Note: This English translation is solely for reference purposes and not a legally definitive translation of the original Japanese text.
In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

July 31, 2019

Consolidated Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2019 (Japan GAAP)

Name of Listed Company:	Information Services International-Dentsu, Ltd.
Listed Exchange:	Tokyo
Code Number:	4812
URL:	https://www.isid.co.jp/english/index.html
Representative:	Ryoichi Nawa, President, CEO and COO
Contact for Inquiries:	Jiro Sakai, General Manager, Accounting & Finance Department
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Date of scheduled filing of securities report:	August 2, 2019
Date of scheduled payment of dividends:	September 2, 2019
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	Yes

(Amounts less than one million yen are rounded down.)

1. Consolidated Business Performance for the Second Quarter of FY2019 (from January 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (Cumulative)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) *	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
Second Quarter of FY2019	49,185	14.2	5,204	36.9	5,152	33.5	3,412	29.2
Second Quarter of FY2018	43,086	6.3	3,801	21.3	3,860	20.2	2,641	(5.7)

* Net income attributable to parent company's shareholders.

Note: Comprehensive income: Second Quarter of FY2019: 3,337 million yen (up 32.8%); Second Quarter of FY2018: 2,512 million yen (down 9.1%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
Second Quarter of FY2019	104.74	–
Second Quarter of FY2018	81.08	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of June 30, 2019	85,727	53,150	62.0
As of December 31, 2018	80,273	50,966	63.5

Reference: Total shareholders' equity: As of June 30, 2019: 53,125 million yen; As of December 31, 2018: 50,935 million yen

2. Dividends

Record date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year
	(yen)	(yen)	(yen)	(yen)	(yen)
FY2018	–	28.00	–	35.00	63.00
FY2019	-	35.00			
FY2019 (forecast)			-	35.00	70.00

Note: Revision to the dividend forecasts from the latest announcement: None

3. Consolidated Forecasts for FY2019 (from January 1, 2019 to December 31, 2019)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income		Ordinary income		Net income*		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
Full year	93,000	2.2	8,500	3.2	8,408	2.6	5,683	9.6	174.44

* Net income attributable to parent company's shareholders.

Note: Revision to the consolidated forecasts from the latest announcement: None

4. Other Items

(1) Changes in the scope of consolidation for significant subsidiaries during the six months under review (Changes in specified subsidiaries resulting in change in the scope of consolidation): None

(2) Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements:

i. Changes in accounting policies in accordance with revision of accounting standards: None
ii. Changes in accounting policies other than 1) above: None
iii. Changes in accounting estimate: None
iv. Restatements: None

(4) Issued and outstanding common stock

i. Number of shares issued and outstanding at the end of the period, including treasury stock:	June 30, 2019:	32,591,240 shares	December 31, 2018:	32,591,240 shares
ii. Number of treasury stock at the end of the period:	June 30, 2019:	8,743 shares	December 31, 2018:	8,663 shares
iii. Average number of shares outstanding for each period (cumulative quarterly period):	Six months ended June 30, 2019:	32,582,548 shares	Six months ended June 30, 2018:	32,582,676 shares

This quarterly financial report is outside the scope of quarterly review procedures.

Explanation regarding the appropriate use of forecasts of business results

Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

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I. Qualitative Information on the Consolidated Financial Results for the Subject Period

1. Explanation of Business Results

(Millions of yen)

Business segment	Second quarter of FY2018 (cumulative)	**Second quarter of FY2019 (cumulative)**	YoY	
			Variance	% change
Net sales	43,086	49,185	+6,099	+14.2%
Operating income	3,801	5,204	+1,403	+36.9%
Operating margin	8.8%	10.6%	+1.8p	–
Ordinary income	3,860	5,152	+1,292	+33.5%
Profit attributable to owners of parent	2,641	3,412	+771	+29.2%

In Second quarter of the fiscal year under review (from January 1, 2019 to June 30, 2019), the Japanese economy continued a moderate recovery thanks to strong corporate earnings and capital investment despite signs of weakness in part of exports and production. Business conditions were also favorable in the information services industry as demand for corporate investment in information technology endured.

Amid these circumstances, the Group started "ISID X(Cross) Innovation 2021," a new medium-term management plan targeting the three years starting in the fiscal year under review and renewed its corporate philosophy. Under the basic policies of "core business evolution", "the new business creation" and "the business foundation innovations" in addition to strengthening existing businesses, we are promoting initiatives for collaborative creation of new value that transcends the boundaries of technology, industries, and companies. Through these efforts, we are aiming to achieve the quantitative targets for the fiscal year ending December 31, 2021 (consolidated net sales of ¥110,000 million, operating income of ¥11,000 million, an operating margin of 10.0% and ROE of 12.5%)

In the second quarter of the fiscal year under review, net sales were ¥49,185 million (up 14.2% year on year), operating income was ¥5,204 million (up 36.9% year on year), ordinary income was ¥5,152 million (up 33.5% year on year) and profit attributable to owners of parent was ¥3,412 million (up 29.2% year on year), both of which achieved record highs for the first half of the fiscal year.

Year on year sales increased in all business segments due to rising demand for IT-related investments by many companies and public institutions. Despite an increase in selling and general and administrative expenses, year on year income also increased significantly due to the effects of the increase in sales.

Net sales, operating income and status of business operations by business segment are as follows:

Net Sales and Operating Income by Business Segment

(Millions of yen)

Business segment	Second quarter of FY2018 (cumulative)			**Second quarter of FY2019 (cumulative)**			Variance	
	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income
Financial Solutions	10,599	715	6.7%	12,240	717	5.9%	+1,641	+2
Business Solutions	7,933	261	3.3%	9,572	1,118	11.7%	+1,639	+857
Manufacturing Solutions	14,579	1,333	9.1%	15,140	1,206	8.0%	+561	-127
Communication IT	9,974	1,491	14.9%	12,231	2,162	17.7%	+2,257	+671
Total	43,086	3,801	8.8%	49,185	5,204	10.6%	+6,099	+1,403

Note: Starting from the first quarter of the fiscal year under review, the name of the "Engineering Solutions" business segment has changed to "Manufacturing Solutions."

Status of Business Operations by Business Segment

Financial Solutions

The main business of this segment is providing IT solutions that support various financial operations at financial institutions and other companies.

In the first half of the fiscal year under review, net sales increased due to the expansion of government-affiliated financial institutions and business companies. Profits were on a par with the previous fiscal year due to an increase in system development costs, mainly for outsourcing costs

Business Solutions

The main business of this segment is providing IT solutions for core systems and the business and human resources management fields.

In the first half of the fiscal year under review, both sales and profits increased due to the expansion of licensing sales and installation of the Human Resources management solution POSITIVE, the consolidated accounting solution STRAVIS, and software in the ERP field.

Manufacturing Solutions

The main business of this segment is providing IT solutions for the entire product lifecycle, from product development and production, to sales and maintenance in the manufacturing industry.

In the first half of the fiscal year under review, sales increased due to expansion of licensing sales and installation of CAE (Computer Aided Engineering), software in Smart Factory domains and MBSE solution iQUAVIS. Profits declined due to an increase in personnel expenses resulting from an increase in the number of employees.

Communication IT

The main business of this segment is providing IT solutions for core systems at the Dentsu Group, as well as in collaboration with the Dentsu Group.

In the first half of the fiscal year under review, both sales and profits increased due to the start of large-scale system renewal projects in Dentsu Group's core system field and the significant expansion of collaborative businesses with Dentsu Group, mainly for the public sector.

2. Explanation of Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

At the end of the second quarter of the fiscal year under review (as of June 30, 2019), total assets amounted to ¥85,727 million, up ¥5,454 million from the end of the previous fiscal year. Current assets up ¥3,669 million from the end of the previous fiscal year to ¥68,337 million due to a decrease in notes and accounts receivable-trade that was caused by the progress in the collection of accounts receivable-trade at the end of the previous fiscal year, an increase in deposits paid, and an increase in advance payments of rental fees and maintenance fees for customer services. Non-current assets rose ¥1,785 million from the end of the previous fiscal year to ¥17,389 million. This change was mainly the acquisition of shares of subsidiaries and associates through a capital tie-up.

(2) Liabilities

At the end of the second quarter of the fiscal year under review, total liabilities amounted to ¥32,577 million, up ¥3,270 million from the end of the previous fiscal year. Current liabilities up ¥3,261 million from the end of the previous fiscal year to ¥29,812 million, primarily due to an increase in notes and accounts payable-trade and an increase in advances received for renewal of contracts for rental and maintenance fees, despite a decrease due to payment of income taxes and consumption taxes. Non-current liabilities up ¥10 million from the end of the previous fiscal year to ¥2,765 million. This change was primarily caused by an increase in asset retirement obligations.

(3) Net assets

At the end of the second quarter of the fiscal year under review, total net assets amounted to ¥53,150 million, up ¥2,184 million from the end of the previous fiscal year. This change was primarily due to an increase in retained earnings caused by the recording of net income attributable to owners of parent.

3. Explanation of Consolidated Financial Results Forecasts

There are no changes to our forecasts for the full fiscal year, as announced on February 8, 2019.

Note: Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

II. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	2,878	2,806
Notes and accounts receivable - trade	19,958	18,747
Merchandise and finished goods	96	76
Work in process	1,529	1,711
Raw materials and supplies	25	21
Advance payments - trade	8,080	11,454
Deposits paid	31,054	32,346
Other	1,047	1,183
Allowance for doubtful accounts	(1)	(10)
Total current assets	64,668	68,337
Non-current assets		
Property, plant and equipment	4,173	4,224
Intangible assets	2,956	3,054
Investments and other assets		
Investments and other assets	8,476	10,111
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	8,475	10,110
Total non-current assets	15,604	17,389
Total assets	80,273	85,727
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,839	8,554
Income taxes payable	2,314	1,575
Advances received	8,735	11,292
Provision for loss on order received	523	677
Other	8,138	7,712
Total current liabilities	26,551	29,812
Non-current liabilities		
Net defined benefit liability	22	27
Asset retirement obligations	872	944
Other	1,860	1,793
Total non-current liabilities	2,755	2,765
Total liabilities	29,307	32,577

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	27,292	29,565
Treasury shares	(29)	(29)
Total shareholders' equity	50,729	53,001
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29	27
Foreign currency translation adjustment	176	96
Total accumulated other comprehensive income	205	124
Non-controlling interests	30	24
Total net assets	50,966	53,150
Total liabilities and net assets	80,273	85,727

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	43,086	49,185
Cost of sales	28,845	32,953
Gross profit	14,240	16,232
Selling, general and administrative expenses	10,439	11,027
Operating profit	3,801	5,204
Non-operating income		
Interest and dividend income	24	21
Dividend income of insurance	48	62
Miscellaneous income	44	23
Total non-operating income	117	107
Non-operating expenses		
Interest expenses	11	15
Share of loss of entities accounted for using equity method	5	103
Foreign exchange losses	5	23
Loss on investments in partnership	30	15
Miscellaneous loss	7	1
Total non-operating expenses	59	159
Ordinary profit	3,860	5,152
Extraordinary losses		
Loss on valuation of investment securities	—	54
Total extraordinary losses	—	54
Profit before income taxes	3,860	5,097
Income taxes - current	1,301	1,560
Income taxes - deferred	(89)	118
Total income taxes	1,212	1,678
Profit	2,647	3,419

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	2,647	3,419
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(1)
Foreign currency translation adjustment	(120)	(80)
Total other comprehensive income	(135)	(81)
Comprehensive income	2,512	3,337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,506	3,330
Comprehensive income attributable to non-controlling interests	5	6

3. Notes on Quarterly Consolidated Financial Statement

(Notes regarding Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and other modifications

Starting from the beginning of the fiscal year under review, the Company is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 released on February 16, 2018) and other modifications. Accordingly, deferred tax assets have been indicated under "investments and other assets," and deferred tax liabilities have been listed under "non-current liabilities."

■ Segment Information

Sales and Income (Loss) by Reportable Segment

1. The second quarter cumulative period of FY2018 (from January 1, 2018 to June 30, 2018)

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	10,599	7,933	14,579	9,974	43,086
Inter-segment sales and transfers	–	–	–	–	–
Total	10,599	7,933	14,579	9,974	43,086
Segment income	715	261	1,333	1,491	3,801

Notes: 1. Total values for segment income match those for the operating income on the "Consolidated Statements of Income."

2. Starting from the first quarter of the fiscal year under review, the Company has changed the name of the "Engineering Solutions" reporting segment to "Manufacturing Solutions." This change is merely a modification of the segment name and has no impact on segment information. This naming has also been applied to reporting segments in the second quarter of the previous fiscal year ended December 31, 2018.

2. The second quarter cumulative period of FY2019 (from January 1, 2019 to June 30, 2019)

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	12,240	9,572	15,140	12,231	49,185
Inter-segment sales and transfers	–	–	–	–	–
Total	12,240	9,572	15,140	12,231	49,185
Segment income	717	1,118	1,206	2,162	5,204

Notes: 1. Total values for segment income match those for the operating income on the "Consolidated Statements of Income."