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February 3, 2010

Consolidated Financial Results for the Third Quarter of FY2009

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 scheduled filing of securities report: February 10, 2010

Date of scheduled payment of dividends: ---

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

1. Consolidated Business Performance for the Nine Months Ended December 31, 2009 (from April 1, 2009 to December 31, 2009)

(1) Consolidated Operating Results (Cumulative)

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

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2009	40,761	(22.8)	(2,706)	—	(2,569)	—	(2,184)	—
Nine months ended December 31, 2008	52,793	—	1,879	—	2,087	—	(39)	—

	Net income (loss) per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2009	(67.04)	—
Nine months ended December 31, 2008	(1.22)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2009	46,051	31,176	67.1	948.28
As of March 31, 2009	53,239	34,170	63.6	1,039.25

(Reference) Total shareholders' equity: As of December 31, 2009: ¥30,898 million
As of March 31, 2009: ¥33,862 million

2. Dividends

Record date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2009	—	10.00	—	10.00	20.00
Fiscal year ending March 31, 2010	—	10.00	—		
Fiscal year ending March 31, 2010 (Forecast)				10.00	20.00

Note: Revision to dividend forecasts in the current quarter: No

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

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

	Net sales		Operating income (loss)		Ordinary income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending March 31, 2010	60,971	(18.9)	(986)	—	(958)	—

	Net income (loss)		Net income (loss) per share
	Millions of yen	%	Yen
Fiscal year ending March 31, 2010	(530)	—	(16.27)

Note: Revision to the forecasts of financial results in the current quarter: Yes

4. Other Items

1. Changes in the scope of consolidation for significant subsidiaries during three months: None
 Added: __ companies () Removed: __ companies ()
2. Application of simplified accounting procedures or special accounting procedures for the quarterly consolidated financial statements: None
3. Changes in significant accounting policies, procedures or presentation method, etc. for the quarterly consolidated financial statements:
 - 1) Adoption new of accounting standards: Yes
 - 2) Changes other than 1): None
4. Issued and outstanding common stock
 - 1) Number of shares issued and outstanding at end of period, including treasury stock:

December 31, 2009:	32,591,240 shares	March 31, 2009:	32,591,240 shares
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 - 2) Number of treasury stock at end of period:

December 31, 2009:	7,813 shares	March 31, 2009:	7,680 shares
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 - 3) Average number of shares outstanding for each period (cumulative quarterly period):

Nine months ended December 31, 2009:	32,583,523 shares	Nine months ended December 31, 2008:	32,583,613 shares
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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. Qualitative Information on Consolidated Results

The Japanese economy through the third quarter of FY2009 (April 1, 2009 – December 31, 2009) continued to present a clouded picture in terms of the economic outlook. While there were signs of recovery in certain areas of manufacturing and exports against the backdrop of economic stimulus measures enacted by governments around the world, conditions for employment and wages remained poor, and concerns arose about a double-dip in the economy due to appreciation of the yen and other factors.

Under such conditions, the ISID Group actively made proposals that address the priority issues of its clients, namely building systems to bolster the client's business, and introducing systems to reduce costs and improve operational efficiency. We also implemented various measures to bolster solutions competitiveness, including pursuing R&D, integrating businesses with subsidiaries Brainyworks, Ltd. and ISID TechnoSolutions, Ltd., launching the outsourcing operations and maintenance company ISID Advanced Outsourcing, Ltd., and conducting a capital and business tie-up with Bit-isle Inc.

However, despite continued aggressive IT investment among certain client companies, the finance, manufacturing and service industries that account for the majority of the ISID Group's customers have shown no significant change in their tendency to curb IT investment overall since the second half of the previous fiscal year, and orders received by the Group remained at low levels.

As a result, consolidated net sales declined sharply during the subject nine-month period, down 22.8% to ¥40,761 million from the same period of the previous fiscal year.

In terms of earnings, gross profit declined from the same period of the previous fiscal year, due to the falloff in revenue, along with a fall in the gross profit margin in the Consulting services and Custom system development segments. Selling, general and administrative (SG&A) expenses, however, rose from a year earlier as a result of such factors as an increase in depreciation and amortization ahead of the implementation of a new internal IT system. As a result, ISID posted an operating loss for the nine-month period of ¥2,706 million (compared to an operating income of ¥1,879 million in the same period of the previous fiscal year), with an ordinary loss of ¥2,569 million (compared to ordinary income of ¥2,087 million in the previous fiscal year). The Company also posted a net loss for the subject period of ¥2,184 million (compared to a net loss of ¥39 million in the same period of the previous fiscal year).

ISID Group net sales by service category are as follows.

Consulting services

Net Sales: ¥1,197 million (down 52.3% year on year)

Sales declined from the same period of the previous fiscal year, mainly in consulting for the manufacturing industry in the product design and development field.

Custom system development

Net Sales: ¥11,206 million (down 27.4% year on year)

Sales declined from the same period of the previous fiscal year, centered on the major customers in the finance and service industries.

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

Net Sales: ¥5,349 million (down 15.6% year on year)

Sales in the consolidated accounting and human resource management field rose steadily, but declined from the same period of the previous fiscal year centered on software licenses to financial firms, and manufacturing companies in the product design and development field.

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

Net Sales: ¥14,214 million (down 22.3% year on year)

Sales declined from the same period of the previous fiscal year, focused on software licenses and technical support services to the manufacturing industry in the product design and development field, as well as add-on development and technical support services for the finance industry and ERP systems.

Outsourcing, operation and maintenance services

Net Sales: ¥3,732 million (down 13.8% year on year)

Sales were down from the same period of the previous fiscal year, mainly to major customers in the service industry.

IT equipment sales and others

Net Sales: ¥5,061 million (down 14.0% year on year)

Sales were down from the same period of the previous fiscal year, mainly to the finance industry.

2. Qualitative Information on the Consolidated Financial Position

Cash and cash equivalents (“cash”) on a consolidated basis at the end of the subject third quarter (December 31, 2009) decreased ¥4,528 million from the end of the previous fiscal year (March 31, 2009), to ¥9,646 million.

Cash flows and the main factors affecting cash flow during the subject nine months are as follows.

Cash Flow from Operating Activities

Net cash used in operating activities amounted to ¥315 million at the end of the subject third quarter. This was due mainly to a decrease in notes and accounts receivable—trade (¥5,441 million); an increase in advances received (¥533 million); a decrease in advance payments (¥428 million); an increase in provision for loss on orders received (¥330 million); depreciation and amortization (¥2,424 million); a loss on retirement of noncurrent assets (¥478 million), and amortization of goodwill (¥311 million); against a loss before an income taxes and minority interests (¥3,270 million); a decrease in notes and accounts payable—trade (¥2,325 million), an increase in inventories (¥2,098 million); income taxes paid (¥1,399 million); and a decrease in accrued expenses (¥1,010 million).

Compared to the same period of the previous fiscal year, cash used in operating activities increased ¥7,510 million. This was due mainly to decreases in cash that included an increase in loss before income taxes and minority interests (¥4,375 million); a decrease in recovery amount of notes and accounts receivable—trade (¥3,024 million); a decrease in advances received (¥1,044 million); and an increase in inventories (¥1,003 million); which exceeded increases in cash that included a decrease in income taxes paid (¥1,160 million); and a decrease in advance payments (¥866 million).

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥2,459 million at the end of the subject third quarter. This was due mainly to proceeds from withdrawal of time deposits (¥248 million); collection of loans receivable (¥202 million); and proceeds from collection of lease and guarantee deposits (¥113 million); against expenditures for purchases of investment securities (¥1,229 million); purchases of intangible assets such as software (¥939 million); payments into time deposits (¥485 million); and purchase of property, plant and equipment (¥327 million).

Compared to the same period of the previous fiscal year, cash used in investing activities decreased by ¥3,014 million. This was due mainly to decreases in cash used that included a decrease in purchase of property, plant and equipment (¥1,883 million); a decrease in purchases of intangible assets such as software (¥1,562 million); a decrease of payments of loans receivable (¥389 million); and collection of loans receivable (¥200 million); which exceeded increases in cash used that included an increase in expenditures for purchases of investment securities (¥1,069 million).

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥1,739 million at the end of the subject third quarter. This was due mainly to repayments of lease obligations (¥1,087 million); and cash dividends paid (¥651 million).

Compared to the same period of the previous fiscal year, cash used in financing activities decreased by ¥114 million. This was due mainly to a decrease in repayment of lease obligations (¥114 million).

3. Qualitative Information on Consolidated Forecasts

The curbs on corporate IT investment that began in the latter half of the previous fiscal year continued to make for difficult circumstances during the subject third quarter (October 1–December 31, 2009).

Under such conditions, the ISID Group took proactive steps to further strengthen its proposal efforts, bolster in-house software, and develop new solutions. As a result, although orders received declined 8.0% in the subject third quarter compared to the same period of the previous fiscal year, this was a definite improvement over the 35.8% year-on-year decline for the second quarter (July 1–September 30, 2009).

However, corporate IT investment remains tightly restrained, particularly for new projects, and decision-making has become increasingly protracted. As a result, we anticipate that the ISID Group's sales will fall below the previous forecast (October 29, 2009), centered on consulting services, custom system development, in-house software and third-party software licenses.

Earnings are also expected to fall below the previous forecast, as despite efforts to lower costs by utilizing offshore development and other means, the gross profit margin has fallen with the decline in revenue, while SG&A expenses have risen, centered on expenses related to idle engineers. As a result, we are revising our full-year earnings forecast from that announced on October 29, 2009. For details, see "Notice of Revision to Forecasts (Consolidated and Non-Consolidated) for the Fiscal Year Ending March 2010" released on February 3, 2010.

Note: Forecasts are based on information available at the time of the release of this document. Actual results may vary from forecasts due to a variety of factors.

4. Other Items

1. Changes in the scope of consolidation for significant subsidiaries during three months: None
2. Application of simplified accounting procedures or special accounting procedures for the quarterly consolidated financial statements: None
3. Changes in significant accounting policies, procedures or presentation method, etc. for the quarterly consolidated financial statements:

Change in standard for recording net sales and cost of sales

In its accounting standard for recording revenues related to software produced under contract, ISID had previously used the completed-contract method. From the first quarter of the subject fiscal year, however, ISID has applied Accounting Standards Board of Japan (ASBJ) Statement No. 15 (December 27, 2007), "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 (December 27, 2007), "Guidance on Accounting Standard for Construction Contracts." Accordingly, the percentage-of-completion method has been used for contracts for which work began during the subject first quarter period, and for which the percentage of completion at the end of the subject third quarter can be reliably determined. The completed-contract method has been used for all other contracts.

As a result, net sales were increased by ¥360 million, while the operating loss, ordinary loss and net loss before income taxes and minority interests were all decreased by ¥134 million.

Consolidated Financial Statements

Consolidated Balance Sheets

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

Item	Period	As of December 31, 2009	As of March 31, 2009
		Amount	Amount
(Assets)			
Current assets:			
Cash and deposits		3,087	3,330
Notes and accounts receivable—trade		7,979	13,429
Merchandise and finished goods		83	28
Work in process		2,926	884
Raw materials and supplies		14	16
Advance payments—trade		3,331	3,775
Deposit paid		6,887	10,940
Other		2,123	1,926
Allowance for doubtful accounts		(44)	(38)
Total current assets		29,388	34,293
Noncurrent assets:			
Property, plant and equipment		6,021	6,034
Intangible assets:			
Goodwill		691	1,002
Other		4,890	5,594
Total intangible assets		5,581	6,597
Investments and other assets:			
Investments and other assets		8,062	6,319
Allowance for doubtful accounts		(1)	(5)
Total investments and other assets		8,060	6,314
Total noncurrent assets		19,663	18,945
Total assets		46,051	53,239

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

Item	Period	As of December 31, 2009	As of March 31, 2009
		Amount	Amount
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade		3,533	5,881
Income taxes payable		110	1,451
Advances received		4,745	4,238
Provision for loss on order received		330	—
Other		4,322	5,555
Total current liabilities		13,042	17,126
Noncurrent liabilities:			
Provision for directors' retirement benefits		63	63
Other		1,768	1,878
Total noncurrent liabilities		1,832	1,942
Total liabilities		14,874	19,068
(Net assets)			
Shareholders' equity:			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		7,852	10,645
Treasury stock		(28)	(28)
Total shareholders' equity		31,290	34,083
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities		(132)	26
Deferred gains or losses on hedges		5	10
Foreign currency translation adjustments		(263)	(258)
Total valuation and translation adjustments		(391)	(221)
Minority interests		278	308
Total net assets		31,176	34,170
Total liabilities and net assets		46,051	53,239

Consolidated Statements of Income

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

Item	Period	Nine months ended December 31, 2008	Nine months ended December 31, 2009
		Amount	Amount
Net sales		52,793	40,761
Cost of sales		36,624	28,807
Gross profit		16,168	11,953
Selling, general and administrative expenses		14,289	14,659
Operating income (loss)		1,879	(2,706)
Non-operating income:			
Interest income		84	47
Dividends income		29	31
Equity in earnings of affiliates		19	—
Foreign exchange gains		108	82
Miscellaneous income		50	39
Total non-operating income		293	201
Non-operating expenses:			
Interest expenses		57	50
Equity in losses of affiliates		—	6
Loss on investments in partnership		19	—
Miscellaneous loss		7	6
Total non-operating expenses		84	64
Ordinary income (loss)		2,087	(2,569)
Extraordinary income			
Gain on sales of investment securities		4	—
Settlement received		—	151
Total extraordinary income		4	151
Extraordinary loss:			
Loss on sales of noncurrent assets		0	3
Loss on retirement of noncurrent assets		9	478
Loss on cancellation of lease contracts		—	0
Loss on valuation of investment securities		25	0
Loss on valuation of membership		—	10
Amortization of goodwill		748	—
Loss on business restructuring		—	299
Loss on business of subsidiaries and affiliates		104	—
Office transfer expenses		—	53
Loss on valuation of software		45	—
Loss on adjustment for changes of accounting standard for lease transactions		50	—
Compensation for damage		—	6
Special retirement expenses		1	—
Other		0	—
Total extraordinary loss		986	851
Income (loss) before income taxes and minority interests		1,105	(3,270)
Income taxes—current		681	108
Income taxes for prior periods		—	(70)
Income taxes—deferred		427	(1,093)
Total income taxes		1,108	(1,055)
Minority interests in income (loss)		36	(30)
Net loss		(39)	(2,184)

Consolidated Statements of Cash Flows

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

Item	Period	Nine months ended December 31, 2008	Nine months ended December 31, 2009
		Amount	Amount
Net cash provided by (used in) operating activities:			
Income (loss) before income taxes and minority interests		1,105	(3,270)
Depreciation and amortization		2,364	2,424
Amortization of goodwill		1,209	311
Increase (decrease) in allowance for doubtful accounts		5	8
Increase (decrease) in provision for retirement benefits		4	—
Increase (decrease) in provision for loss on order received		—	330
Interest and dividends income		(114)	(79)
Interest expenses		57	50
Equity in (earnings) losses of affiliates		(9)	6
Loss on business of subsidiaries and affiliates		104	—
Loss on retirement of noncurrent assets		9	478
Loss on valuation of software		45	—
Settlement received		—	(151)
Loss on business restructuring		—	299
Office transfer expenses		—	53
Loss on compensation for damage		—	6
Loss (gain) on adjustment for changes of accounting standard for lease transactions		50	—
Loss (gain) on sales of investment securities		(4)	—
Loss (gain) on valuation of investment securities		25	0
Loss on valuation of membership		—	10
Decrease (increase) in notes and accounts receivable—trade		8,465	5,441
Decrease (increase) in inventories		(1,095)	(2,098)
Decrease (increase) in advance payments		(438)	428
Increase (decrease) in notes and accounts payable—trade		(2,272)	(2,325)
Increase (decrease) in accrued expenses		(1,361)	(1,010)
Increase (decrease) in advances received		1,577	533
Increase (decrease) in accrued consumption taxes		(349)	(361)
Other, net		319	47
Subtotal		9,700	1,134
Interest and dividends income received		112	95
Interest expenses paid		(57)	(51)
Settlement received		—	151
Payments for business restructuring		—	(186)
Office transfer expenses paid		—	(53)
Compensation for damage paid		—	(6)
Income taxes paid		(2,559)	(1,399)
Net cash provided by (used in) operating activities		7,195	(315)

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

Period	Nine months ended December 31, 2008	Nine months ended December 31, 2009
	Amount	Amount
Net cash provided by (used in) investing activities:		
Payments into time deposits	(325)	(485)
Proceeds from withdrawal of time deposits	—	248
Proceeds from redemption of securities	50	—
Purchase of property, plant and equipment	(2,210)	(327)
Purchases of intangible assets	(2,501)	(939)
Purchases of investment securities	(160)	(1,229)
Proceeds from sales of investment securities	8	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(6)
Payments of loans receivable	(403)	(14)
Collection of loans receivable	2	202
Payments for lease and guarantee deposits	(13)	(43)
Proceeds from collection of lease and guarantee deposits	101	113
Other, net	(19)	23
Net cash used in investing activities	(5,473)	(2,459)
Net cash provided by (used in) financing activities:		
Repayments of lease obligations	(1,201)	(1,087)
Cash dividends paid	(651)	(651)
Other, net	(0)	(0)
Net cash used in financing activities	(1,853)	(1,739)
Effect of exchange rate change on cash and cash equivalents	(141)	(52)
Net increase (decrease) in cash and cash equivalents	(272)	(4,565)
Cash and cash equivalents at beginning of period	13,153	14,174
Increase in cash and cash equivalents from newly consolidated subsidiary	—	38
Cash and cash equivalents at end of period	12,880	9,646

Notes regarding assumption of a going concern

No events to be noted for this purpose.

Note regarding Significant Change in Shareholders' Equity

None

6. Other Information

Status of Production, Orders and Sales

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

(1) Production

The status of production through the subject nine months (April 1–December 31, 2009) is as follows.

Segment	Production Output (Millions of yen)	YoY (%)
Custom system development	12,799	79.2
In-house software add-on development	3,871	136.4
Third-party software add-on development	5,154	84.4
Total	21,825	86.9

Notes

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

(2) Orders

The status of orders through the subject nine months (April 1–December 31, 2009) is as follows.

Segment	Orders Received (Millions of yen)	YoY (%)	Order Backlog (Millions of yen)	YoY (%)
Custom system development	13,339	76.3	3,867	119.7
In-house software add-on development	3,735	99.6	1,699	104.6
Third-party software add-on development	5,096	71.5	1,817	90.8
Total	22,171	78.2	7,384	107.7

Notes

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

(3) Sales

The status of sales through the subject nine months (April 1–December 31, 2009) is as follows.

Segment	Sales Volume (Millions of yen)	YoY (%)
Consulting services	1,197	47.7
Custom system development	11,206	72.6
In-house software	5,349	84.4
Third-party software	14,214	77.7
Outsourcing, operation and maintenance services	3,732	86.2
Total IT service	35,700	76.1
IT equipment sales and others	5,061	86.0
Total IT equipment sales and others	5,061	86.0
Total	40,761	77.2

Notes

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

Client	Nine months ended December 31, 2008		Nine months ended December 31, 2009	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Dentsu, Inc.	7,671	14.5	5,765	14.1