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.

November 1, 2019

Consolidated Financial Results for the Third 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
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Date of scheduled filing of securities report:	November 8, 2019
Date of scheduled payment of dividends:	–
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	No

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

1. Consolidated Business Performance for the Third Quarter of FY2019 (from January 1, 2019 to September 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)	(%)
Third Quarter of FY2019	72,963	12.9	7,602	34.3	7,539	32.9	5,160	36.2
Third Quarter of FY2018	64,625	9.1	5,662	70.7	5,675	65.5	3,788	37.3

* Net income attributable to parent company's shareholders.

Note: Comprehensive income: Third Quarter of FY2019: 5,029 million yen (up 37.1%); Third Quarter of FY2018: 3,669 million yen (up 30.2%);

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
Third Quarter of FY2019	158.38	–
Third Quarter of FY2018	116.28	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of September 30, 2019	85,176	53,702	63.0
As of December 31, 2018	80,273	50,966	63.5

Reference: Total shareholders' equity: As of September 30, 2019: 53,677 million yen; As of December 31, 2018: 50,935 million yen

2. Dividends

Record date	Dividends per share				
	End of first quarter	End of third 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:	September 30, 2019:	32,591,240 shares	December 31, 2018:	32,591,240 shares
ii. Number of treasury stock at the end of the period:	September 30, 2019:	8,843 shares	December 31, 2018:	8,663 shares
iii. Average number of shares outstanding for each period (cumulative quarterly period):	Nine months ended September 30, 2019:	32,582,513 shares	Nine months ended September 30, 2018:	32,582,656 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	Third quarter of FY2018 (cumulative)	Third quarter of FY2019 (cumulative)	YoY	
			Variance	% change
Net sales	64,625	72,963	8,338	12.9%
Operating income	5,662	7,602	1,940	34.3%
Operating margin	8.8%	10.4%	1.6p	–
Ordinary income	5,675	7,539	1,864	32.9%
Profit attributable to owners of parent	3,788	5,160	1,372	36.2%

In Third quarter of the fiscal year under review (January 1, 2019 to September 30, 2019), the Japanese economy continued a moderate recovery thanks to strong corporate earnings and capital investment, despite weak exports and production due to trade frictions and the slowdown in the Chinese economy. 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 third quarter of the fiscal year under review, net sales was ¥72,963 million (up 12.9% year on year), operating income was ¥7,602 million (up 34.3% year on year), ordinary income was ¥7,539 million (up 32.9% year on year) and profit attributable to owners of parent was ¥5,160 million (up 36.2% year on year), all of which achieved record highs for the third quarter 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, 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	Third quarter of FY2018 (cumulative)			Third quarter of FY2019 (cumulative)			YoY Variance	
	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income
Financial Solutions	16,330	1,233	7.6%	18,409	1,301	7.1%	2,079	68
Business Solutions	11,732	356	3.0%	14,245	1,658	11.6%	2,513	1,302
Manufacturing Solutions	21,645	1,873	8.7%	21,982	1,472	6.7%	337	(401)
Communication IT	14,916	2,198	14.7%	18,326	3,170	17.3%	3,410	972
Total	64,625	5,662	8.8%	72,963	7,602	10.4%	8,338	1,940

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 third quarter of the fiscal year under review, net sales increased due to the expansion of government-affiliated financial institutions and business companies. Profits increased due to the effects of higher sales, despite an increase in cost, mainly for outsourcing expenses, in some system development projects.

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 third quarter of the fiscal year under review, both sales and profits increased due to the expansion of licensing sales and installation of the human resource management solution POSITIVE, the consolidated accounting solution STRAVIS, and software in the accounting or ERP fields.

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 third quarter of the fiscal year under review, sales increased due to the expansion of consulting services that support the transformation of product development processes, licensing sales and installation of software in CAE* and the Smart Factory domain. Profits declined due to an increase in personnel expenses, resulting from an increase in the number of employees.

*CAE: Computer Aided Engineering

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 third quarter 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 third quarter of the fiscal year under review (as of September 30, 2019), total assets amounted to ¥85,176 million, up ¥4,903 million from the end of the previous fiscal year. Current assets up ¥2,116 million from the end of the previous fiscal year to ¥66,784 million. This change was mainly 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, as well as an increase in work in process, and an increase in advance payments, mainly for rental fees and maintenance fees associated with the expansion of subscription-type services and contract renewals. Non-current assets rose ¥2,788 million from the end of the previous fiscal year to ¥18,392 million due to the acquisition of shares of subsidiaries and affiliates through a capital tie-up.

(2) Liabilities

At the end of the third quarter of the fiscal year under review, total liabilities amounted to ¥31,474 million, up ¥2,167 million from the end of the previous fiscal year. Current liabilities up ¥1,983 million from the end of the previous fiscal year to ¥28,534 million, primarily due to an increase in notes and accounts payable-trade and an increase in advances received, mainly from rental and maintenance fees received in advance, despite a decrease due to payment of income taxes and consumption taxes. Non-current liabilities up ¥184 million from the end of the previous fiscal year to ¥2,939 million. This change was primarily caused by an increase in long-term lease obligations and asset retirement obligations.

(3) Net assets

At the end of the third quarter of the fiscal year under review, total net assets amounted to ¥53,702 million, up ¥2,736 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

Although the results for the third quarter of the fiscal year were above our initial plan, we are currently reviewing the trends in the fourth quarter, and therefore we have left our full-year earnings forecasts announced on February 8, 2019 unchanged. Based on the future business environment and performance trends, we will promptly disclose any revisions that we deem necessary.

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 September 30, 2019
Assets		
Current assets		
Cash and deposits	2,878	2,725
Notes and accounts receivable - trade	19,958	16,656
Merchandise and finished goods	96	109
Work in process	1,529	2,852
Raw materials and supplies	25	22
Advance payments - trade	8,080	10,302
Deposits paid	31,054	33,037
Other	1,047	1,088
Allowance for doubtful accounts	(1)	(10)
Total current assets	64,668	66,784
Non-current assets		
Property, plant and equipment	4,173	4,546
Intangible assets	2,956	3,101
Investments and other assets		
Investments and other assets	8,476	10,745
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	8,475	10,744
Total non-current assets	15,604	18,392
Total assets	80,273	85,176
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,839	7,895
Income taxes payable	2,314	1,490
Advances received	8,735	10,395
Provision for loss on order received	523	550
Other	8,138	8,202
Total current liabilities	26,551	28,534
Non-current liabilities		
Net defined benefit liability	22	30
Asset retirement obligations	872	945
Other	1,860	1,963
Total non-current liabilities	2,755	2,939
Total liabilities	29,307	31,474

(Millions of yen)

	As of December 31, 2018	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	27,292	30,172
Treasury shares	(29)	(30)
Total shareholders' equity	50,729	53,608
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29	38
Foreign currency translation adjustment	176	29
Total accumulated other comprehensive income	205	68
Non-controlling interests	30	25
Total net assets	50,966	53,702
Total liabilities and net assets	80,273	85,176

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

[Consolidated Statements of Income]

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	64,625	72,963
Cost of sales	43,287	48,817
Gross profit	21,337	24,146
Selling, general and administrative expenses	15,675	16,543
Operating profit	5,662	7,602
Non-operating income		
Interest and dividend income	33	30
Dividend income of insurance	48	62
Miscellaneous income	59	32
Total non-operating income	141	125
Non-operating expenses		
Interest expenses	17	23
Share of loss of entities accounted for using equity method	21	125
Foreign exchange losses	35	15
Loss on investments in partnership	31	16
Miscellaneous loss	21	7
Total non-operating expenses	128	187
Ordinary profit	5,675	7,539
Extraordinary income		
Gain on sales of investment securities	—	265
Total extraordinary income	—	265
Extraordinary losses		
Loss on valuation of investment securities	—	66
Loss on liquidation of business	—	59
Total extraordinary losses	—	126
Profit before income taxes	5,675	7,679
Income taxes - current	2,452	2,848
Income taxes - deferred	(575)	(336)
Total income taxes	1,876	2,512
Profit	3,798	5,167
Profit attributable to non-controlling interests	9	7
Profit attributable to owners of parent	3,788	5,160

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit	3,798	5,167
Other comprehensive income		
Valuation difference on available-for-sale securities	(27)	8
Foreign currency translation adjustment	(102)	(146)
Total other comprehensive income	(129)	(137)
Comprehensive income	3,669	5,029
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,659	5,022
Comprehensive income attributable to non-controlling interests	9	7

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 third quarter cumulative period of FY2018 (from January 1, 2018 to September 30, 2018)

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	16,330	11,732	21,645	14,916	64,625
Inter-segment sales and transfers	–	–	–	–	–
Total	16,330	11,732	21,645	14,916	64,625
Segment income	1,233	356	1,873	2,198	5,662

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 third quarter of the previous fiscal year ended December 31, 2018.

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

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	18,409	14,245	21,982	18,326	72,963
Inter-segment sales and transfers	–	–	–	–	–
Total	18,409	14,245	21,982	18,326	72,963
Segment income	1,301	1,658	1,472	3,170	7,602

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