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

08-Feb-2013

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1. Consolidated Financial Results for the Third Quarter of Fiscal Year 2013 (From April 1, 2012 to December 31, 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	%
3Q FY3/13	11,102	4.5	592	14.7	617	15.3	299	71.7
3Q FY3/12	10,626	1.3	516	-6.0	535	-5.7	174	-26.5

Note: Comprehensive income: 3Q FY3/13 323million yen (117.4%) 3Q FY3/12 148million yen (-37.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY3/13	79.17	-
3Q FY3/12	46.12	-

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Million yen	Million yen	%
3Q FY3/13	11,066	6,417	58.0
FY3/12	11,108	6,264	56.4

Note : Equity 3Q FY3/13 6,417million 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)	3Q FY3/13	4,369,830	FY3/12	4,369,830
Treasury stock as of term end	3Q FY3/13	584,237	FY3/12	584,237
Average shares issued during term	3Q FY3/13	3,785,593	3Q 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 December 2012

1. Qualitative information on consolidated business results

(1) Qualitative information on consolidated operating results

The Japanese economy in the first nine months 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 and profit outperformed the same quarter of last year, by a good performance on orders at our communications systems business and information systems business and network solutions business groups.

As a result, performance for the first nine months of consolidated fiscal year were as follows: Sales posted at 11,102 million yen (on same quarter of previous year; up 4.5%); Operating profits posted at 592 million yen (up 14.7% on same quarter of previous year); Current profits posted at 617 million yen (up 15.3% 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 resulting in net profits of 299 million yen (up 71.7% 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 2,632 million (up 12.9% on prior same quarter) and 104 million yen (2 million 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 2,298 million (up 9.4% on same) and 159 million yen (down 17.7% 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 3,371 million (up 4.4% on same) and 205 million yen (up 42.2% 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 1,874 million (down 0.3% on same) and 126 million yen (up 23.1% 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 564million (down 8.3% on same) and 48 million yen (down 24.0% on same) respectively.

NID TOHOKU

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

As a result, sales and operating loss posted 359 million (down 23.5% on same) and operating loss on 52 million yen (4 million yen on same) respectively.

(2)Qualitative information on consolidated finances

Assets

Current assets at end of our first nine months 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 2,760 million yen, up 377 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 11,066 million yen, down 42 million yen on end of the consolidated fiscal period of previous year.

Liabilities

Current liabilities at end of the first nine months of consolidated fiscal year settled at 1,989 million yen, down 283 million yen on end of consolidated fiscal period of previous year, due to factors including a decrease of 455 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 2,659 million yen, due to factors including an increase of 42 million yen in provision for retirement benefits.

As a result, Total liabilities settled at 4,649 million yen, down 195 million yen on end of the consolidated fiscal period of previous year.

Net assets

Total net assets at end of the first nine months of consolidated fiscal year settled at 6,417 million yen, up 152 million yen on end of the consolidated fiscal period of previous year, due to increased in retained earnings.

As a result, the capital adequacy ratio was revised to 58.0% (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	3rd Quarter FY3/13
ASSETS		
Current assets		
Cash and deposits	5,553,362	5,374,387
Notes and accounts receivable–trade	2,286,093	1,811,988
Marketable securities	1,039	1,039
Work in process	272,815	517,167
Deferred tax assets	434,780	220,360
Others	178,000	380,955
Total current assets	8,726,091	8,305,899
Non-current assets		
Property, plant and equipment		
Land	136,767	136,767
Others - net	111,069	291,612
Total property, plant and equipment	247,836	428,380
Intangible assets		
Software	214,467	201,145
Others	43,854	22,323
Total intangible assets	258,322	223,469
Investments and other assets		
Investment securities	423,538	845,737
Deferred tax assets	900,829	896,714
Guarantee deposits	476,747	257,895
Others	75,646	108,457
Allowance for doubtful accounts	-275	-275
Total investments and other assets	1,876,487	2,108,529
Total non-current assets	2,382,647	2,760,379
Total assets	11,108,738	11,066,279

(Thousand yen)

	FY3/12	3rd Quarter FY3/13
LIABILITIES		
Current liabilities		
Accounts payable – trade	322,266	312,875
Short-term loans payable	-	410,000
Accounts payable – other	348,718	443,444
Provision for bonuses	894,031	438,747
Others	662,358	384,163
Total current liabilities	2,227,375	1,989,231
Non-current liabilities		
Provision for retirement benefits	2,104,396	2,155,657
Provision for directors' retirement benefits	402,300	405,237
Others	110,235	99,031
Total non-current liabilities	2,616,932	2,659,925
Total liabilities	4,844,307	4,649,157
NET ASSETS		
Shareholders' equity		
Capital stock	653,352	653,352
Capital surplus	488,675	488,675
Retained earnings	6,403,131	6,532,484
Treasury stock	-1,226,363	-1,226,363
Total shareholders' equity	6,318,795	6,448,149
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-54,364	-31,027
Total valuation and translation adjustments	-54,364	-31,027
Total net assets	6,264,430	6,417,122
Total liabilities and net assets	11,108,738	11,066,279

(2) Consolidated Statements of Income

(Thousand yen)

	3rd Quarter FY3/12	3rd Quarter FY3/13
Net sales	10,626,825	11,102,167
Cost of sales	8,787,453	9,132,616
Gross profit	1,839,372	1,969,551
Selling, general and administrative expenses	1,322,626	1,376,766
Operating income (loss)	516,745	592,784
Non-operating income		
Interest income	95	67
Dividends income	6,715	10,255
Insurance income	2,353	8,647
Subsidy income	8,236	3,635
Others	5,604	5,528
Total non-operating income	23,006	28,133
Non-operating expenses		
Interest expenses	1,143	1,154
Loss on investments in partnership	627	-
investment management expense	1,935	1,876
Others	100	131
Total non-operating expenses	3,806	3,162
Ordinary income (loss)	535,945	617,755
Extraordinary income		
Gain on sales of non-current assets	101	-
Total extraordinary income	101	-
Extraordinary loss		
Loss on retirement of non-current assets	171	25,010
Loss on valuation of membership	3,900	-
Head office transfer cost	-	75,123
Others	573	5,798
Total extraordinary loss	4,645	105,933
Income before income taxes and minority interests	531,402	511,822
Income taxes – current	25,862	6,701
Income taxes – deferred	330,939	205,415
Total income taxes	356,802	212,117
Income before minority interests	174,599	299,705
Net income (loss)	174,599	299,705
Income before minority interests	174,599	299,705
Other comprehensive income		
Valuation difference on available-for-sale securities	-26,003	23,337
Total other comprehensive income	-26,003	23,337
Comprehensive income	148,596	323,043
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	148,596	323,043