



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

09-Feb-2012

| | |
|---|---|
| Company Name : NID Co., Ltd. | Listing : JASDAQ |
| Security Code : 2349 | URL : http://www.nid.co.jp/ |
| Representative : President Kiyoshi Suzuki | Telephone : 81-8-3-3365-2621 |
| Contact : Finance Manager Kazuo Shimoyama | |

1. Consolidated Financial Results for the Third Quarter of Fiscal Year 2012 (From April 1, 2011 to December 31, 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 | % |
| 3Q FY3/12 | 10,626 | 1.3 | 516 | Δ6.0 | 535 | Δ5.7 | 174 | Δ26.5 |
| 3Q FY3/11 | 1,0494 | Δ1.6 | 549 | Δ12.7 | 568 | Δ11.3 | 237 | Δ40.7 |

| | Net income per share | Diluted net income per share |
|-----------|----------------------|---------------------------------|
| | Yen | Yen |
| 3Q FY3/12 | 46.12 | - |
| 3Q FY3/11 | 62.73 | - |

(2) Consolidated Financial Position

| | Total Assets | Total Net Assets | Equity Ratio |
|-----------|--------------|------------------|--------------|
| | Million yen | Million yen | % |
| 3Q FY3/12 | 10,674 | 6,088 | 57.0 |
| FY3/11 | 10,660 | 6,110 | 57.3 |

Note : Equity 3Q FY3/12 6,088million 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 | 880 | Δ5.9 | 900 | Δ9.5 | 420 | Δ6.2 | 110.94 |

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) | 3Q FY3/12 | 4,369,830 | FY3/11 | 4,369,830 |
| Treasury stock as of term end | 3Q FY3/12 | 584,237 | FY3/11 | 584,237 |
| Average shares issued during term | 3Q FY3/12 | 3,785,593 | 3Q 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 December 2011

1. Qualitative information on consolidated business results

In the first nine months of the consolidated fiscal year, although there were signs of a bottoming out of the downturn in the Japanese economy resulting from the March 11th earthquake, the global economy was slowdown affected by European debt crisis, and the continued historic 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 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, but we got the negative effects that some projects turned to be unprofitable. On December 2, 2011, there was a promulgation of “Law to Revise the Income Tax, etc. in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure” (Law No.114 of 2011) and “The Act on Special Measures for securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake” (LawNo.117 of 2011). As a result, for consolidated fiscal years beginning on after April 1, 2012, the corporate tax rate will be changed. As a result of these changes in the tax rate, deferred tax assets decreased, and the amount of income tax-deferred increased.

On the results of our first nine months, sales, operating profit, current earnings, and net profit posted 10,626million (up 1.3% on prior same period), 516 million (down 6.0% on same), 535 million (down 5.7% on same), and 174million yen (down 26.5% on same) respectively.

¹ *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, but some projects turned to be unprofitable. As a result, sales and operating profit posted 2,331 million (up 14.7% on prior same period) and 2 million yen (down 94.9% 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 2,100 million (down 1.5% on same) and 193 million yen (up 2.6% 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 3,228 million (down 6.8% on same) and 144 million yen (down 24.0% 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 1,880 million (up 22.1% on same) and 102 million yen (up 109.2% 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 615 million (up 0.5% on same) and 64 million yen (up 108.6% 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 469 million (down 34.1% on same) and 4 million yen (down 84.7% on same) respectively.

2. Qualitative information on consolidated finances

Assets

Current assets at end of our first nine months of the consolidated fiscal year 2012 posted an increase of 123 million yen on prior consolidated fiscal year end and settled at 8,340 million yen, due to factors including an increase of 533 million yen in cash and deposits, and a decrease of 708 million yen in notes and accounts receivable – trade, and an increase of 364 million yen in work in process. Non-current assets posted a decrease of 109 million yen on prior consolidated fiscal year end and settled at 2,334 million yen, due to factors that including a decrease of 96 million yen in deferred tax assets.

As a result, Total assets posted a decline of 13 million yen on prior consolidated fiscal year end and settled at 10,674 million yen.

Liabilities

Current liabilities at end of our first nine months of the consolidated fiscal year 2012 posted an increase of 11 million yen on prior consolidated fiscal year end and settled at 2,012 million yen, due to factors including a decrease of 447 million yen in provision for bonuses, and an increase of 410 million yen in short-term loans payable. Non-current liabilities posted an increase of 24 million yen on prior consolidated fiscal year end and settled at 2,573 million yen, due to factors including an increase of 40 million yen in provision for retirement benefits.

As a result, Total liabilities at end of our first nine months for consolidated fiscal year 2012 posted an increase of 35 million yen on prior consolidated fiscal year end and settled at 4,586 million yen.

Net assets

Total net assets at end of our first nine months of the consolidated fiscal year 2012 posted a decrease of 21 million on prior consolidated fiscal year end and settled at 6,088 million yen, due to factors including a decrease of 26 million yen in valuation difference on available-for-sale securities.

As a result, capital adequacy ratio decreased by 0.3% from 57.3% at end of prior consolidated fiscal year end to 57.0%.

3. Qualitative Information on Forecasts for Consolidated Financial Results

On May 13, 2011, we announced the earnings forecast strengthened in the year that was over through our earnings on March 31, 2012, we announced the revision on February 9, 2012.

Revised forecasts of consolidated financial results for the Fiscal Year 2012

(From April 1, 2011 to March 31, 2012)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net income per share |
|---|-------------|------------------|-----------------|-------------|----------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecasts (A) | 14,750 | 1,010 | 1,020 | 600 | 158.50 |
| Current forecasts (B) | 14,750 | 880 | 900 | 420 | 110.94 |
| Decrease (B-A) | - | -130 | -120 | -180 | |
| Change (%) | - | -12.9 | -11.8 | -30.0 | |
| Reference: Results for the fiscal year ended March 31, 2011 | 14,638 | 935 | 994 | 447 | 118.26 |

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

| | FY3/11 | 3rd Quarter FY3/12 |
|--|-------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 4,934,693 | 5,468,004 |
| Notes and accounts receivable–trade | 2,419,087 | 1,712,519 |
| Marketable securities | 1,038 | 1,039 |
| Work in process | 213,083 | 577,826 |
| Deferred tax assets | 435,309 | 208,565 |
| Others | 213,186 | 372,176 |
| Total current assets | 8,216,398 | 8,340,132 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 136,767 | 136,767 |
| Others - net | 100,776 | 99,127 |
| Total property, plant and equipment | 237,544 | 235,895 |
| Intangible assets | | |
| Software | 188,639 | 194,234 |
| Others | 45,822 | 59,984 |
| Total intangible assets | 234,461 | 254,218 |
| Investments and other assets | | |
| Investment securities | 420,360 | 394,038 |
| Deferred tax assets | 1,000,150 | 903,731 |
| Guarantee deposits | 477,874 | 476,080 |
| Others | 74,115 | 70,863 |
| Total investments and other assets | 1,972,501 | 1,844,439 |
| Total non-current assets | 2,444,507 | 2,334,553 |
| Total assets | 10,660,906 | 10,674,685 |

(Thousand yen)

| | FY3/11 | 3rd Quarter FY3/12 |
|--|-------------------|--------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable – trade | 358,761 | 270,057 |
| Accounts payable – other | 278,391 | 443,882 |
| Provision for bonuses | 900,155 | 452,933 |
| Others | 464,021 | 435,973 |
| Total current liabilities | 2,001,329 | 2,012,845 |
| Non-current liabilities | | |
| Provision for retirement benefits | 2,046,087 | 2,086,105 |
| Provision for directors' retirement benefits | 381,925 | 397,206 |
| Others | 121,415 | 90,133 |
| Total non-current liabilities | 2,549,427 | 2,573,444 |
| Total liabilities | 4,550,756 | 4,586,290 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 653,352 | 653,352 |
| Capital surplus | 488,675 | 488,675 |
| Retained earnings | 6,244,548 | 6,248,796 |
| Treasury stock | -1,226,363 | -1,226,363 |
| Total shareholders' equity | 6,160,212 | 6,164,460 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | -50,062 | -76,065 |
| Total valuation and translation adjustments | -50,062 | -76,065 |
| Total net assets | 6,110,150 | 6,088,395 |
| Total liabilities and net assets | 10,660,906 | 10,674,685 |

(2) Consolidated Statements of Income

(Thousand yen)

| | 3rd Quarter FY3/11 | 3rd Quarter FY3/12 |
|--|--------------------|--------------------|
| Net sales | 10,494,097 | 10,626,825 |
| Cost of sales | 8,629,318 | 8,787,453 |
| Gross profit | 1,864,779 | 1,839,372 |
| Selling, general and administrative expenses | 1,314,977 | 1,322,626 |
| Operating income (loss) | 549,802 | 516,745 |
| Non-operating income | | |
| Interest income | 1,200 | 95 |
| Dividends income | 5,246 | 6,715 |
| Subsidy income | 16,519 | 8,236 |
| Others | 5,528 | 7,958 |
| Total non-operating income | 28,494 | 23,006 |
| Non-operating expenses | | |
| Interest expenses | 1,423 | 1,143 |
| Loss on investments in partnership | 6,433 | 627 |
| investment management expense | 2,201 | 1,935 |
| Others | 0 | 100 |
| Total non-operating expenses | 10,057 | 3,806 |
| Ordinary income (loss) | 568,239 | 535,945 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 101 |
| Gain on sales of investment securities | 3,379 | — |
| Reversal of allowance for doubtful accounts | 915 | — |
| Total extraordinary income | 4,294 | 101 |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 173 | 171 |
| Loss on valuation of investment securities | 157,496 | — |
| Loss on valuation of membership | — | 3,900 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 6,130 | — |
| Other | 3,521 | 573 |
| Total extraordinary losses | 167,322 | 4,645 |
| Income before income taxes and minority interests | 405,211 | 531,402 |
| Income taxes – current | 3,857 | 25,862 |
| Income taxes – deferred | 163,894 | 330,939 |
| Total income taxes | 167,752 | 356,802 |
| Income before minority interests | 237,458 | 174,599 |
| Net income (loss) | 237,458 | 174,599 |
| Income before minority interests | 237,458 | 174,599 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 735 | -26,003 |
| Total other comprehensive income | 735 | -26,003 |
| Comprehensive income | 238,194 | 148,596 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 238,194 | 148,596 |