



## Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2012

09-NOV-2011

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 2012 (From April 1, 2011 to September 30, 2011)

(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 FY3/12	7,217	1.3	368	1.3	377	1.6	218	136.7
2Q FY3/11	7,127	0.7	364	3.4	371	5.1	92	-54.5

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY3/12	57.59	-
2Q FY3/11	24.33	-

### (2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Million yen	Million yen	%
2Q FY3/12	10,625	6,141	57.8
FY3/11	10,660	6,110	57.3

Note : Equity      2Q FY3/12 6,141million yen      FY3/11 6,110million yen

### 2. Dividend Information

Registry Date	Dividends Per Share				
	First quarter	Second quarter	Third quarter	Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FY3/11	-	-	-	45.00	45.00
FY3/12	-	-	-	-	-
FY3/12 (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	14,750	0.8	1,010	8.0	1,020	2.6	600	34.0	158.50

#### 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 : None

(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 :None

Changes arising from other reasons : None

Changes in estimation related to financial statements : None

Re-statement of revisions : None

(4) Shares issued (Common stock)

Shares issued as of term end (including treasury stock)	2Q FY3/12	4,369,830	FY3/11	4,369,830
Treasury stock as of term end	2Q FY3/12	584,237	FY3/11	584,237
Average shares issued during term	2Q FY3/12	3,785,593	2Q FY3/11	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.

## Brief Report on Settlement of Accounts for Period Ended September 2011

### 1. Qualitative information on consolidated business results

In the first half of the consolidated fiscal year, although there were some signs of a bottoming out of the downturn in the Japanese economy resulting from the March 11th earthquake, the global economy was slowdown, and the continued rapid increase in value of the yen had an impact on corporate earnings. As a result, the foreseeable economic landscape is thus uncertain.

Investments in IT at companies have become cautious in our information services industry as a result of impacts from the earthquake. The climate for new and current businesses continues to appear bleak.

Against this backdrop, our group reinforced the sales team on current clients and changed the business strategy from our traditional sales that simply responded to client demands over to proactive sales that propose new needs for the client. Furthermore, we added value-add businesses to our existing portfolio, in part to grow new business through our group's technologies. As a central project, we redirected our resources to sales and business development for *Nstylist*, a services platform that we developed for Android. And we also redirected our resources to smart phone application development applying *Nstylist*.

On the sales side, orders in the NID Tohoku (one of the NID Group companies) were down sharply due to the March 11th earthquake, but we covered it with the NID Group's key characteristics—the ability to exercise the strengths of well balanced management of both NID's four business areas and of the four Group companies. As a result, the consolidated sales of the NID Group were edging up. On the profit side, we implemented programs to reinforce management of unnecessary overtime and eliminate inefficiencies.

On the results of our half, sales, operating profit, current earnings, and net profit posted 7,217 million (up 1.3% on prior same half), 368 million (up 1.3% on same), 377 million (up 1.6% on same), and 218million yen (up 136.7% on same) respectively.

<sup>1</sup> *Nstylist*: Installation of this platform on handsets with the Android OS, such as tablets and smartphones, will enable easy creation and provision of application services for corporate needs. Furthermore, a dedicated server (*Nstylist* server) and *Nstylist* mounted handset will link directly to manage information seamlessly and support the maintenance and operation of your overall system infrastructure.

Business segment results were as follows:

#### Communications systems business

communications systems business saw a rise in automobiles and smart phone sector orders. As a result, sales and operating profit posted 1,683 million (up 18.5% on prior same half) and 66 million yen (up 45.8% on same) respectively.

#### Information systems business

Information systems business saw stable growth in orders from life and non-life insurance and mutual life insurance sectors, and a decline in orders from the logistics, manufacturing, and government sectors. As a result, sales and operating profit posted 1,369 million (down 5.4% on same) and 108 million yen (down 16.7% on same) respectively.

#### Network solutions business

Network solutions business saw stable growth in orders from our main clients in the transportation, life and non-life insurance, and logistics sectors, and a decline in orders from the government sector. As a result, sales and operating profit posted 2,182 million (down 5.4% on same) and 89 million yen (down 28.2% on same) respectively.

#### NID • IS

NID/IS business saw a decline in data input orders, and rise in systems development orders. As a result, sales and operating profit posted 1,264 million (up 22.0% on same) and 66 million yen (up 95.7% on same) respectively.

## **NID • IE**

NID/IE business reinforced customer relationships to secure orders and increase our capacity utilization. As a result, sales and operation profit posted 406million (up2.6% on same) and 41 million yen (up 208.4% on same) respectively.

## **NID Tohoku**

NID Tohoku business saw postponed IT investments at customers, relating to power programs, due to an impact of the March 11th earthquake. The difficult business landscape thus maintained. As a result, sales and operating loss posted 309 million (down 40.1% on same) and 4 million yen (19 million yen operating profit on same) respectively.

## **2. Qualitative information on consolidated finances**

### **Assets**

Current assets at end of our first half of the consolidated fiscal year 2012 posted a decline of 49 million yen on prior consolidated fiscal year end and settled at 8,167 million yen, due to factors including an increase of 351 million yen in cash and deposits, and a decrease of 475 million yen in notes and accounts receivable – trade. Non-current assets posted an increase of 13 million yen on prior consolidated fiscal year end and settled at 2,458 million yen, due to factors that including an increase of 13 million yen in intangible assets.

As a result, Total assets posted a decline of 35 million yen on prior consolidated fiscal year end and settled at 10,625 million yen.

### **Liabilities**

Current liabilities at end of our first half of the consolidated fiscal year 2012 posted a decrease of 82 million yen on prior consolidated fiscal year end and settled at 1,918 million yen, due to factors including a decrease of 86 million yen in accounts payable. Non-current liabilities posted an increase of 15 million yen on prior consolidated fiscal year end and settled at 2,564 million yen, due to factors including an increase of 14 million yen in provision for retirement benefits.

As a result, Total liabilities at end of our first half for consolidated fiscal year 2012 posted a decline of 67 million yen on prior consolidated fiscal year end and settled at 4,483 million yen.

### **Net assets**

Total net assets at end of our first half of the consolidated fiscal year 2012 posted an increase of 31 million on prior consolidated fiscal year end and settled at 6,141 million yen, due to factors including an increase of 47 million yen in retained earnings.

As a result, capital adequacy ratio increased by 0.5% from 57.3% at end of prior consolidated fiscal year end to 57.8%.

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

There are no changes to the earnings projections for the full fiscal year from the reports released on May 13, 2011.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

	FY3/11	2nd Quarter FY3/12
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	4,934,693	5,286,181
Notes and accounts receivable–trade	2,419,087	1,944,041
Marketable securities	1,038	1,038
Work in process	213,083	375,631
Deferred tax assets	435,309	444,265
Others	213,186	116,085
<b>Total current assets</b>	<b>8,216,398</b>	<b>8,167,244</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Land	136,767	136,767
Others - net	100,776	102,662
<b>Total property, plant and equipment</b>	<b>237,544</b>	<b>239,430</b>
<b>Intangible assets</b>		
Software	188,639	189,691
Others	45,822	58,656
<b>Total intangible assets</b>	<b>234,461</b>	<b>248,347</b>
<b>Investments and other assets</b>		
Investment securities	420,360	400,943
Deferred tax assets	1,000,150	1,020,078
Guarantee deposits	477,874	476,050
Others	74,115	73,165
<b>Total investments and other assets</b>	<b>1,972,501</b>	<b>1,970,238</b>
<b>Total non-current assets</b>	<b>2,444,507</b>	<b>2,458,016</b>
<b>Total assets</b>	<b>10,660,906</b>	<b>10,625,260</b>

(Thousand yen)

	FY3/11	2nd Quarter FY3/12
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable – trade	358,761	271,846
Accounts payable – other	278,391	271,359
Provision for bonuses	900,155	906,791
Others	464,021	468,552
<b>Total current liabilities</b>	<b>2,001,329</b>	<b>1,918,550</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,046,087	2,060,468
Provision for directors' retirement benefits	381,925	392,112
Others	121,415	112,164
<b>Total non-current liabilities</b>	<b>2,549,427</b>	<b>2,564,744</b>
<b>Total liabilities</b>	<b>4,550,756</b>	<b>4,483,294</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	653,352	653,352
Capital surplus	488,675	488,675
Retained earnings	6,244,548	6,292,213
Treasury stock	-1,226,363	-1,226,363
<b>Total shareholders' equity</b>	<b>6,160,212</b>	<b>6,207,878</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	-50,062	-65,912
<b>Total valuation and translation adjustments</b>	<b>-50,062</b>	<b>-65,912</b>
<b>Total net assets</b>	<b>6,110,150</b>	<b>6,141,965</b>
<b>Total liabilities and net assets</b>	<b>10,660,906</b>	<b>10,625,260</b>

## (2) Consolidated Statements of Income

(Thousand yen)

	2nd Quarter FY3/11	2nd Quarter FY3/12
Net sales	7,127,141	7,217,009
Cost of sales	5,888,998	5,965,877
<b>Gross profit</b>	<b>1,238,143</b>	<b>1,251,131</b>
Selling, general and administrative expenses	874,059	882,284
<b>Operating income (loss)</b>	<b>364,083</b>	<b>368,846</b>
<b>Non-operating income</b>		
Interest income	1,075	78
Dividends income	3,439	4,308
Subsidy income	9,625	3,545
Others	2,925	4,206
<b>Total non-operating income</b>	<b>17,066</b>	<b>12,138</b>
<b>Non-operating expenses</b>		
Interest expenses	876	793
Loss on investments in partnership	6,433	627
Others	2,201	2,035
<b>Total non-operating expenses</b>	<b>9,511</b>	<b>3,455</b>
<b>Ordinary income (loss)</b>	<b>371,638</b>	<b>377,529</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	—	101
Gain on sales of investment securities	915	—
Reversal of allowance for doubtful accounts	3,379	—
<b>Total extraordinary income</b>	<b>4,294</b>	<b>101</b>
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets	144	—
Loss on retirement of non-current assets	70	88
Loss on valuation of investment securities	193,779	—
Loss on cancellation of lease contracts	—	1,800
Loss on adjustment for changes of accounting standard for asset retirement obligations	6,130	—
Others	—	270
<b>Total extraordinary loss</b>	<b>200,125</b>	<b>2,158</b>
<b>Income before income taxes and minority interests</b>	<b>175,807</b>	<b>375,472</b>
Income taxes – current	113,480	175,465
Income taxes – deferred	-29,778	-18,009
<b>Total income taxes</b>	<b>83,701</b>	<b>157,455</b>
<b>Income before minority interests</b>	<b>92,105</b>	<b>218,016</b>
<b>Net income (loss)</b>	<b>92,105</b>	<b>218,016</b>
<b>Income before minority interests</b>	<b>92,105</b>	<b>218,016</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,848	-15,849
<b>Total other comprehensive income</b>	<b>4,848</b>	<b>-15,849</b>
<b>Comprehensive income</b>	<b>96,954</b>	<b>202,167</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of the parent	96,954	202,167

### (3) Consolidated Statements of Cash Flows

(Thousand yen)

	2nd Quarter FY3/11	2nd Quarter FY3/12
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes and minority interests	175,807	375,472
Depreciation and amortization	67,088	70,881
Increase (decrease) in provision for retirement benefits	36,952	14,381
Increase (decrease) in provision for directors' retirement benefits	11,337	10,187
Increase (decrease) in allowance for doubtful accounts	-3,379	—
Increase (decrease) in provision for bonuses	7,186	6,636
Loss (gain) on investments in partnership	8,399	2,561
Interest and dividends income	-4,514	-4,386
Interest expenses	876	793
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	-101
Loss on retirement of property, plant and equipment	70	88
Loss on retirement of intangible assets	—	1,800
Decrease (increase) in notes and accounts receivable –trade	374,437	475,045
Decrease (increase) in inventories	-115,859	-160,667
Decrease (increase) in other current assets	49,227	94,553
Decrease (increase) in other non-current assets	130	-154
Increase (decrease) in notes and accounts payable – Trade	-38,960	-86,914
Increase (decrease) in accounts payable – trade	-46,147	-36,789
Increase (decrease) in accrued consumption taxes	-11,376	-8,550
Increase (decrease) in other current liabilities	20,148	-9,756
Others - net	-3,837	3,166
<b>Subtotal</b>	<b>720,598</b>	<b>748,246</b>
Interest and dividend income received	4,514	4,386
Interest expenses paid	-876	-793
Income taxes paid	-134,274	-156,393
<b>Net cash provided by (used in) operating activities</b>	<b>589,961</b>	<b>595,446</b>
<b>Net cash provided by (used in) investment activities</b>		
Purchase of investment securities	-300	-12,367
Proceeds from sales and redemption of investment securities	300,000	500
Purchase of property, plant and equipment	-20,271	-14,190
Proceeds from sales of property, plant and equipment	38	114
Purchase of intangible assets	-48,214	-49,184
Others - net	-25,032	-2,882
<b>Net cash provided by (used in) investment activities</b>	<b>206,218</b>	<b>-78,010</b>
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	460,000	410,000
Decrease in short-term loans payable	-460,000	-410,000
Cash dividends paid	-170,209	-169,636
Others - net	-2,294	-2,935
<b>Net cash provided by (used in) financing activities</b>	<b>-172,503</b>	<b>-172,571</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>623,676</b>	<b>344,864</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>4,070,109</b>	<b>4,859,806</b>
<b>Cash and cash equivalents at end of term</b>	<b>4,693,785</b>	<b>5,204,670</b>