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Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2013

09-NOV-2012

Company Name : NID Co., Ltd.	Listing : JASDAQ
Security Code : 2349	URL : http://www.nid.co.jp/
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1. Consolidated Financial Results for the Second Quarter of Fiscal Year 2013

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

(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 FY3/13	7,411	2.7	325	-11.9	340	-9.8	104	-52.2
2Q FY3/12	7,217	1.3	368	1.3	377	1.6	218	136.7

Note: Comprehensive income: 2Q FY3/13 120million yen (-40.2%) 2Q FY3/12 202million yen (108.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY3/13	27.53	-
2Q FY3/12	57.59	-

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Million yen	Million yen	%
2Q FY3/13	11,117	6,215	55.9
FY3/12	11,108	6,264	56.4

Note : Equity 2Q FY3/13 6,215million yen FY3/12 6,264million yen

2. Dividend Information

Registry Date	Dividends Per Share				
	First quarter	Second quarter	Third quarter	Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FY3/12	-	-	-	45.00	45.00
FY3/13 (Forecasts)	-	-	-	45.00	45.00

Note: Revisions to the latest projected dividends: None

3. Consolidated Financial Forecasts for the Fiscal Year 2013(From April 1, 2012 to March 31, 2013)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	15,300	3.2	1,050	20.5	1,030	14.5	500	52.0	132.08

Note: Revisions to the latest projected consolidated results: None

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.

- ① Changes arising from revisions in accounting standards :Yes
- ② Changes arising from other reasons : None
- ③ Changes in estimation related to financial statements : Yes
- ④ Re-statement of revisions : None

(4) Shares issued (Common stock)

Shares issued as of term end (including treasury stock)	2Q FY3/13	4,369,830	FY3/12	4,369,830
Treasury stock as of term end	2Q FY3/13	584,237	FY3/12	584,237
Average shares issued during term	2Q FY3/13	3,785,593	2Q FY3/12	3,785,593

*Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

*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 2012

1. Qualitative information on consolidated business results

(1) Qualitative information on consolidated operating results

The Japanese economy in the first half of consolidated fiscal year showed gradual signs of recovery against a backdrop of demands for reconstruction post 3.11; however, the direction of current economy remains uncertain due to factors including the European debt crisis, the unrelenting strong yen, and the depressed economies overseas.

In our information services industry, given the popularity of cloud computing, smartphones, and tablets, we expect market growth in the associated areas. However, Japanese corporations still continue to experience depression in chiefly the manufacturing sector, and investments in IT by corporations are still tighten, and the business environment thus continues to be very difficult for corporations in our industry.

Against this backdrop, we continued to work on improving sales services to existing clients, and strengthened our sales platform by moving from “getting business” to “creating new business” and worked on acquisition of new businesses. In August, we moved our head offices and converged all business groups to our new location, for improved business efficiency and to share business resources.

Furthermore, we continue to engage ourselves in value-add businesses in addition to the existing business areas, and our goal continues to be expansion into new business areas through new application of our technologies. As one of our central action plans, we focused our sales efforts on VALiBO^(*) (1), which is a smartphone application for Android, Nstylist^(*) (2), which is a service platform, and Decoca^(*) (3), which is a digital contents card, all of which we developed.

Our sales outperformed the same quarter of last year, by a good performance on orders at our communications systems business and information systems business groups. Our profit underperformed the same quarter of last year, due to a sluggish performance of NID TOHOKU, which was caused by lingering 3.11 factors from the previous term, a posting of some unprofitable projects, and the associated cost of our re-location.

As a result, performance for the first half of consolidated fiscal year were as follows: Sales posted at 7,411 million yen (on same quarter of previous year; up 2.7%); Operating profits posted at 325 million yen (down 11.9% on same quarter of previous year); Current profits posted at 340 million yen (down 9.8% on same quarter of previous year). Furthermore, extraordinary losses increased due to the cost in August of relocating our head offices and consolidating business groups and depreciation in our finance sector stocks portfolio, resulting in net profits of 104 million yen (down 52.2% on same quarter of previous year).

Note 1: Application for Android smartphones. This provides a new way to utilize the standby screen of smartphones, and when installed, the user can set up to eight standby screens to the brand (company) selected by the user. Information of each brand's standby screen is updated automatically, and users can enjoy the changing standby screen and check the newest information in a snap.

Note 2: The Nstylist Service Platform can be installed in Android OS terminals such as tablets and smartphones, allowing easy creation and provision of applications and services to meet corporate needs. Also the dedicated Nstylist server and terminals installing Nstylist are directly linked to deliver seamless information management and to comprehensively support maintenance and operation of the system infrastructure.

Note 3: Decoca is a service through which we sell contents designed for the waiting screen of Android smartphones in a card format. Users enjoy collecting these cards, and the contents for the waiting screen.

Business segment results were as follows:

Communications systems business

Communications systems business saw a rise in automobiles, medical instruments and mobile device sector orders. As a result, sales and operating profit posted 1,832 million (up 8.8% on prior same quarter) and 77 million yen (up 17.5% on same) respectively.

Information systems business

Information systems business saw a rise in orders from logistics, manufacturing, life and non-life insurance and mutual life insurance sectors, but some projects turned to be unprofitable.

As a result, sales and operating profit posted 1,469 million (up 7.3% on same) and 86 million yen (down 20.1% 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 2,222 million (up 1.8% on same) and 116 million yen (up 29.9% on same) respectively.

NID • IS

NID/IS business saw a rise in data input orders from electric power industry, and decline in systems development orders.

As a result, sales and operating profit posted 1,230 million (down 2.6% on same) and 75 million yen (up 12.3% on same) respectively.

NID • IE

NID/IE business saw a down in orders from the government sector.

As a result, sales and operation profit posted 380 million (down 6.5% on same) and 35 million yen (down 16.0% on same) respectively.

NID TOHOKU

NID TOHOKU business saw postponed IT investments at main customers, due to an impact of the March 11th earthquake. The difficult business landscape thus maintained.

As a result, sales and operating loss posted 275 million (down 10.8% on same) and operating loss on 42 million yen (4 million yen operating loss on same) respectively.

(2) Qualitative information on consolidated finances

Assets

Current assets at end of our first half of the consolidated fiscal year 2013 posted a decline of 420 million yen on prior consolidated fiscal year end and settled at 8,305 million yen, due to factors including decrease in cash, deposits, and receivable, and increase in work-in-process. Non-current assets settled at 2,812 million yen, up 429 million yen on end of consolidated fiscal period of previous year, due to increased in tangible fixed asset as a result of re-location and increase in investment in negotiable securities.

As a result, Total net assets settled at 11,117 million yen, up 9 million yen on end of the consolidated fiscal period of previous year.

Liabilities

Current liabilities at end of the first half of consolidated fiscal year settled at 2,263 million yen, up 36 million yen on end of consolidated fiscal period of previous year, due to factors including increase in payables and decrease in items including unpaid corporate tax. Non-current liabilities settled at 2,639 million yen, up 22 million yen on end of the consolidated fiscal period of previous year, due to factors including increase in allocation to retirement funds.

As a result, Total liabilities settled at 4,902 million yen, up 58 million yen on end of the consolidated fiscal period of previous year.

Net assets

Total net assets at end of the first half of consolidated fiscal year settled at 6,215 million yen, down 49 million yen on end of the consolidated fiscal period of previous year, due to factors including decrease in retained earnings from dividends payment.

As a result, the capital adequacy ratio was revised to 55.9% (this ratio was 56.4% at end of the consolidated fiscal period of previous year).

2. Information on Notes

(1) Changes in the scope of our consolidation, including changes in our subsidiaries

None

(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 in accounting policies which are difficult to differentiate from changes in estimation methods)

By virtue of revisions to the Corporation Tax Law, the Company and its subsidiaries depreciated tangible fixed assets acquired on and after April 1, 2012 under the new depreciation system from the current first quarter. The effect on earnings from this change was minimal.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	FY3/12	2nd Quarter FY3/13
ASSETS		
Current assets		
Cash and deposits	5,553,362	5,337,807
Notes and accounts receivable–trade	2,286,093	1,957,526
Marketable securities	1,039	1,039
Work in process	272,815	345,167
Deferred tax assets	434,780	421,275
Others	178,000	242,526
Total current assets	8,726,091	8,305,343
Non-current assets		
Property, plant and equipment		
Land	136,767	136,767
Others - net	111,069	292,038
Total property, plant and equipment	247,836	428,805
Intangible assets		
Software	214,467	206,488
Others	43,854	28,127
Total intangible assets	258,322	234,616
Investments and other assets		
Investment securities	423,538	650,631
Deferred tax assets	900,829	900,013
Guarantee deposits	476,747	520,175
Others	75,371	78,317
Total investments and other assets	1,876,487	2,149,138
Total non-current assets	2,382,647	2,812,560
Total assets	11,108,738	11,117,904

(Thousand yen)

	FY3/12	2nd Quarter FY3/13
LIABILITIES		
Current liabilities		
Accounts payable – trade	322,266	534,087
Accounts payable – other	348,718	382,140
Provision for bonuses	894,031	880,431
Income taxes payable	259,391	81,860
Others	402,967	385,185
Total current liabilities	2,227,375	2,263,705
Non-current liabilities		
Provision for retirement benefits	2,104,396	2,132,057
Provision for directors' retirement benefits	402,300	401,425
Others	110,235	105,699
Total non-current liabilities	2,616,932	2,639,181
Total liabilities	4,844,307	4,902,887
NET ASSETS		
Shareholders' equity		
Capital stock	653,352	653,352
Capital surplus	488,675	488,675
Retained earnings	6,403,131	6,337,006
Treasury stock	-1,226,363	-1,226,363
Total shareholders' equity	6,318,795	6,252,670
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-54,364	-37,654
Total valuation and translation adjustments	-54,364	-37,654
Total net assets	6,264,430	6,215,016
Total liabilities and net assets	11,108,738	11,117,904

(2) Consolidated Statements of Income

(Thousand yen)

	2nd Quarter FY3/12	2nd Quarter FY3/13
Net sales	7,217,009	7,411,879
Cost of sales	5,965,877	6,157,414
Gross profit	1,251,131	1,254,464
Selling, general and administrative expenses	882,284	929,417
Operating income (loss)	368,846	325,047
Non-operating income		
Interest income	78	52
Dividends income	4,308	4,195
Insurance income	900	6,227
Subsidy income	3,545	3,635
Others	3,306	3,847
Total non-operating income	12,138	17,959
Non-operating expenses		
Interest expenses	793	748
Loss on investments in partnership	627	—
Others	2,035	1,876
Total non-operating expenses	3,455	2,624
Ordinary income (loss)	377,529	340,382
Extraordinary income		
Gain on sales of non-current assets	101	-
Total extraordinary income	101	-
Extraordinary loss		
Loss on retirement of non-current assets	88	25,009
Loss on valuation of investment securities	-	61,154
Loss on valuation of membership	1,800	-
Head office transfer cost	-	69,883
Others	270	5,597
Total extraordinary loss	2,158	161,645
Income before income taxes and minority interests	375,472	178,736
Income taxes – current	175,465	69,442
Income taxes – deferred	-18,009	5,066
Total income taxes	157,455	74,509
Income before minority interests	218,016	104,227
Net income (loss)	218,016	104,227
Income before minority interests	218,016	104,227
Other comprehensive income		
Valuation difference on available-for-sale securities	-15,849	16,710
Total other comprehensive income	-15,849	16,710
Comprehensive income	202,167	120,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	202,167	120,937

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	2nd Quarter FY3/12	2nd Quarter FY3/13
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	375,472	178,736
Depreciation and amortization	70,881	80,521
Increase (decrease) in provision for retirement benefits	14,381	27,661
Increase (decrease) in provision for directors' retirement benefits	10,187	-875
Increase (decrease) in allowance for doubtful accounts	-	-
Increase (decrease) in provision for bonuses	6,636	-13,600
Loss (gain) on investments in partnership	2,561	3,209
Interest and dividends income	-4,386	-4,248
Interest expenses	793	748
Loss (gain) on valuation of investment securities	-	61,154
Loss (gain) on sales of property, plant and equipment	-101	27
Loss on retirement of property, plant and equipment	88	22,997
Loss on valuation of membership	1,800	-
Decrease (increase) in notes and accounts receivable –trade	475,045	328,566
Decrease (increase) in inventories	-160,667	-70,282
Decrease (increase) in other current assets	94,553	-66,796
Decrease (increase) in other non-current assets	-154	60
Increase (decrease) in notes and accounts payable – Trade	-86,914	211,820
Increase (decrease) in accounts payable – trade	-36,789	26,607
Increase (decrease) in accrued consumption taxes	-8,550	-18,982
Increase (decrease) in other current liabilities	-9,756	28,084
Others - net	3,166	2,620
Subtotal	748,246	798,032
Interest and dividend income received	4,386	4,248
Interest expenses paid	-793	-748
Income taxes paid	-156,393	-245,755
Net cash provided by (used in) operating activities	595,446	555,776
Net cash provided by (used in) investment activities		
Purchase of investment securities	-12,367	-269,792
Proceeds from sales and redemption of investment securities	500	-
Purchase of property, plant and equipment	-14,190	-212,444
Proceeds from sales of property, plant and equipment	114	506
Payments for retirement of property, plant and equipment	-	-23,610
Purchase of intangible assets	-49,184	-52,623
Payments for guarantee deposits	-688	-120,093
Proceeds from collection of guarantee deposits	2,512	76,665
Others - net	-4,706	1,497
Net cash provided by (used in) investment activities	-78,010	-599,895
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	410,000	410,000
Decrease in short-term loans payable	-410,000	-410,000
Cash dividends paid	-169,636	-169,090
Others - net	-2,935	-3,711
Net cash provided by (used in) financing activities	-172,571	-172,801
Net increase (decrease) in cash and cash equivalents	344,864	-216,921
Cash and cash equivalents at beginning of term	4,859,806	5,492,618
Cash and cash equivalents at end of term	5,204,670	5,275,697