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

09-NOV-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 Second Quarter of Fiscal Year 2011 (From April 1, 2010 to September 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	%
2Q FY3/11	7,127	0.7	364	3.4	371	5.1	92	-54.5
2Q FY3/10	7,077	-8.1	352	-19.7	353	-21.0	202	-17.3

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY3/11	24.33	-
2Q FY3/10	53.48	-

### (2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
2Q FY3/11	10,146	5,745	56.6	1,517.72
FY3/10	10,272	5,818	56.6	1,537.10

Note : Equity      2Q FY3/11 5,745million 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
Full Year	15,500	5.3	1,030	13.5	1,050	13.9	480	-10.9	126.80

#### 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.

Changes arising from revisions in accounting standards : Yes

Changes arising from other reasons : None

(4) Shares issued (Common stock)

Shares issued as of term end (including treasury stock)	2Q FY3/11	4,369,830	FY3/10	4,369,830
Treasury stock as of term end	2Q FY3/11	584,237	FY3/10	584,237
Average shares issued during term	2Q FY3/11	3,785,593	2Q FY3/10	3,785,593

\*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 Regarding Consolidated Results of Operations

During the first half of the current fiscal year, there were signs of a recovery in exports and production in certain sectors of the economy. However, as improving corporate earnings may be adversely affected by declines in overseas economies, especially in Europe and the United States, and concerns over the appreciation of the yen, the outlook for the Japanese economy remained uncertain.

The operating environment also stayed challenging in the information services industry, the NID Group's principal area of operations, as corporate IT investment picked up, but only at a gradual pace.

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 support sales, the NID Group took steps to boost orders, by bolstering its field sales force and utilizing synergies within the Group. Meanwhile, to safeguard profitability, it curbed the hiring of new graduates, managed overtime strictly, and eliminated unproductive positions. However, the Group posted extraordinary losses of 193 million yen on the valuation of investment securities, related to holdings of financial institutions and an investee company.

For the first half under review, consolidated net sales increased 0.7% to 7,127 million yen, operating income increased 3.4% to 364 million yen, ordinary income increased 5.1% to 371 million yen and net income decreased 54.5% to 92 million yen.

Note 1: Cooperative businesses: Development of application platforms with Acrodea, Inc., development of PhotoCipher™ 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.

Starting in the current fiscal year, the NID Group has rearranged its two former business segments (the System Development Business and Information Processing Services Business) into the following six segments (three businesses of the Company and three subsidiaries and affiliates).

- (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

Business segment information is as follows. Since segments have changed from this fiscal year, no year-on-year comparisons are included.

#### (i) Communications Systems Business

Although orders related to the auto industry increased, the communications systems business segment faced challenging circumstances in other fields, such as a decline in development projects and a rising trend in favor of self-manufacturing. As a result, net sales totaled 1,421 million yen, and operating income was 45 million yen.

#### (ii) Information Systems Business

The information systems business segment performed well, as it continued to receive orders for the development of systems for the life and non-life insurance industries, as well as mutual aid systems, and for projects in the distribution and manufacturing industries. As a result, net sales totaled 1,448 million yen, and operating income was 129 million yen.

#### (iii) Network Solutions Business

In the network solutions business, performance remained stable because of orders from major customer segments such as the transportation as well as the public sector. As a result, net sales totaled 2,308 million yen, and operating income was 125 million yen.

#### (iv) NID-IS

Like the communications systems business, the NID-IS segment faced severe conditions, including a decline in development projects, the repercussions of increased self-manufacturing, and a fall in orders in the data entry business. As a result, net sales totaled 1,036 million yen, and operating income was 34 million yen.

#### (v) NID-IE

Circumstances confronting the NID-IE segment were challenging, as economic stagnation depressed demand for personnel dispatch operations. As a result, net sales totaled 396 million yen, and operating income was 13 million yen.

(vi) NID Tohoku

The NID Tohoku segment saw steady orders from major customers, but some projects turned out to be unprofitable. As a result, net sales totaled 515 million yen, and operating income was 19 million yen.

## 2. Qualitative Information Regarding Consolidated Financial Position

(i) Balance sheet position

Total assets at the end of the second quarter under review declined 125 million yen from the end of the previous fiscal year, to 10,146 million yen, as cash and deposits increased, but accounts receivable-trade and short-term investment securities decreased. Total liabilities declined 52 million yen, to 4,401 million yen, resulting from decreases in accounts payable-trade and income taxes payable. Net assets fell 73 million yen, to 5,745 million yen, because of a decline in retained earnings due to the payment of dividends.

As a result, the equity ratio remained unchanged from the end of the previous fiscal year, at 56.6%.

(ii) Cash flow position

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the second quarter under review rose 623 million yen from the end of the previous fiscal year, to 4,693 million yen.

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

(Cash Flow from Operating Activities)

Net cash provided by operating activities was 589 million yen (compared with net cash provided of 330 million yen in the same period of the previous fiscal year). This mainly reflected the fact that inflows such as income before income taxes, as well as a decline in notes and accounts receivable-trade, exceeded outflows such as income taxes paid.

(Cash Flow from Investing Activities)

Net cash provided by investing activities was 206 million yen (compared with net cash used of 66 million yen in the same period of the previous fiscal year). This mainly owed to the redemption at maturity of securities for operating purposes.

(Cash Flow from Financing Activities)

Net cash used in financing activities was 172 million yen (compared with net cash used of 172 million yen in the same period of the previous fiscal year). The main contributing factor was the payment of cash dividends paid.

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

On May 14, 2010, we announced the earnings forecast strengthened in the year that was over through our earnings announcement on March 31, 2011, we announced the revision on October 28, 2010.

Revised forecasts of consolidated financial results 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
Previous forecasts (A)	15,500	1,030	1,050	623	164.57
Current forecasts (B)	15,500	1,030	1,050	480	126.80
Decrease (B-A)	0	0	0	-143	-
Change (%)	0.0	0.0	0.0	-23.0	-
Reference: Results for the fiscal year ended March 31, 2010	14,723	907	921	538	142.24

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

	2nd Quarter FY3/11	FY3/10
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	4,763,045	4,132,788
Notes and accounts receivable-trade	2,062,756	2,437,193
Marketable securities	1,038	301,706
Work in process	230,242	111,232
Deferred tax assets	443,905	433,555
Others	153,806	188,729
Allowance for doubtful accounts	-	-3,379
<b>Total current assets</b>	<b>7,654,793</b>	<b>7,601,826</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Land	136,767	136,767
Others - net	109,656	106,599
<b>Total property, plant and equipment</b>	<b>246,424</b>	<b>243,367</b>
<b>Intangible assets</b>		
Software	215,913	203,939
Others	38,184	56,927
<b>Total intangible assets</b>	<b>254,097</b>	<b>260,866</b>
<b>Investments and other assets</b>		
Investment securities	406,347	598,468
Deferred tax assets	1,000,595	984,492
Guarantee deposits	509,549	509,348
Others	74,998	74,334
<b>Total investments and other assets</b>	<b>1,991,490</b>	<b>2,166,643</b>
<b>Total non-current assets</b>	<b>2,492,012</b>	<b>2,670,877</b>
<b>Total assets</b>	<b>10,146,806</b>	<b>10,272,703</b>

(Thousand yen)

	2nd Quarter FY3/11	FY3/10
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable – trade	280,360	319,321
Accounts payable – other	251,471	304,336
Provision for bonuses	922,052	914,866
Asset retirement obligations	6,268	-
Others	403,981	422,702
<b>Total current liabilities</b>	<b>1,864,133</b>	<b>1,961,225</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,021,873	1,984,921
Provision for directors' retirement benefits	370,587	359,250
Others	144,761	148,459
<b>Total non-current liabilities</b>	<b>2,537,223</b>	<b>2,492,630</b>
<b>Total liabilities</b>	<b>4,401,356</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	5,888,986	5,967,232
Treasury stock	-1,226,363	-1,226,363
<b>Total shareholders' equity</b>	<b>5,804,651</b>	<b>5,882,896</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	-59,201	-64,049
<b>Total valuation and translation adjustments</b>	<b>-59,201</b>	<b>-64,049</b>
<b>Total net assets</b>	<b>5,745,449</b>	<b>5,818,847</b>
<b>Total liabilities and net assets</b>	<b>10,146,806</b>	<b>10,272,703</b>

## (2) Consolidated Statements of Income

(Thousand yen)

	2nd Quarter FY3/10	2nd Quarter FY3/11
Net sales	7,077,504	7,127,141
Cost of sales	5,847,394	5,888,998
<b>Gross profit</b>	<b>1,230,109</b>	<b>1,238,143</b>
Selling, general and administrative expenses	878,019	874,059
<b>Operating income (loss)</b>	<b>352,090</b>	<b>364,083</b>
<b>Non-operating income</b>		
Interest income	1,448	1,075
Dividends income	2,887	3,439
Subsidy income	4,278	9,625
Others	4,416	2,925
<b>Total non-operating income</b>	<b>13,031</b>	<b>17,066</b>
<b>Non-operating expenses</b>		
Interest expenses	895	876
Loss on investments in partnership	8,177	6,433
Others	2,415	2,201
<b>Total non-operating expenses</b>	<b>11,488</b>	<b>9,511</b>
<b>Ordinary income (loss)</b>	<b>353,633</b>	<b>371,638</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	2,302	-
Gain on sales of investment securities	-	915
Reversal of allowance for doubtful accounts	-	3,379
<b>Total extraordinary income</b>	<b>2,302</b>	<b>4,294</b>
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets	-	144
Loss on retirement of non-current assets	2,763	70
Loss on valuation of investment securities	-	193,779
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>12,815</b>	<b>200,125</b>
<b>Income before income taxes and minority interests</b>	<b>343,120</b>	<b>175,807</b>
Income taxes – current	193,980	113,480
Income taxes – deferred	-53,318	-29,778
<b>Total income taxes</b>	<b>140,661</b>	<b>83,701</b>
<b>Income before minority interests</b>	<b>-</b>	<b>92,105</b>
<b>Net income (loss)</b>	<b>202,458</b>	<b>92,105</b>

### (3) Consolidated Statements of Cash Flows

(Thousand yen)

	2nd Quarter FY3/10	2nd Quarter FY3/11
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes and minority interests	343,120	175,807
Depreciation and amortization	57,474	67,088
Increase (decrease) in provision for retirement benefits	114,410	36,952
Increase (decrease) in provision for directors' retirement benefits	-7,924	11,337
Increase (decrease) in allowance for doubtful accounts	26	-3,379
Increase (decrease) in provision for bonuses	31,678	7,186
Loss (gain) on investments in partnership	10,195	8,399
Interest and dividends income	-4,336	-4,514
Interest expenses	895	876
Loss (gain) on sales of investment securities	-	-915
Loss (gain) on valuation of investment securities	-	193,779
Loss (gain) on sales of property, plant and equipment	-	144
Loss on retirement of property, plant and equipment	243	70
Loss on retirement of intangible assets	2,520	-
Loss (gain) on sales of investments, in real estate	-2,302	-
Decrease (increase) in notes and accounts receivable –trade	351,551	374,437
Decrease (increase) in inventories	-149,721	-115,859
Decrease (increase) in other current assets	-48,069	49,227
Decrease (increase) in other non-current assets	200	130
Increase (decrease) in notes and accounts payable – Trade	-85,628	-38,960
Increase (decrease) in accounts payable – trade	-18,498	-46,147
Increase (decrease) in accrued consumption taxes	-9,826	-11,376
Increase (decrease) in other current liabilities	14,711	20,148
Others - net	514	-3,837
<b>Subtotal</b>	<b>601,236</b>	<b>720,598</b>
Interest and dividend income received	4,336	4,514
Interest expenses paid	-895	-876
Income taxes paid	-274,302	-134,274
<b>Net cash provided by (used in) operating activities</b>	<b>330,375</b>	<b>589,961</b>
<b>Net cash provided by (used in) investment activities</b>		
Purchase of investment securities	-330	-300
Proceeds from sales and redemption of investment securities	—	300,000
Purchase of property, plant and equipment	-5,396	-20,271
Proceeds from sales of property, plant and equipment	—	38
Purchase of intangible assets	-71,559	-48,214
Proceeds from sales of investments in real estate	13,060	—
Others - net	-1,836	-25,032
<b>Net cash provided by (used in) investment activities</b>	<b>-66,061</b>	<b>206,218</b>
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	410,000	460,000
Decrease in short-term loans payable	-410,000	-460,000
Cash dividends paid	-170,078	-170,209
Others - net	-1,990	-2,294
<b>Net cash provided by (used in) financing activities</b>	<b>-172,069</b>	<b>-172,503</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>92,244</b>	<b>623,676</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>3,900,111</b>	<b>4,693,785</b>