



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

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> |
| Representative : President Kiyoshi Suzuki |   |
| Contact : Finance Manager Kazuo Shimoyama | Telephone : 81-8-3-3365-2621                                    |

### 1. Consolidated Financial Results for the Third Quarter of Fiscal Year 2011 (From April 1, 2010 to December 31, 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 | %     |
| 3Q FY3/11 | 10,494      | -1.6 | 549              | -12.7 | 568             | -11.3 | 237         | -40.7 |
| 3Q FY3/10 | 10,669      | -7.1 | 630              | -14.2 | 640             | -14.5 | 400         | -4.3  |

|           | Net income per share | Diluted net income per share |
|-----------|----------------------|------------------------------|
|           | Yen                  | Yen                          |
| 3Q FY3/11 | 62.73                | -                            |
| 3Q FY3/10 | 105.72               | -                            |

### (2) Consolidated Financial Position

|           | Total Assets | Total Net Assets | Equity Ratio | Net Assets per Share |
|-----------|--------------|------------------|--------------|----------------------|
|           | Million yen  | Million yen      | %            | Yen                  |
| 3Q FY3/11 | 10,244       | 5,886            | 57.5         | 1,555.03             |
| FY3/10    | 10,272       | 5,818            | 56.6         | 1,537.10             |

Note : Equity      3Q FY3/11 5,886million 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<br>(Forecasts) | -                   | -              | -             | 45.00    | 45.00     |

Note: Changes in forecasts during the three months ended December 31, 2010: None

### 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               |

Note: Changes in forecasts during the three months ended December 31, 2010: 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 : 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) | 3Q FY3/11 | 4,369,830 | FY3/10    | 4,369,830 |
| Treasury stock as of term end                           | 3Q FY3/11 | 584,237   | FY3/10    | 584,237   |
| Average shares issued during term                       | 3Q FY3/11 | 3,785,593 | 3Q 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.

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Qualitative information regarding consolidated results of operations

During the first nine months of the current fiscal year, there were signs of a recovery in some sectors of the Japanese economy mainly because of an upturn in the global economy and the benefits of economic stimulus measures of the Japanese government. However, the outlook for the economy remains uncertain due to the extended strength of the yen, a prolonged period of deflation, high unemployment and low personal income, and declining consumer spending.

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 response to this challenging operating environment, the NID Group focused on strategic sales activities by switching from "activities to capture sales" to "activities to create sales." In addition, the Group used experience gained from collaborative businesses, which is the Group's fifth business field, to concentrate on developing the exclusive "NID Platform" (see note 1)<sup>1</sup> for the popular Android operating system.

Furthermore, orders are increasing for the development of applications involving the iPhone/iPad and Android devices as companies develop more products for the iPhone and Android markets.

By taking these actions, the NID Group is expanding into new business domains by taking advantage of its many technologies.

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 loss of 157 million yen on the valuation of investment securities, related to holdings of financial institutions and an investee company.

For the first nine months under review, consolidated net sales decreased 1.6% to 10,494 million yen, operating income decreased 12.7% to 549 million yen, ordinary income decreased 11.3% to 568 million yen and net income decreased 40.7% to 237 million yen.

Note 1: The NID Platform is a middleware that allows creating with ease various applications that are used with the Android operating system. Work is proceeding on the development of the NID Mobile Platform, which can be incorporated in a variety of information devices that use an open platform.

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 communications systems business and the information systems business 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, market conditions in this business were challenging as companies in other industries downsized development projects or performed work internally rather than outsourcing tasks. Despite this difficult environment, orders for applications involving Android have been increasing recently.

As a result, net sales totaled 2,032 million yen, and operating income was 52 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 2,133 million yen, and operating income was 188 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 3,462 million yen, and operating income was 190 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 1,540 million yen, and operating income was 49 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 612 million yen, and operating income was 30 million yen.

(vi) NID Tohoku

The NID Tohoku segment saw steady orders from major customers, but some projects turned out to be unprofitable and gave a negative impact on the segment performance. As a result, net sales totaled 712 million yen, and operating income was 29 million yen.

**(2) Qualitative information regarding consolidated financial position**

(i) Balance sheet position

Total assets at the end of the third quarter declined 27 million yen from the end of the previous fiscal year, to 10,244 million yen, as cash and deposits, and inventories increased, but accounts receivable-trade and marketable securities decreased. Total liabilities declined 95 million yen, to 4,358 million yen, resulting from increases in short-term loans payable and provision for retirement benefits and decreases in provision for bonuses and others. Net assets rose 67 million yen to 5,886 million yen because of an increase in retained earnings.

As a result, the equity ratio rose by 0.9 percentage points from 56.6% at the end of the previous fiscal year, to 57.5%.

(ii) Cash flow position

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the third quarter rose 760 million yen from the end of the previous fiscal year, to 4,831 million yen.

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

(Cash Flow from Operating Activities)

Net cash provided by operating activities was 423 million yen (compared with net cash provided of 136 million yen in the same period of the previous fiscal year).

This mainly reflected the fact that inflows such as income before income taxes and minority interests, as well as a decline in notes and accounts receivable-trade, exceeded outflows such as income taxes paid and a decrease in provision for bonuses.

(Cash Flow from Investing Activities)

Net cash provided by investing activities was 201 million yen (compared with net cash used of 209 million yen in the same period of the previous fiscal year). This mainly owed to the redemption at maturity of securities held for investment purposes.

(Cash Flow from Financing Activities)

Net cash provided by financing activities was 136 million yen (compared with net cash provided of 186 million yen in the same period of the previous fiscal year). It was because inflows such as proceeds from short-term loans payable exceeded outflows such as repayment of short-term loans payable and cash dividends paid.

**(3) Qualitative information regarding forecasts for consolidated business results**

We basically maintain the consolidated full-year earnings forecasts we released on October 28, 2010. As we expect our business is picking up in the fourth quarter though performance at the end of the third quarter did not reach the level posted a year ago.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

|  | 3rd Quarter FY3/11 | FY3/10            |
|--|--------------------|-------------------|
| <b>ASSETS</b>                              |                    |                   |
| <b>Current assets</b>                      |                    |                   |
| Cash and deposits                          | 4,903,007          | 4,132,788         |
| Notes and accounts receivable–trade        | 1,840,088          | 2,437,193         |
| Marketable securities                      | 1,038              | 301,706           |
| Work in process                            | 409,730            | 111,232           |
| Deferred tax assets                        | 248,237            | 433,555           |
| Others                                     | 332,803            | 188,729           |
| Allowance for doubtful accounts            | -                  | -3,379            |
| <b>Total current assets</b>                | <b>7,734,905</b>   | <b>7,601,826</b>  |
| <b>Non-current assets</b>                  |                    |                   |
| <b>Property, plant and equipment</b>       |                    |                   |
| Land                                       | 136,767            | 136,767           |
| Others - net                               | 109,269            | 106,599           |
| <b>Total property, plant and equipment</b> | <b>243,037</b>     | <b>243,367</b>    |
| <b>Intangible assets</b>                   |                    |                   |
| Software                                   | 204,670            | 203,939           |
| Others                                     | 42,285             | 56,927            |
| <b>Total intangible assets</b>             | <b>246,956</b>     | <b>260,866</b>    |
| <b>Investments and other assets</b>        |                    |                   |
| Investment securities                      | 433,347            | 598,468           |
| Deferred tax assets                        | 1,005,411          | 984,492           |
| Guarantee deposits                         | 509,549            | 509,348           |
| Others                                     | 71,565             | 74,334            |
| <b>Total investments and other assets</b>  | <b>2,019,874</b>   | <b>2,166,643</b>  |
| <b>Total non-current assets</b>            | <b>2,509,867</b>   | <b>2,670,877</b>  |
| <b>Total assets</b>                        | <b>10,244,773</b>  | <b>10,272,703</b> |

(Thousand yen)

|  | 3rd Quarter FY3/11 | FY3/10            |
|--|--------------------|-------------------|
| <b>LIABILITIES</b>                                       |                    |                   |
| <b>Current liabilities</b>                               |                    |                   |
| Accounts payable – trade                                 | 244,450            | 319,321           |
| Short-term loans payable                                 | 310,000            | -                 |
| Accounts payable – other                                 | 427,438            | 304,336           |
| Provision for bonuses                                    | 455,794            | 914,866           |
| Asset retirement obligations                             | 6,367              | -                 |
| Others   | 372,712            | 422,702           |
| <b>Total current liabilities</b>                         | <b>1,816,762</b>   | <b>1,961,225</b>  |
| <b>Non-current liabilities</b>                           |                    |                   |
| Provision for retirement benefits                        | 2,041,673          | 1,984,921         |
| Provision for directors' retirement benefits             | 376,255            | 359,250           |
| Others   | 123,391            | 148,459           |
| <b>Total non-current liabilities</b>                     | <b>2,541,320</b>   | <b>2,492,630</b>  |
| <b>Total liabilities</b>                                 | <b>4,358,083</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  | 6,034,340          | 5,967,232         |
| Treasury stock   | -1,226,363         | -1,226,363        |
| <b>Total shareholders' equity</b>                        | <b>5,950,004</b>   | <b>5,882,896</b>  |
| <b>Valuation and translation adjustments</b>             |                    |                   |
| Valuation difference on<br>available-for-sale securities | -63,313            | -64,049           |
| <b>Total valuation and translation adjustments</b>       | <b>-63,313</b>     | <b>-64,049</b>    |
| <b>Total net assets</b>                                  | <b>5,886,690</b>   | <b>5,818,847</b>  |
| <b>Total liabilities and net assets</b>                  | <b>10,244,773</b>  | <b>10,272,703</b> |

## (2) Consolidated Statements of Income

(Thousand yen)

|  | 3rd Quarter FY3/10 | 3rd Quarter FY3/11 |
|--|--------------------|--------------------|
| Net sales  | 10,669,854         | 10,494,097         |
| Cost of sales  | 8,733,629          | 8,629,318          |
| <b>Gross profit</b>  | <b>1,936,225</b>   | <b>1,864,779</b>   |
| Selling, general and administrative expenses   | 1,306,110          | 1,314,977          |
| <b>Operating income (loss)</b>   | <b>630,115</b>     | <b>549,802</b>     |
| <b>Non-operating income</b>  |                    |                    |
| Interest income  | 1,688              | 1,200              |
| Dividends income   | 4,694              | 5,246              |
| Subsidy income   | 7,918              | 16,519             |
| Others   | 8,042              | 5,528              |
| <b>Total non-operating income</b>  | <b>22,344</b>      | <b>28,494</b>      |
| <b>Non-operating expenses</b>  |                    |                    |
| Interest expenses  | 1,480              | 1,423              |
| Loss on investments in partnership   | 8,177              | 6,433              |
| investment management expense  | 2,257              | 2,201              |
| Others   | 157                | 0                  |
| <b>Total non-operating expenses</b>  | <b>12,073</b>      | <b>10,057</b>      |
| <b>Ordinary income (loss)</b>  | <b>640,386</b>     | <b>568,239</b>     |
| <b>Extraordinary income</b>  |                    |                    |
| Reversal of allowance for doubtful accounts  | 318                | 3,379              |
| Gain on abolishment of retirement benefit plan   | 71,859             | -                  |
| Others   | 2,302              | 915                |
| <b>Total extraordinary income</b>  | <b>74,480</b>      | <b>4,294</b>       |
| <b>Extraordinary loss</b>  |                    |                    |
| Loss on retirement of non-current assets   | 2,773              | 173                |
| Loss on valuation of investment securities   | 18,000             | 157,496            |
| Directors' retirement benefits   | 10,000             | -                  |
| Loss on cancellation of lease contracts  | 52                 | -                  |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | -                  | 6,130              |
| Others   | -                  | 3,521              |
| <b>Total extraordinary loss</b>  | <b>30,825</b>      | <b>167,322</b>     |
| <b>Income before income taxes and minority interests</b>                               | <b>684,041</b>     | <b>405,211</b>     |
| Income taxes – current   | 81,157             | 3,857              |
| Income taxes – deferred  | 202,687            | 163,894            |
| <b>Total income taxes</b>  | <b>283,844</b>     | <b>167,752</b>     |
| <b>Income before minority interests</b>  | <b>-</b>           | <b>237,458</b>     |
| <b>Net income (loss)</b>   | <b>400,197</b>     | <b>237,458</b>     |

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

(Thousand yen)

|   | 3rd Quarter FY3/10 | 3rd Quarter FY3/11 |
|---|--------------------|--------------------|
| <b>Net cash provided by (used in) operating activities</b>          |                    |                    |
| Income (loss) before income taxes and minority interests            | 684,041            | 405,211            |
| Depreciation and amortization                                       | 86,997             | 101,034            |
| Increase (decrease) in provision for retirement benefits            | -102,852           | 56,751             |
| Increase (decrease) in provision for directors' retirement benefits | -3,781             | 17,005             |
| Increase (decrease) in allowance for doubtful accounts              | -318               | -3,379             |
| Increase (decrease) in provision for bonuses                        | -421,250           | -459,072           |
| Loss (gain) on investments in partnership                           | 10,195             | 8,399              |
| Interest and dividends income                                       | -6,383             | -6,447             |
| Interest expenses   | 1,480              | 1,423              |
| Loss (gain) on valuation of investment securities                   | 18,000             | 157,496            |
| Loss (gain) on sales of property, plant and equipment               | -                  | 321                |
| Loss on retirement of property, plant and equipment                 | 253                | 173                |
| Loss on retirement of intangible assets                             | 2,520              | -                  |
| Loss (gain) on sales of investments, in real estate                 | -2,302             | -                  |
| Loss on valuation of golf club memberships                          | -                  | 3,200              |
| Decrease (increase) in notes and accounts receivable –trade         | 420,900            | 597,105            |
| Decrease (increase) in inventories                                  | -245,271           | -295,428           |
| Decrease (increase) in other current assets                         | -93,642            | 57,326             |
| Decrease (increase) in other non-current assets                     | 106                | 219                |
| Increase (decrease) in notes and accounts payable – Trade           | -67,359            | -74,870            |
| Increase (decrease) in accounts payable – trade                     | 306,499            | 108,904            |
| Increase (decrease) in accrued consumption taxes                    | -13,417            | -23,389            |
| Increase (decrease) in other current liabilities                    | 121,439            | 107,809            |
| Others - net  | 773                | 2,398              |
| <b>Subtotal</b>   | <b>696,627</b>     | <b>762,196</b>     |
| Interest and dividend income received                               | 6,383              | 6,564              |
| Interest expenses paid  | -1,480             | -1,423             |
| Income taxes paid   | -565,076           | -343,964           |
| <b>Net cash provided by (used in) operating activities</b>          | <b>136,454</b>     | <b>423,373</b>     |
| <b>Net cash provided by (used in) investment activities</b>         |                    |                    |
| Purchase of investment securities                                   | -100,466           | -451               |
| Proceeds from sales and redemption of investment securities         | -                  | 300,000            |
| Purchase of property, plant and equipment                           | -9,673             | -24,479            |
| Proceeds from sales of property, plant and equipment                | -                  | 58                 |
| Purchase of intangible assets                                       | -112,114           | -66,195            |
| Proceeds from sales of investments in real estate                   | 13,060             | -                  |
| Others - net  | -502               | -7,388             |
| <b>Net cash provided by (used in) investment activities</b>         | <b>-209,696</b>    | <b>201,542</b>     |
| <b>Net cash provided by (used in) financing activities</b>          |                    |                    |
| Increase in short-term loans payable                                | 870,000            | 870,000            |
| Decrease in short-term loans payable                                | -510,000           | -560,000           |
| Cash dividends paid   | -170,128           | -170,315           |
| Others - net  | -3,153             | -3,614             |
| <b>Net cash provided by (used in) financing activities</b>          | <b>186,718</b>     | <b>136,070</b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b>         | <b>113,476</b>     | <b>760,986</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>3,921,343</b>   | <b>4,831,095</b>   |