

Consolidated Financial Results for the Fiscal Year Ended March 31, 2009

Name of Listed Company: Information Services International-Dentsu, Ltd.
 Listed Exchange: Tokyo
 Code Number: 4812
 URL: <http://www.isid.co.jp/english/index.html>
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Date of the general meeting of the shareholders' meeting: June 24, 2009
 Date of scheduled payment of dividends: June 25, 2009
 Date of scheduled filing of securities report: June 24, 2009

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

1. Consolidated Financial Results for FY 2008 (From April 1, 2008 to March 31, 2009)

(1) Consolidated Financial Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2008	75,148	(2.8)	4,481	(4.5)	4,628	(7.0)
FY 2007	77,311	2.8	4,694	39.6	4,974	37.4

	Net income		EPS	Diluted EPS	ROE	ROA	Ratio of operating income to net sales
	(million yen)	(%)	(yen)	(yen)	(%)	(%)	(%)
FY 2008	1,357	(40.4)	41.67	—	4.0	8.7	6.0
FY 2007	2,275	45.5	69.83	—	7.0	9.6	6.1

Ref.: Equity in earnings of affiliated companies: FY 2008: 29 million yen; FY 2007: 21 million yen

(Note) ROE: Ratio of net income to shareholders' equity ROA: Ratio of ordinary income to total assets

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
FY 2008	53,239	34,170	63.6	1,039.25
FY 2007	52,925	33,541	62.9	1,021.61

Ref.: Shareholders' equity: FY 2008: 33,862 million yen; FY 2007: 33,287 million yen

(3) Consolidated Cash Flow

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	(million yen)	(million yen)	(million yen)	(million yen)
FY 2008	9,663	(6,340)	(2,208)	14,174
FY 2007	5,458	(2,546)	(653)	13,153

2. Dividends

	Dividends per share			Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	Interim	Year-end	Annual			
	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
FY 2007	10.00	10.00	20.00	651	28.6	2.0
FY 2008	10.00	10.00	20.00	651	48.0	1.9
FY 2009 (Forecasts)	10.00	10.00	20.00		211.0	

3. Forecast of Consolidated Results for FY 2009 (From April 1, 2009 to March 31, 2010)

(% of change from the same period last year)

	Net sales		Operating income		Ordinary income		Net income		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half of FY 2009	30,224	(16.5)	(1,138)	—	(1,090)	—	(848)	—	(26.03)
FY 2009	67,837	(9.7)	1,010	(77.5)	1,092	(76.4)	309	(77.2)	9.48

4. Others

1. Changes in the scope of consolidation for significant subsidiaries during fiscal year ended March 31, 2009: None
2. Changes in significant accounting policies, procedures or presentation
 - (i) Adoption of new accounting standard: Yes
 - (ii) Changes other than (i): None
3. Issued and outstanding common stock
 - (i) Number of shares outstanding at end of period, including treasury stock:
FY 2008: 32,591,240 shares; FY 2007: 32,591,240 shares
 - (ii) Number of treasury stock at end of period:
FY 2008: 7,680 shares; FY 2007: 7,569 shares

(Reference) Summary of Non-Consolidated Financial Results

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

1. Non-Consolidated Results for FY 2008 (April 1, 2008 to March 31, 2009)

(1) Non-Consolidated Financial Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY 2008	59,485	(2.3)	3,700	5.3	4,040	0.9
FY 2007	60,871	4.2	3,513	85.6	4,004	72.6

	Net income		EPS	Diluted EPS
	(million yen)	(%)	(yen)	(yen)
FY 2008	976	(36.2)	29.98	—
FY 2007	1,529	22.0	46.94	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	(million yen)	(million yen)	(%)	(yen)
FY 2008	51,616	32,636	63.2	1,001.64
FY 2007	51,084	32,342	63.3	992.58

Ref.: Shareholders' equity: FY 2008: 32,636 million yen; FY 2007: 32,342 million yen

2. Forecast of Non-Consolidated Results for FY 2009 (From April 1, 2009 to March 31, 2010)

(% of change from the same period last year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half of FY 2009	23,733	(17.3)	(786)	—	(495)	—	(378)	—	(11.60)
FY 2009	53,399	(10.2)	919	(75.2)	1,493	(63.0)	750	(23.2)	23.02

Note: The above forecast has been calculated based on the currently available information as of the disclosure date of this document. The actual performance results of operation may differ from the forecast in accordance with changes in the various business factors.

1. Business Results

1) Analysis of Business Results

(1) Results for Fiscal 2008 (ended March 31, 2009)

The Japanese economy slowed considerably during the subject fiscal year (ended March 31, 2009), with the rising prices for oil and materials from the previous fiscal year followed by the widening impact from the global financial crisis from the third quarter, and leading to declines in exports, production, corporate earnings and employment.

The business climate for Information Services International-Dentsu, Ltd. (ISID) was extremely difficult, with companies increasingly scaling back IT investment from the third quarter. As a result, while the ISID Group's earnings grew steadily through the third quarter, growth slumped from the fourth quarter as curbs on investment began to have a strong impact.

Consolidated net sales for the ISID Group during fiscal 2008 amounted to ¥75,148 million (down 2.8% from the previous fiscal year). This was due mainly to a decrease in non-consolidated sales at ISID mainly in the service sector, and revenue declines at our subsidiary ISID TechnoSolutions, Ltd., and overseas subsidiaries in the U.S. and other countries.

Gross profit margin improved for the Group overall, due mainly to year-on-year gains at ISID, along with Brainyworks, Ltd. and certain other subsidiaries. Selling, general and administrative (SG&A) expenses, despite an increase in R&D expenses for software development, remained on a par with the previous fiscal year overall as a result of efforts to improve the utilization rate of engineers, and reduce costs.

Earnings were down nevertheless, with operating income totaling ¥4,481 million (down 4.5% year on year), and ordinary income of ¥4,628 million (down 7.0%). Net income declined considerably to ¥1,357 million (down 40.4%), due mainly to the recording of an extraordinary loss in the third quarter, a loss on valuation of goodwill related to the decline in value of shares in ISID TechnoSolutions, Ltd.

The consolidated subsidiary ESTECH Corporation changed the date of its fiscal year-end period from December to March. As a result, the ISID Group's consolidated results for fiscal 2008 include a total of 15 months from this subsidiary, the three-month period from January 1, 2008 to March 31, 2008, and the 12-month period from April 1, 2008 to March 31, 2009. For the three-month period from January 1, 2008 to March 31, 2008, net sales at this subsidiary amounted to ¥453 million, with operating income of ¥151 million (both after elimination of internal transactions). For the three-month period from January 1, 2009 to March 31, 2009, net sales amounted to ¥327 million, with operating income of ¥45 million (both after elimination of internal transactions).

Net Sales by Service Category

Net sales by service category are as follows. Service categories have been changed to the following from the subject fiscal year.

	FY 2007 (From April 1, 2007 to March 31, 2008)		FY 2008 (From April 1, 2008 to March 31, 2009)		Change from the previous year %
	Amount (million yen)	Ratio %	Amount (million yen)	Ratio %	
Consulting services	3,622	4.7	3,770	5.0	104.1
Custom system development	24,084	31.2	22,443	29.9	93.2
In-house software	9,023	11.7	9,782	13.0	108.4
Third-party software	26,241	33.9	25,222	33.6	96.1
Outsourcing, operation and maintenance services	5,136	6.6	5,938	7.9	115.6
IT equipment sales and others	9,203	11.9	7,990	10.6	86.8
Total	77,311	100.0	75,148	100.0	97.2

Note: "Consulting services" is consulting for business operations and IT. "Custom system development" is the building and maintenance of IT systems based on individual client specifications. "In-house software" is the sale of software developed internally, including add-on development, technical support and maintenance service. "Third-party software" is the sale of software purchased from other companies, including add-on development, technical support and maintenance service. "Outsourcing, operation and maintenance services" is the operation, maintenance, support for client IT systems, as well as business services on a contract basis. "IT equipment sales and others" is the sales and maintenance of hardware, as well as databases, middleware and other types of software and services.

Consulting services

Net Sales: ¥3,770 million (up 4.1% year on year)

Excluding the impact on sales from the consolidated subsidiary ESTECH Corporation's change to the date of its fiscal year-end (¥327 million for the three-month period from January 1, 2009 to March 31, 2009, after elimination of internal transactions), consolidated net sales in this category amounted to ¥3,443 million (down 4.9% year on year). Both ISID on a non-consolidated basis and its Group companies suffered a slight decrease during the fourth quarter of the subject fiscal year, mainly in consulting for the manufacturing industry in the product design and development field.

Custom system development

Net Sales: ¥22,443 million (down 6.8% year on year)

ISID on a non-consolidated basis posted a year-on-year decline in sales overall, as cutbacks on investment by major customers in the services industry offset steady year-on-year sales to the finance industry because of large-scale contracts including integration of systems of major financial institutions, creation of internet banking system, development of a back office system for a government-run financial institution.

Among Group companies, Brainyworks, Ltd. posted revenue declines mainly in financial institutions.

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

Net Sales: ¥9,782 million (up 8.4% year on year)

ISID on a non-consolidated basis recorded steady software sales for such products as "RiskTaker," a lending operation support software for the finance industry; "Q-style," a project management system for the manufacturing industry; and "Business Solution Series," a business operations support system linked to enterprise resource planning (ERP) system.

Among Group companies, Brainyworks, Ltd. posted strong sales for such products as "e-MARKETBRAIN," a call center system for the finance industry, and "POSITIVE," a human resources management system.

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

Net Sales: ¥25,222 million (down 3.9% year on year)

ISID on a non-consolidated basis posted a decline in revenue, as positive returns from add-on development and implementation support services for ERP systems was offset by a slight decrease in sales of CAE software in the manufacturing and product development field.

Among Group companies, ISID TechnoSolutions, Ltd. recorded a decline in sales of product development support software for the manufacturing industry, with Brainyworks, Ltd. also posting a slight decrease in sales.

Outsourcing, operation and maintenance services

Net Sales: ¥5,938 million (up 15.6% year on year)

The increase was due mainly to ISID on a non-consolidated basis, which recorded strong sales of operation and maintenance services for major clients, and expansion in outsourced CAE analysis from the manufacturing industry.

IT equipment sales and others

Net Sales: ¥7,990 million (down 13.2% year on year)

The decline was due mainly to the recording during the previous fiscal year of large-scale projects for major clients at ISID on a non-consolidated basis, resulting in decreased sales for the subject fiscal year.

(2) Forecast for Fiscal 2009 (ending March 31, 2010)

ISID expects that companies will continue to limit IT investment in the immediate future. The ISID Group will continue to offer clients the optimal solutions that directly address their business issues and provide a good return on investment, but is forecasting a difficult situation for earnings in fiscal 2009, as follows.

Earnings Forecast for Fiscal 2009 (April 1, 2009 to March 31, 2010)

	Consolidated		Non-Consolidated	
	Amount (million yen)	Change from the previous year (%)	Amount (million yen)	Change from the previous year (%)
Sales	67,837	90.3	53,399	89.8
Operating income	1,010	22.5	919	24.8
Ordinary income	1,092	23.6	1,493	37.0
Net income	309	22.8	750	76.8

For net sales, ISID is forecasting a slight decrease in all business sectors.

In the finance industry, ISID anticipates a decline in sales concentrated mainly in the Custom system development and Third-party software categories. In the manufacturing industry, we expect declines in the Consulting services category for the product design and development field, and in new sales in the Third-party software category. In the services industry, we are forecasting a decrease mainly in the Custom system development and Outsourcing, operation and maintenance services categories to key clients. And in the retail and other business sectors, we are also forecasting a slight decrease mainly in the Custom system development category.

In terms of earnings, ISID is forecasting a considerable earnings decline in fiscal 2009. We will make efforts to control

costs by reducing outsourcing expenses through utilizing offshore development and other costs, but anticipate that gross operating profit will decline with the falloff in sales. At the same time, we expect an increase in selling, general and administrative (SG&A) expenses, including R&D expenses and amortization costs for software used in-house.

Despite the continued bleak outlook for the business environment, the ISID Group will actively invest in research and development in order to enhance its competitive advantages for future growth. For the high-margin Consulting services and In-house software categories, ISID will continue to focus on developing unique methods for the ISID Group, strengthening existing software packages, and developing new software packages. For the high-growth Outsourcing, operation and maintenance services category, we will pursue proactive expansion by putting the new ISID Advanced Outsourcing, Ltd. established in March 2009 as the core, as well as work to establish a unique position within the industry, and implement restructuring and business strengthening with the aim of realizing a strong ISID Group.

As stated in “2. Management Policies; 2) Target Indicators, Long-Term Management Strategies and Issues to Address; (2) Continued Evolution of the Business Foundation” of this earnings report, at a meeting of its Board of Directors held on the day of the release of this report (May 11, 2009), ISID decided to absorb through merger its subsidiary Brainyworks, Ltd., and implement a business transfer from ISID TechnoSolutions, Ltd., effective October 1, 2009. We also decided to implement a restructuring of the ISID Group in the ASEAN region.

The acquisition of Brainyworks, Ltd. is not expected to have an impact on consolidated results for fiscal 2009. Business coordination costs associated with the restructuring in the ASEAN region were already recorded during the 2008 fiscal year, so we expect the impact on consolidated results for fiscal 2009 to be minimal.

The costs associated with the business transfer from ISID TechnoSolutions, Ltd. are currently being calculated, and since the impact on earnings from this transfer is not yet clear, it has not been incorporated into the above forecasts. Group earnings forecasts that incorporate the impact from the transfer will be disclosed once the amount of the impact amount has been determined.

Note: Forecasts and other statements regarding the future are based on judgments and assumptions drawn from information available at the time of preparation. Accordingly, actual results may vary from these forecasts as a result of inherent uncertainties, changes in internal or external business conditions, or other factors.

2) Analysis of Financial Position

Cash and cash equivalents on a consolidated basis at the end of the subject fiscal year (March 31, 2009) increased ¥1,020 million from the end of the previous fiscal year (March 31, 2008), for a total of ¥14,174 million.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥9,663 million at the end of the subject fiscal year. This was due mainly to outflows in income taxes paid (¥2,628 million); decrease in notes and accounts payable—trade (¥1,440 million); decrease in advances received (¥535 million); and decrease in accrued expenses (¥476 million); against inflows in income before income taxes (¥3,536 million); decrease in trade notes and accounts receivable (¥5,367 million); decrease in inventories (¥1,401 million); depreciation (¥3,095 million); and amortization of goodwill (¥1,313 million).

Compared to the previous fiscal year, cash provided by operating activities increased ¥4,205 million. This was due mainly to increases in decrease in notes and accounts receivable—trade (¥4,087 million); decrease in inventories (¥2,739 million); depreciation (¥1,575 million) stemming mainly from application of *Accounting Standard for Lease Transactions*; and amortization of goodwill (¥633 million), which exceeded decreases in decrease in accrued expenses (¥1,432 million); decrease in advances received (¥1,168 million); decrease in income before income taxes (¥1,127 million); and decrease in notes and accounts payable—trade (¥1,054 million).

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥6,340 million at the end of the subject fiscal year. This was due mainly to purchases of intangible assets such as software (¥3,004 million); purchases of property, plant and equipment (¥2,882 million); and payments of loans receivable (¥405 million).

Compared to the previous fiscal year, cash used in investing activities increased ¥3,794 million. This was due mainly to increases in purchases of property, plant and equipment (¥2,442 million); purchases of intangible assets such as software (¥845 million); and payments for loans receivable (¥401 million); along with a decrease in proceeds from sales of investment securities (¥228 million); which exceeded an increase in proceeds from collections of loans receivable (¥101 million).

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥2,208 million at the end of the subject fiscal year. This was due mainly to expenditures for repayment of lease obligations (¥1,557 million); and cash dividends paid (¥651 million).

Compared to the previous fiscal year, cash used in financing activities increased ¥1,555 million. This was due mainly to expenditures for repayment of lease obligations (¥1,557 million) stemming mainly from application of *Accounting Standard for Lease Transactions*.

Main financial indicators are as follows.

	FY 2006	FY 2007	FY 2008
Equity Ratio (%)	63.1	62.9	63.6
Equity Ratio on a Market Value Basis (%)	79.4	52.8	31.5
Cash Flow / Interest-Bearing Debt Ratio (years)	—	—	0.3
Interest Coverage Ratio (times)	—	—	127.8

Equity Ratio:

Shareholders' Equity / Total Assets

Equity Ratio on a Market Value Basis:

Market Value of All Shares / Total Assets

Cash Flow / Interest-Bearing Debt Ratio:

Interest-Bearing Debt / Cash Flow

Interest Coverage Ratio:

Cash Flow / Interest Payments

Notes:

1. All figures have been calculated based on a consolidated basis.
2. Market value of all shares is calculated based on the total number of shares issued excluding treasury stock.
3. Cash flow used is cash flow from operating activities.
4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets that pay interest.

3) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2008 and 2009

The basic policy of ISID is the long-term and stable return of profits to all shareholders.

In accordance with this policy, the Company decided at a meeting of the Board of Directors held November 11, 2008, that the distribution of retained earnings for the interim period (record date September 30, 2008) would be ¥10 per share.

The planned distribution of retained earnings for the year-end period (record date March 31, 2009) is ¥10 per share, for a full-year total equivalent to that of the previous fiscal year at ¥20 per share.

2. Management Policies

1) Basic Policy on Company Management

ISID's corporate philosophy is endeavor, as a group of innovative and creative professionals that makes a principle of honesty and sincerity, to contribute to the growth of our client companies and the advancement of society through the use of leading-edge technology. To realize our vision of being an "IT Solution Innovator," we provide cutting-edge, high quality services by continually responding appropriately to changes in the business environment, achieving long-term business development by earning the trust and satisfaction of customers.

2) Target Indicators, Medium- and Long-Term Management Strategies and Issues to Address

The ISID Group is currently following a medium-term business plan for the three years from fiscal 2008 to fiscal 2010. The subject fiscal year was the initial year for this plan.

Under the previous medium-term business plan ISID standardized its development and business practices, expanded and improved its business foundation, and regained profitability. The current plan seeks to further enhance the business foundation, and to establish a corporate "individuality" through development of new software products that will place ISID in a unique position distinct from its competitors, in order to realize a stronger ISID Group. Accordingly, we have set targets for fiscal 2010 of consolidated net sales of ¥88,000 million, an operating margin of 7%, and ROE of 8%, to be achieved wholly through organic growth that does not include M&A or other forms of external expansion.

Economic conditions and the business environment for the ISID Group have changed considerably since the announcement of this plan on May 11, 2008, and achieving these targets will not be easy. However, we will steadily implement our business measures aimed at achieving the "individuality" and realization of a strong ISID Group that underlie the targets of the medium-term business plan.

The progress made with the main measures of the medium-term business plan during the initial year is as follows.

(1) Generation of Solutions to Accelerate Customer Evolution

For the finance industry, we are supporting the international expansion of major financial institutions through their IT systems. We have successfully completed projects for Europe and China, and are planning support for the introduction of a system in the ASEAN region. In the field of financial market solutions to manage derivatives and other financial instruments, we began offering "Active Stream," a cutting-edge system from the U.S. firm Quartet Financial Systems, Inc. Also, in cooperation with Brainyworks, Ltd. we have also actively proposed new solutions such as the establishment of BANK•R, a common brand solution for regional financial institutions.

In product development solutions for the manufacturing industry, ISID is working to further strengthen its services and solution proposal capabilities. We also began offering "iPRIME NAVI," a system to help determine the optimal technological process for product development, which we developed based on the restructuring methods of iTiD Consulting, Ltd., a subsidiary that provides consulting for reform of product development processes.

In the field of solutions for ERP systems, to follow "BusinessSPECTRE," the data-linked framework that operates in conjunction with SAP ERP systems, we developed the workflow framework "BusinessHARMONY," and the global accounting introduction template "BusinessFUSION." During the subject fiscal year, we added 16 new clients for "BusinessSPECTRE," for a total of 32 companies. For the consolidated accounting system "STRAVIS," which has over 300 corporate users, we are conducting development to improve functionality, and introduce a pilot program. We are also

developing improved functionality for the human resource management system “POSITIVE.”

ISID also entered the internet advertising technology field by acquiring an equity stake in Criteria Communications, Inc., a subsidiary of the Dentsu Group’s Internet advertising company Cyber Communications, Inc. We also concluded a distributorship agreement with Fast Search & Transfer for “FAST ESP,” an internal search engine for corporate data, and plan to offer this system for such applications as marketing or internal company search engines.

(2) Continued Evolution of the Business Foundation

The ISID Group strengthened its system operations and maintenance business in order to broaden its base for stable earnings. Specifically, in July 2008 we purchased our own data center, and in March 2009 established ISID Advanced Outsourcing, Ltd. as a subsidiary. We will achieve business growth with this subsidiary as the core company for the Group’s operations and maintenance services. We also developed an internal system for use jointly by six companies in the ISID Group, which went into operation from April 2009. The wide-scale adoption of standardized business processes for the Group is part of an ongoing effort to standardize operations for the entire Group.

ISID is also taking steps to optimize the Group structure in response to changing business conditions and customer needs, including revisions to the makeup of each Group company. At a meeting of its Board of Directors held on the day of the release of this report (May 11, 2009), ISID decided to absorb through merger its subsidiary Brainyworks, Ltd., and implement a business transfer from ISID TechnoSolutions, Ltd., effective October 1, 2009.

The core business of Brainyworks, Ltd. is solutions for regional financial institutions, and human resource management solutions. ISID is also focused on the solutions business for regional financial institutions, as well as the group management solutions business offering management support systems such as accounting systems and ERP systems. ISID and Brainyworks have up to now worked in collaboration on such projects as establishing a common brand solution for regional financial institutions. However, in order to respond to the anticipated increases in diversification and sophistication of customer needs, we determined that it would be best to combine the solutions business for regional financial institutions from both companies, and to merge the human resource management solutions business into the group management solutions business.

The merger will unify all processes, from the forming of business strategy to sales and technology, while also furthering the development of software that utilizes the expertise and technological capabilities of both companies, which will help further broaden solutions, and improve services. Since such benefits to business through the concentration of management resources are significant, and the efficiency of Group management will be enhanced through greater efficiency from redundant administrative departments, we decided to absorb Brainyworks, Ltd. through merger.

ISID TechnoSolutions, Ltd. sells software and provides technical support services for the manufacturing industry related to design (CAD) and production preparations (CAM). The subsidiary has suffered poor performance over the past few years as the market for high-end CAD and CAM software has become saturated. Despite restructuring efforts such as bolstering its solution-oriented business, earnings have further declined due to the impact of curbs on IT investment in the manufacturing industry. ISID determined that it would be difficult for the subsidiary to quickly reform its business and achieve recovery on its own.

ISID felt its priority was to avoid any impact on the approximately 1,200 client companies and business partners, and so to sustain the software and services provided by ISID TechnoSolutions, decided to transfer the business to ISID, and dissolve ISID TechnoSolutions. ISID will incorporate the subsidiary’s strengths in molds and production preparation know-how, and the software products it has developed, and by rebuilding it as part of ISID’s product development solutions for the manufacturing industry, will work to offer services with even greater levels of added value.

ISID will also restructure its operations in the ASEAN region. Japanese financial institutions are stepping up their entry into the region, and the IT system needs for their overseas branch offices are growing at the same time that Japanese manufacturers are slowing the pace of establishing large-scale product development facilities. In view of these circumstances, ISID has selected ISI-Dentsu South East Asia Pte. Ltd. (“ISID Singapore”) to be the central office providing solution services to Japanese financial institutions. The product development support software sales and maintenance business for Japanese manufacturers provided by ISID Singapore, and all shares in ISI-Dentsu South East Asia (Malaysia) Sdn. Bhd., a wholly owned subsidiary for ISID Singapore providing the same business in Malaysia, will be sold to a local company in Singapore. ISID South East Asia (Thailand) Co., Ltd., which provides the same business in Thailand, will be dissolved following the sale of its business to a local company in Thailand.

In other areas of Asia outside the ASEAN region, ISID’s Shanghai subsidiary ISI-Dentsu Shanghai Co., Ltd. (“ISID Shanghai”), and its Hong Kong subsidiary ISI-Dentsu of Hong Kong, Ltd., will continue to provide solution services mainly to Japanese financial and manufacturing companies entering China. In addition, as Japanese companies seek greater sophistication in their global management, there has been growing demand in recent years for the introduction of ERP at their overseas subsidiaries in the ASEAN and China region. We plan for ISID Shanghai and ISID Singapore to take the lead in actively providing services to support the introduction of such systems, including local development.

The ISID Group will continue to further strengthen its ability to offer solutions through the implementation of the measures in its medium-term business plan, as well as establish a unique position in the industry, realize a strong ISID Group, and seek even greater growth.

Consolidated Financial Statements

Consolidated Balance Sheets

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

Item	Period	As of March 31, 2008	As of March 31, 2009
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		2,210	3,330
Notes and accounts receivable—trade		18,813	13,429
Lease investment assets		—	143
Short-term investment securities		50	—
Inventories		2,331	—
Merchandise and finished goods		—	28
Work in process		—	884
Raw materials and supplies		—	16
Deferred tax assets		1,504	1,260
Advance payments—trade		3,767	3,775
Deposit paid		10,943	10,940
Other		474	522
Allowance for doubtful accounts		(24)	(38)
Total current assets		40,070	34,293
Noncurrent assets:			
Property, plant and equipment:			
Buildings, net		981	1,275
Tools, furniture and fixtures, net		263	338
Land		—	2,137
Lease assets, net		—	2,187
Construction in progress		—	94
Other, net		2	—
Total property, plant and equipment		1,247	6,034
Intangible assets:			
Software		3,065	4,822
Goodwill		2,316	1,002
Lease assets		—	720
Other		76	52
Total intangible assets		5,458	6,597
Investments and other assets:			
Investment securities		1,866	1,805
Long-term loans receivable		2	303
Deferred tax assets		242	354
Lease and guarantee deposits		3,580	3,492
Other		456	364
Allowance for doubtful accounts		(1)	(5)
Total investments and other assets		6,148	6,314
Total noncurrent assets		12,854	18,945
Total assets		52,925	53,239

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

Item	Period	As of March 31, 2008	As of March 31, 2009
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		7,323	5,881
Lease obligations		—	1,338
Accrued expenses		3,079	2,635
Income taxes payable		2,078	1,451
Advances received		4,779	4,238
Other		1,903	1,581
Total current liabilities		19,164	17,126
Noncurrent liabilities:			
Lease obligations		—	1,742
Deferred tax liabilities		55	—
Provision for retirement benefits		97	—
Provision for directors' retirement benefits		63	63
Other		2	135
Total noncurrent liabilities		219	1,942
Total liabilities		19,384	19,068
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		9,939	10,645
Treasury stock		(28)	(28)
Total shareholders' equity		33,377	34,083
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities		88	26
Deferred gains or losses on hedges		(20)	10
Foreign currency translation adjustments		(157)	(258)
Total valuation and translation adjustments		(89)	(221)
Minority interests		253	308
Total net assets		33,541	34,170
Total liabilities and net assets		52,925	53,239

Consolidated Statements of Income

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

Item	Period	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
		Amount	Amount
Net sales		77,311	75,148
Cost of sales		53,699	51,751
Gross profit		23,612	23,396
Selling, general and administrative expenses		18,917	18,915
Operating income		4,694	4,481
Non-operating income:			
Interest income		100	110
Dividends income		22	29
Equity in earnings of affiliates		21	29
Foreign exchange gains		115	28
Miscellaneous income		53	77
Total non-operating income		314	275
Non-operating expenses:			
Interest expenses		—	75
Provision of allowance for doubtful accounts		—	24
Loss on investments in partnership		15	26
Additional taxes		15	—
Miscellaneous loss		2	2
Total non-operating expenses		34	129
Ordinary income		4,974	4,628
Extraordinary income:			
Gain on sales of investment securities		138	4
Surrender value of insurance		—	35
Total extraordinary income		138	40
Extraordinary loss:			
Loss on sales of noncurrent assets		—	1
Loss on retirement of noncurrent assets		111	12
Loss on valuation of investment securities		59	141
Loss on valuation of membership		—	0
Loss on valuation of goodwill		53	748
Loss on business of subsidiaries and affiliates		—	42
Loss on valuation of software		214	45
Loss on adjustment for changes of accounting standard for lease transactions		—	50
Loss on abolishment of retirement benefit plan		—	85
Special retirement expenses		—	4
Other		10	—
Total extraordinary loss		449	1,132
Income before income taxes and minority interests		4,663	3,536
Income taxes—current		2,945	2,023
Income taxes—deferred		(595)	99
Total income taxes		2,349	2,123
Minority interests in income		39	55
Net income		2,275	1,357

Consolidated Statements of Changes in Net Assets

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

Period	(Millions of yen; amounts less than one million yen are rounded down.)	
	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Item	Amount	Amount
Shareholders' equity:		
Capital stock:		
Balance at the end of previous period	8,180	8,180
Changes of items during the period:		
Total changes of items during the period	—	—
Balance at the end of current period	8,180	8,180
Capital surplus:		
Balance at the end of previous period	15,285	15,285
Changes of items during the period:		
Total changes of items during the period	—	—
Balance at the end of current period	15,285	15,285
Retained earnings:		
Balance at the end of previous period	8,316	9,939
Changes of items during the period:		
Dividends from surplus	(651)	(651)
Net income	2,275	1,357
Total changes of items during the period	1,623	706
Balance at the end of current period	9,939	10,645
Treasury stock:		
Balance at the end of previous period	(28)	(28)
Changes of items during the period:		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(28)	(28)
Total shareholders' equity:		
Balance at the end of previous period	31,754	33,377
Changes of items during the period:		
Dividends from surplus	(651)	(651)
Net income	2,275	1,357
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	1,623	706
Balance at the end of current period	33,377	34,083

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

Item	Period	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
		Amount	Amount
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities:			
Balance at the end of previous period		233	88
Changes of items during the period:			
Net changes of items other than shareholders' equity		(144)	(61)
Total changes of items during the period		(144)	(61)
Balance at the end of current period		88	26
Deferred gains or losses on hedges:			
Balance at the end of previous period		0	(20)
Changes of items during the period:			
Net changes of items other than shareholders' equity		(20)	31
Total changes of items during the period		(20)	31
Balance at the end of current period		(20)	10
Foreign currency translation adjustments:			
Balance at the end of previous period		10	(157)
Changes of items during the period:			
Net changes of items other than shareholders' equity		(168)	(100)
Total changes of items during the period		(168)	(100)
Balance at the end of current period		(157)	(258)
Total valuation and translation adjustments:			
Balance at the end of previous period		243	(89)
Changes of items during the period:			
Net changes of items other than shareholders' equity		(333)	(131)
Total changes of items during the period		(333)	(131)
Balance at the end of current period		(89)	(221)
Minority interests:			
Balance at the end of previous period		213	253
Changes of items during the period:			
Net changes of items other than shareholders' equity		39	55
Total changes of items during the period		39	55
Balance at the end of current period		253	308
Total net assets:			
Balance at the end of previous period		32,212	33,541
Changes of items during the period:			
Dividends from surplus		(651)	(651)
Net income		2,275	1,357
Purchase of treasury stock		(0)	(0)
Net changes of items other than shareholders' equity		(294)	(76)
Total changes of items during the period		1,328	629
Balance at the end of current period		33,541	34,170

Consolidated Statements of Cash Flows

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

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	4,663	3,536
Depreciation and amortization	1,520	3,095
Amortization of goodwill	680	1,313
Increase (decrease) in allowance for doubtful accounts	(11)	12
Increase (decrease) in provision for retirement benefits	13	(97)
Increase (decrease) in provision for directors' retirement benefits	1	—
Increase (decrease) in provision for loss on order received	(104)	—
Interest and dividends income	(123)	(140)
Interest expenses	—	75
Equity in (earnings) losses of affiliates	(3)	(18)
Loss on business of subsidiaries and affiliates	—	42
Loss on retirement of noncurrent assets	111	12
Loss on valuation of software	214	45
Loss (gain) on adjustment for changes of accounting standard for lease transactions	—	50
Loss (gain) on sales of investment securities	(138)	(4)
Loss (gain) on valuation of investment securities	59	141
Decrease (increase) in notes and accounts receivable—trade	1,280	5,367
Decrease (increase) in inventories	(1,338)	1,401
Decrease (increase) in advance payments	(116)	(12)
Increase (decrease) in notes and accounts payable—trade	(386)	(1,440)
Increase (decrease) in accrued expenses	956	(476)
Increase (decrease) in advances received	633	(535)
Increase (decrease) in accrued consumption taxes	28	(157)
Other, net	56	15
Subtotal	7,998	12,228
Interest and dividends income received	120	138
Interest expenses paid	—	(75)
Income taxes paid	(2,659)	(2,628)
Net cash provided by operating activities	5,458	9,663
Net cash provided by (used in) investing activities:		
Payments into time deposits	—	(306)
Proceeds from withdrawal of time deposits	—	201
Proceeds from redemption of securities	—	50
Purchase of property, plant and equipment	(440)	(2,882)
Purchases of intangible assets	(2,159)	(3,004)
Purchases of investment securities	(94)	(171)
Proceeds from sales of investment securities	236	8
Payments of loans receivable	(4)	(405)
Collection of loans receivable	2	103
Payments for lease and guarantee deposits	(32)	(17)
Proceeds from collection of lease and guarantee deposits	21	103
Other, net	(76)	(19)
Net cash used in investing activities	(2,546)	(6,340)
Net cash provided by (used in) financing activities:		
Repayments of lease obligations	—	(1,557)
Cash dividends paid	(651)	(651)
Other, net	(1)	(0)
Net cash used in financing activities	(653)	(2,208)
Effect of exchange rate change on cash and cash equivalents	(148)	(92)
Net increase (decrease) in cash and cash equivalents	2,110	1,020
Cash and cash equivalents at beginning of period	11,042	13,153
Cash and cash equivalents at end of period	13,153	14,174