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## Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2011

09-Aug-2010

Company Name : <b>NID Co., Ltd.</b>	Listing : JASDAQ
Security Code : 2349	URL : <a href="http://www.nid.co.jp/">http://www.nid.co.jp/</a>
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### 1. Consolidated Financial Results for the First Quarter of Fiscal Year 2011 (From April 1, 2010 to June 30, 2010)

(1) Consolidated Operating Results (All figures are rounded down to the nearest million yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY3/11	3,419	1.9	151	70.5	158	67.6	37	-33.9
1Q FY3/10	3,355	-9.2	89	-35.5	94	-35.2	56	-26.0

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY3/11	9.88	-
1Q FY3/10	14.94	-

### (2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
1Q FY3/11	10,231	5,697	55.7	1,505.12
FY3/10	10,272	5,818	56.6	1,537.10

Note : Equity      1Q FY3/11 5,697million yen      FY3/10 5,818million yen

### 2. Dividend Information

Registry Date	Dividends Per Share				
	First quarter	Second quarter	Third quarter	Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FY3/10	-	-	-	45.00	45.00
FY3/11	-	-	-	-	-
FY3/11 (Forecasts)	-	-	-	45.00	45.00

### 3. Consolidated Financial Forecasts for the Fiscal Year 2011(From April 1, 2010 to March 31, 2011)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q FY3/11	7,343	3.8	403	14.5	408	15.4	242	19.5	63.93
Full Year	15,500	5.3	1,030	13.5	1,050	13.9	623	15.7	164.57

#### 4.Others

(1) Changes in the scope of our consolidation, including changes in our subsidiaries : None

Consolidated subsidiaries : 0 added, 0 removed

(2) Application of simple accounting method : Yes

(3) Changes in accounting methodology, procedures, and the way our figures are displayed in the creation of our Quarter consolidated financial statements.

① Changes arising from revisions in accounting standards : Yes

② Changes arising from other reasons : None

(4) Shares issued (Common stock)

Shares issued as of term end (including treasury stock)	1Q FY3/11	4,369,830	FY3/10	4,369,830
Treasury stock as of term end	1Q FY3/11	584,237	FY3/10	584,237

\*Regarding the appropriate use of our earnings projections and other notes.

All projections provided in this document are based on the most accurate information available at the time of this writing. However our actual results may differ from our projections due to various unforeseen reasons.

## Qualitative Information, Financial Statements, etc.

### 1. Qualitative Information on Consolidated Operating Results

During the first quarter under review, there were signs of a recovery in exports and production in certain sectors of the economy. However, as improving corporate earnings are expected to be adversely affected by falling stock prices and a stronger yen because of concern over declines in overseas economies, especially in Europe and the United States, the outlook for the Japanese economy remained uncertain.

In the information services industry, the NID Group's sphere of operations, customers continued to curtail IT investment, and orders remained difficult to secure.

In these circumstances, the NID Group shifted its strategic focus of marketing activities from "getting" to "generating" and focused on promoting cooperative businesses<sup>1</sup> and product sales activities<sup>2</sup> as a fifth business field. The Group also sought to harness its technologies to expand its business domain.

To increase sales, the Group took steps to increase orders by bolstering its field sales force. Meanwhile, to enhance profitability, the Group curbed the hiring of new graduates, managed overtime strictly, and eliminated unproductive positions. Because of falls in the prices of shares that it holds, the Group posted a loss on valuation of investment securities of 87 million yen.

As a result, consolidated net sales for the first quarter under review were 3,419 million yen (up 1.9% from the same quarter of the previous year), operating income was 151 million yen (up 70.5%), ordinary income was 158 million yen (up 67.6%), and net income was 37 million yen (down 33.9%).

Because of the acceptance inspection standards of the Group, net sales and profits tend to be concentrated in the second and fourth quarters.

Note 1: Cooperative businesses: Development of application platforms with Acrodea, Inc., support of the MVNO business with Inphonix, Inc., development of PhotoCipher<sup>TM</sup> with ChaosWare Inc., and other projects.

Note 2: Product sales activities: Sales activities for MIEL, a software application for use with the Japanese government's specified health guidance system, the E-stas automated embedded software evaluation system, *Keiei Kakushin* (trademark pending), mission-critical systems for companies, and other products.

The NID Group rearranged its two segments (the System Development Business and Information Processing Services Business) into six segments (three businesses of the Company and three affiliates and subsidiaries) as shown below and is applying the new segments from the first quarter under review.

- (i) Communications Systems Business: Development of software and products relating to communications systems
- (ii) Information Systems Business: Development of software relating to business systems
- (iii) Network Solutions Business: Services and system operation management relating to networks
- (iv) NID-IS: The three businesses of the Company and the data entry business
- (v) NID-IE: The three businesses of the Company
- (vi) NID Tohoku: The three businesses of the Company

Results by segment are stated below. Since segments have changed from this year, a year-on-year comparison is not included.

#### (i) Communications Systems Business

Although orders in the auto industry increased, the Communications Systems Business segment faced challenging circumstances in other fields, including a decline in development projects and a rising trend in favor of self-manufacturing. As a result, net sales stood at 648 million yen, and the segment margin was 22 million yen.

#### (ii) Information Systems Business

The Information Systems Business segment performed well, attributable to orders for the development of systems for the life and non-life insurance industries, as well as mutual aid systems and orders in the distribution and manufacturing industries. Net sales amounted to 685 million yen, and the segment margin was 51 million yen.

(iii) Network Solutions Business

The Network Solutions Business segment was stable, reflecting orders from major customers, including the transport and communication industries and government offices. Net sales came to 1,148 million yen, and the segment margin was 56 million yen.

(iv) NID-IS

As in the Communications Systems Business, the NID-IS segment faced severe conditions, including a decline in development projects and increasing self-manufacturing, and a fall in orders in the data entry business. Net sales were 503 million yen, and the segment margin was 10 million yen.

(v) NID-IE

Circumstances confronting the NID-IE segment were challenging, given a decline in demand for personnel dispatch operations associated with stagnation. Net sales were 199 million yen, and the segment margin was 7 million yen.

(vi) NID Tohoku

The segment was stable owing to orders from major customers. Net sales were 234 million yen, and the segment margin was 5 million yen.

## 2. Qualitative Information on Consolidated Financial Results

(i) Assets, Liabilities, and Net Assets

Total assets at the end of the first quarter under review declined 40 million yen from the end of the previous fiscal year, to 10,231 million yen, reflecting an increase in cash and deposits and a decrease in accounts receivable-trade. Total liabilities rose 80 million yen, to 4,534 million yen, attributable to increases in short-term loans payable and deposits received and a fall in the provision for bonuses. Net assets fell 121 million yen, to 5,697 million yen, because of a decline in retained earnings due to the payment of dividends.

As a result, the equity ratio slipped to 55.7% from 56.6%.

(ii) Cash Flows

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the first quarter under review rose 346 million yen from the end of the previous consolidated fiscal year to 4,416 million yen.

Cash flows from different activities at the end of the first quarter under review and the principal components are as follows:

(Cash Flow from Operating Activities)

Net cash provided by operating activities was 143 million yen (141 million yen was provided in the first quarter of the previous fiscal year). The main contributing factors were inflows such as income before income taxes and minority interests and a decrease in notes and accounts receivable-trade, which exceeded outflows including a decrease in provision for bonuses and income taxes paid.

(Cash Flow from Investing Activities)

Net cash used in investments was 47 million yen (37 million yen was used in the first quarter of the previous fiscal year). The main contributing factors were development costs in cooperative businesses and costs for the development of internal systems.

(Cash Flow from Financing Activities)

Net cash provided by financing activities was 250 million yen (251 million yen was provided in the first quarter of the previous fiscal year). The main contributing factor was inflows from short-term loans payable in excess of outflows including cash dividends paid, etc.

## 3. Qualitative Information on Forecasts for Consolidated Financial Results

The results in the first quarter under review were mostly on a par with the initial plan. There are no changes to the earnings projections for the first half and for the full fiscal year for the fiscal year ending March 2011 released on May 14, 2010.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

	1st Quarter FY3/11	FY3/10
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	4,495,022	4,132,788
Notes and accounts receivable–trade	1,882,479	2,437,193
Marketable securities	301,343	301,706
Work in process	329,459	111,232
Deferred tax assets	386,701	433,555
Others	221,372	188,729
Allowance for doubtful accounts	-	-3,379
<b>Total current assets</b>	<b>7,616,379</b>	<b>7,601,826</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Land	136,767	136,767
Others - net	114,977	106,599
<b>Total property, plant and equipment</b>	<b>251,745</b>	<b>243,367</b>
<b>Intangible assets</b>		
Software	223,175	203,939
Others	32,864	56,927
<b>Total intangible assets</b>	<b>256,039</b>	<b>260,866</b>
<b>Investments and other assets</b>		
Investment securities	531,922	598,468
Deferred tax assets	992,449	984,492
Guarantee deposits	509,204	509,348
Others	74,148	74,334
<b>Total investments and other assets</b>	<b>2,107,725</b>	<b>2,166,643</b>
<b>Total non-current assets</b>	<b>2,615,510</b>	<b>2,670,877</b>
<b>Total assets</b>	<b>10,231,890</b>	<b>10,272,703</b>

(Thousand yen)

	1st Quarter FY3/11	FY3/10
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable – trade	293,057	319,321
Short-term loans payable	410,000	-
Accounts payable – other	368,453	304,336
Provision for bonuses	464,614	914,866
Asset retirement obligations	6,268	-
Others	461,927	422,702
<b>Total current liabilities</b>	<b>2,004,321</b>	<b>1,961,225</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,019,768	1,984,921
Provision for directors' retirement benefits	364,918	359,250
Others	145,098	148,459
<b>Total non-current liabilities</b>	<b>2,529,784</b>	<b>2,492,630</b>
<b>Total liabilities</b>	<b>4,534,106</b>	<b>4,453,856</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	653,352	653,352
Capital surplus	488,675	488,675
Retained earnings	5,834,269	5,967,232
Treasury stock	-1,226,363	-1,226,363
<b>Total shareholders' equity</b>	<b>5,749,933</b>	<b>5,882,896</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	-52,149	-64,049
<b>Total valuation and translation adjustments</b>	<b>-52,149</b>	<b>-64,049</b>
<b>Total net assets</b>	<b>5,697,783</b>	<b>5,818,847</b>
<b>Total liabilities and net assets</b>	<b>10,231,890</b>	<b>10,272,703</b>

## (2) Consolidated Statements of Income

(Thousand yen)

	1st Quarter FY3/10	1st Quarter FY3/11
Net sales	3,355,452	3,419,270
Cost of sales	2,824,871	2,827,982
<b>Gross profit</b>	<b>530,580</b>	<b>591,288</b>
Selling, general and administrative expenses	441,431	439,328
<b>Operating income (loss)</b>	<b>89,149</b>	<b>151,959</b>
<b>Non-operating income</b>		
Interest income	132	29
Dividends income	2,684	3,187
Others	3,219	3,913
<b>Total non-operating income</b>	<b>6,037</b>	<b>7,129</b>
<b>Non-operating expenses</b>		
Interest expenses	372	474
Others	157	0
<b>Total non-operating expenses</b>	<b>529</b>	<b>474</b>
<b>Ordinary income (loss)</b>	<b>94,656</b>	<b>158,614</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	2,302	-
Reversal of allowance for doubtful accounts	1,084	3,379
<b>Total extraordinary income</b>	<b>3,387</b>	<b>3,379</b>
<b>Extraordinary loss</b>		
Loss on retirement of non-current assets	129	-
Loss on valuation of investment securities	-	87,122
Loss on cancellation of lease contracts	52	-
Directors' retirement benefits	10,000	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	6,130
<b>Total extraordinary loss</b>	<b>10,181</b>	<b>93,253</b>
<b>Income before income taxes and minority interests</b>	<b>87,862</b>	<b>68,740</b>
Income taxes – current	624	619
Income taxes – deferred	30,687	30,733
<b>Total income taxes</b>	<b>31,311</b>	<b>31,352</b>
<b>Income before minority interests</b>	<b>-</b>	<b>37,387</b>
<b>Net income (loss)</b>	<b>56,550</b>	<b>37,387</b>

**(3) Consolidated Statements of Cash Flows**

(Thousand yen)

	1st Quarter FY3/10	1st Quarter FY3/11
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes and minority interests	87,862	68,740
Depreciation and amortization	28,433	34,380
Increase (decrease) in provision for retirement benefits	66,775	34,846
Increase (decrease) in provision for directors' retirement benefits	-11,820	5,668
Increase (decrease) in allowance for doubtful accounts	-1,084	-3,379
Increase (decrease) in provision for bonuses	-422,587	-450,251
Interest and dividends income	-2,817	-3,216
Interest expenses	372	474
Loss (gain) on valuation of investment securities	-	87,122
Loss on retirement of property, plant and equipment	129	-
Loss (gain) on sales of investments, in real estate	-2,302	-
Decrease (increase) in notes and accounts receivable –trade	722,094	554,714
Decrease (increase) in inventories	-241,064	-215,125
Decrease (increase) in other current assets	-47,363	-48,101
Decrease (increase) in other non-current assets	111	2,258
Increase (decrease) in notes and accounts payable – Trade	-57,405	-26,263
Increase (decrease) in accounts payable – trade	119,467	59,073
Increase (decrease) in accrued consumption taxes	27,478	27,487
Increase (decrease) in other current liabilities	146,999	145,075
Others - net	-	1,216
<b>Subtotal</b>	<b>413,278</b>	<b>274,722</b>
Interest and dividend income received	2,817	3,216
Interest expenses paid	-372	-518
Income taxes paid	-274,008	-133,995
<b>Net cash provided by (used in) operating activities</b>	<b>141,715</b>	<b>143,424</b>
<b>Net cash provided by (used in) investment activities</b>		
Purchase of investment securities	-150	-150
Purchase of property, plant and equipment	-5,104	-18,903
Purchase of intangible assets	-45,151	-25,729
Proceeds from sales of investments in real estate	13,060	-
Others - net	-499	-2,712
<b>Net cash provided by (used in) investment activities</b>	<b>-37,845</b>	<b>-47,494</b>
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	410,000	410,000
Cash dividends paid	-157,148	-157,952
Others - net	-991	-1,142
<b>Net cash provided by (used in) financing activities</b>	<b>251,860</b>	<b>250,905</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>355,729</b>	<b>346,835</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>3,807,866</b>	<b>4,070,109</b>
<b>Cash and cash equivalents at end of term</b>	<b>4,163,596</b>	<b>4,416,944</b>