term
From June 26, 2004 to June 25, 2012.

Independent Auditors' Report

The Board of Directors and Shareholders
Information Services International-Dentsu, Ltd.

We have audited the consolidated balance sheets of Information Services International-Dentsu, Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly the financial position of Information Services International-Dentsu, Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis.

As described in note 2 to the consolidated financial statements, Information Services International-Dentsu, Ltd. and consolidated subsidiaries have adopted the new accounting standards for retirement benefits and financial instruments and the revised accounting standard for foreign currency transactions effective the year ended March 31, 2001 in the preparation of the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for the convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in note 3 to the consolidated financial statements.

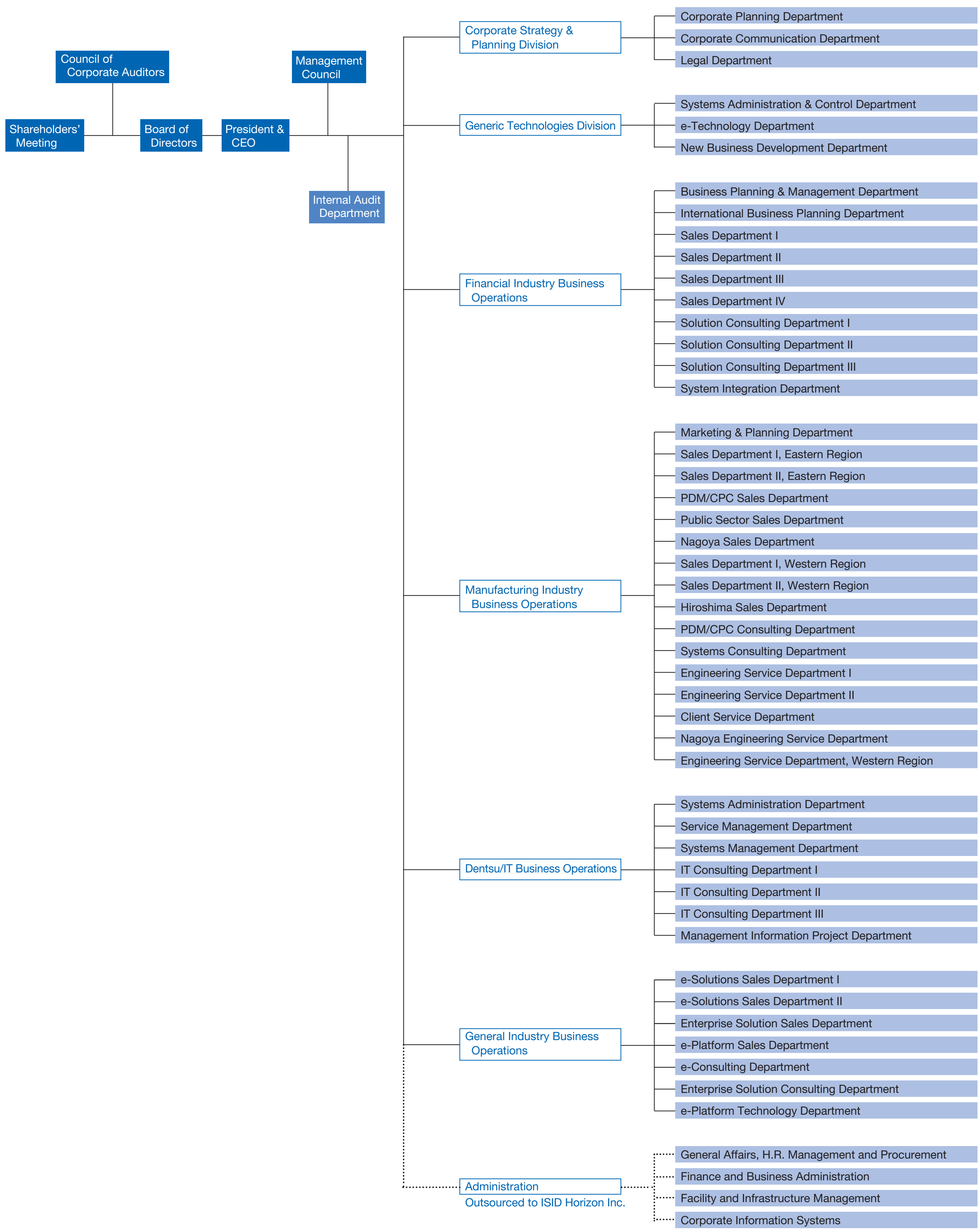
Shin Nihon & Co.

Tokyo, Japan
June 25, 2002

See note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Information Services International-Dentsu, Ltd. under Japanese accounting principles and practices.

Organization Chart

As of August 1, 2002



History

December 1975	Information Services International-Dentsu, Ltd. (ISID) was established as a joint venture of DENTSU Inc. and General Electric Company (GE) of the United States.
August 1976	Using the MARK III service as the delivery vehicle, distribution and joint use of external software provided by prominent foreign corporations and institutions was facilitated. Notably, structural analysis software developed by Structural Dynamics Research Corporation (SDRC) became the core service of the CAE (Computer-Aided Engineering) Marketing Department formed by the latter.
October 1979	With installation of the IBM3033/MVS System in GE's SuperCenter, MARK3000 was added to existing services.
April 1982	ISID debuted QUIK-COMM, Japan's first international electronic mail service, with the opening of the ICAS international public telecommunications network.
September 1982	ISID established the CAE Technology Center and, under license from SDRC, began marketing CAE software.
January 1986	Based on large IBM systems and DDX-P, ISID used its in-house network to launch the D*NET advanced information telecommunications service.
May 1986	ISID became a General Type II Telecommunications Carrier.
November 1986	ISID established London branch office in the U.K.
March 1987	Established ISI-Dentsu of America, Inc.
September 1988	ISID was registered as a Special Type II Telecommunications Carrier.
November 1988	ISID's headquarters moved to Nakano, Tokyo.
December 1988	ISID was recognized by the Ministry of International Trade and Industry (the present Ministry of Economy, Trade and Industry) as a qualified Systems Integrator.
February 1989	Dentsu Inc., commenced acceptance of ongoing orders of its in-house information system for system development and operation services.
October 1989	ISID established the Hong Kong branch office.
August 1990	Established ISI-Dentsu of Asia, Ltd. to take over the business of the Hong Kong branch office.
October 1990	Package software "GBS" was awarded the Super Information Processing System Prize from the Council of Information Promotion Month.
January 1991	Established ISI-Dentsu of Europe, Ltd. to take over the business of the London branch office.
April 1991	The Student Information Communications Thesis ISID Prize was established as part of the 15th Foundation Anniversary activities.
June 1991	Electronic Data Interchange System EDI*EXPRESS was awarded the Electro-Communications Service System Prize from the Council of TELECOM Promotion Weeks.
April 1992	Established ISI-Dentsu Singapore Pte. Ltd.

April 1994	Brussels branch office of ISID-Dentsu of Europe, Ltd. was established.
August 1994	ISID was elected to head the Telecommunications Services Association of Japan, an association of Type II Telecommunications Carriers.
January 1995	ISID commenced development of “Business Use Systems of the Internet” and an “Intranet System”, in cooperation with Netscape Communications, Inc.
July 1995	ISID was elected to head the Cyber Business Council.
January 1997	ISID began developing Asia-wide engineering business through the establishment of an R&D office within ISI-Dentsu Singapore Pte. Ltd.
March 1997	Established ISI-Dentsu (Malaysia) Sdn. Bhd. as a subsidiary of ISI-Dentsu Singapore Pte. Ltd.
April 1997	Established Mechanical Dynamics Japan K.K. as a joint venture with Mechanical Dynamics, Inc. of the U.S.
September 1997	Established wholly owned subsidiary ISI-Dentsu Holdings, Inc. in the U.S.
October 1997	Established C-Three Inc., as a joint venture with Trans Cosmos Inc.
February 1999	Established the Nishi-Ochiai office as a systems development center.
February 2000	ISI Dentsu Holdings, Inc. established Enterprise Financial Solutions, Inc. as a joint venture with The E/W Group, Inc.
March 2000	ISID was recognized by the Ministry of International Trade and Industry (the present Ministry of Economy, Trade and Industry) as a systems-operation service provider.
November 2000	Listed on the First Section of the Tokyo Stock Exchange.
March 2001	KISCO Solutions, Ltd., (the present Brainyworks, Ltd.) became an ISID subsidiary.
June 2001	Established iTiD Consulting, Ltd., as a joint venture with International TechneGroup Inc., of the U.S.
June 2001	Made Kanematsu Electronics Ltd. an affiliated company through acceptance of allocation of new stock to a third party.
August 2001	Established Account One Corporation as a joint venture with Hitachi Ltd., and Softbank Technology Holdings Corporation.
September 2001	Acquired additional shares in KEICHO, Ltd., to make it an ISID subsidiary (the present ISID InterTechnologies, Ltd.).
January 2002	Acquired additional shares in Japan Business Create Co., Ltd., to make it an affiliate.
February 2002	Established the subsidiary ISID Deloitte, Inc., as a joint venture with Deloitte & Tohmatsu Consulting Inc.
March 2002	Acquired additional shares in SIID Ltd., to make it an ISID subsidiary.
April 2002	Established the wholly-owned subsidiary ISID Horizon Inc.
May 2002	Established ISI-Dentsu Shanghai Co., Ltd., as a subsidiary of ISI-Dentsu of Asia Ltd.

Group Companies

As of June 2002

Consolidated Subsidiaries

Brainyworks, Ltd.
Harumi Island Triton Square Office
Tower X, 1-8-10, Harumi, Chuo-ku, Tokyo
104-6020, Japan
TEL: (03) 6220-3400
FAX: (03) 6220-3490

ISID InterTechnologies, Ltd.
Kakihara Asahi Eitai Bldg. 10F, 3-7-13
Toyo, Koto-ku, Tokyo 135-0016, Japan
TEL: (03) 5653-1641
FAX: (03) 3649-1019

SIID, Ltd.
Sumitomofudosaniidabashi Bldg. Tower 3
10F, 13-1 Nishigokencho,
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TEL: (03) 5206-8480
FAX: (03) 5206-8488

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Board of Directors

As of June 25, 2002

President and CEO	**Jutaro Takinami**
Executive Vice President	**Koichi Segawa**
Senior Executive Director	**Kenji Ryu**
Senior Executive Director	**Yutaka Kimura**
Senior Executive Director	**Tatsuo Otake**
Executive Director	**Naoki Kawajiri**
Executive Director	**Haruo Iwata**
Executive Director	**Hajime Oda**
Executive Director	**Yozo Ogata**
Executive Director	**Hirotaro Suzuki**
Standing Statutory Auditor	**Takeo Tsuchihashi**
Statutory Auditor	**Kazuo Ichijo**
Statutory Auditor	**Tadashi Kiuchi**
Statutory Auditor	**Tamotsu Murai**

Company Outline

Established
December 11,1975

Capital
¥8,180.5 million

Consolidated Number of Employees
1,782 (as of March 31, 2002)

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