PRESENTATION MATERIAL OF FINANCIAL RESULTS FOR THE THIRD QUARTER OF FY2019

(FROM JANUARY 1, 2019 TO SEPTEMBER 30, 2019)

November 1, 2019

Information Services International-Dentsu, Ltd.

Note: This English translation is solely for reference purposes and not a legally definitive translation of the original Japanese text.
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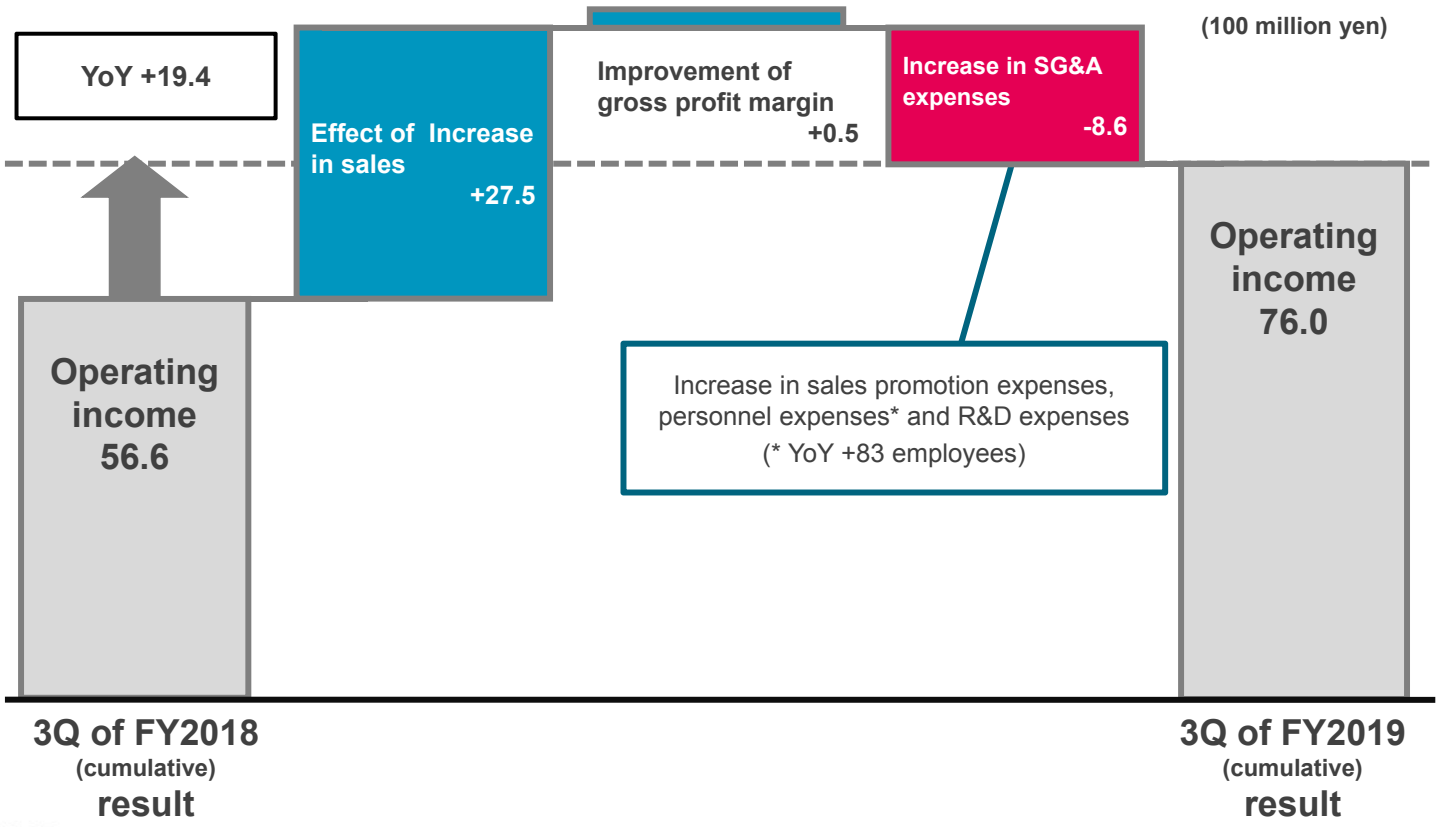
1. Consolidated Results for the 3Q of FY2019

- Net sales and profits increased due to strong performance in all business segments.
- Net sales and all profit items reached record highs for the 3Q of the fiscal year.

(Million yen)

	3Q of FY2019 (cumulative)	YoY		
		3Q of FY2018 (cumulative)	Variance	% change
Net sales	72,963	64,625	+8,338	+12.9
Gross profit	24,146	21,337	+2,809	+13.2
Profit margin	33.1%	33.0%	+0.1p	–
Selling, general and administrative expenses	16,543	15,675	+868	+5.5
Operating income	7,602	5,662	+1,940	+34.3
Operating margin	10.4%	8.8%	+1.6p	–
Ordinary income	7,539	5,675	+1,864	+32.9
Profit attributable to owners of parent	5,160	3,788	+1,372	+36.2

2. Factors for Increase/Decrease in Operating Income (YoY)



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3. Net Sales and Operating Income by Business Segment

(Million yen)

Business segments		3Q of FY2019 (cumulative)	YoY Variance	YoY % change	YoY Overview
Financial Solutions	Net sales	18,409	+2,079	+12.7	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 costs, mainly for outsourcing expenses, in some system development projects.
	Operating income	1,301	+68	+5.5	
	%	7.1%	-0.5p	-	
Business Solutions	Net sales	14,245	+2,513	+21.4	Sales and profits increased due to the expansion of licensing sales and installation of POSITIVE, STRAVIS and software in the accounting or ERP fields.
	Operating income	1,658	+1,302	+365.7	
	%	11.6%	+8.6p	-	
Manufacturing Solutions *) "Engneering Solutions" has changed	Net sales	21,982	+337	+1.6	Sales increased due to consulting services that support the transformation of product development processes, and the expansion of licensing sales and installation of software in CAE and the Smart Factory domain. Profit decreased due to an increase in personnel expenses resulting from an increase in the number of employees.
	Operating income	1,472	-401	-21.4	
	%	6.7%	-2.0p	-	
Communication IT	Net sales	18,326	+3,410	+22.9	Sales and profits increased due to the start of large-scale renewal projects in Dentsu Group's core system field, and the significant expansion of collaborative businesses with Dentsu Group, mainly for the public sector.
	Operating income	3,170	+972	+44.2	
	%	17.3%	+2.6p	-	

* POSITIVE・・・Human Resources Management Solution　STRAVIS・・・Consolidated Accounting Solution　CAE・・・Computer Aided Engineering

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4. Consolidated Net Sales by Service Category

(Million yen)

Service categories	3Q of FY2019 (cumulative)	YoY		
		Variance	% change	Overview
Consulting Services	5,075	+412	+8.8	Expansion of Manufacturing Solutions and Communication IT segments
Custom System Development	21,544	+4,958	+29.9	Expansion of Financial Solutions and Communication IT segments
In-house Software	12,367	+1,436	+13.1	Expansion of mainly POSITIVE, STRAVIS, and iPLAss
Third-party Software	21,494	+1,432	+7.1	Expansion of Salesforce Solutions, software in the accounting or ERP fields
Outsourcing, Operation and Maintenance Services	6,736	+42	+0.6	Expansion of Business Solutions segment
IT Equipment Sales and Others	5,743	+57	+1.0	Expansion of Manufacturing Solutions segment

* iPLAss・・・Marketing Platform

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5. Consolidated Balance Sheets

(Million yen)

	As of September 30, 2019	As of December 31, 2018	Variance	Main Factors for Increase/Decrease
Total current Assets	66,784	64,668	+2,116	Increase in advance payments - trade (+2,222) Increase in deposits paid (+1,983) Increase in work in process (+1,323) Decrease in notes and accounts receivable - trade (-3,302)
Total non-Current Assets	18,392	15,604	+2,788	Increase in shares of subsidiaries and associates (+1,763) Increase in property, plant and equipment (+373) Increase in deferred tax assets (+336)
Total assets	85,176	80,273	+4,903	
Total current liabilities	28,534	26,551	+1,983	Increase in advances received (+1,660) Increase in notes and accounts payable - trade (+1,056) Decrease in accrued consumption taxes (-221) Decrease in Income taxes payable (-824)
Total non-current liabilities	2,939	2,755	+184	
Total liabilities	31,474	29,307	+2,167	
Total net assets	53,702	50,966	+2,736	Increase in retained earnings (+2,879)
Total liabilities and net assets	85,176	80,273	+4,903	

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6. Orders received and Order backlog

- Orders received: Increased in year on year. Increased orders in Business Solutions and Communication IT segments offset a decline following a large-scale project (6,500 million yen) for government-affiliated financial institutions in the 2Q of FY2018.
- Order backlog: Increased in all business segments except Financial Solutions, which had declined in reaction, in year on year.

(Million yen)

		Orders received		Order backlog	
		3Q of FY2019 (cumulative)	YoY (%)	3Q of FY2019 (cumulative)	YoY (%)
Business Segments	Financial Solutions	16,187	-30.1	9,340	-22.5
	Business Solutions	16,543	+35.5	7,896	+22.0
	Manufacturing Solutions	24,085	-1.4	12,321	+9.8
	Communication IT	22,883	+41.1	8,606	+48.8
Service Categories	Consulting Services	5,205	+1.4	1,030	-1.0
	Custom System Development	22,599	-6.7	10,932	-6.2
	In-house Software	14,951	+38.1	7,179	+38.4
	Third-party Software	23,593	+4.5	13,202	+12.8
	Outsourcing, Operation and Maintenance Services	7,994	+20.3	2,745	+13.4
	IT Equipment Sales and Others	5,357	-19.1	3,074	-12.7
Total		79,701	+4.8	38,164	+7.4

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Forecast

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 forecasts as a result of changes in the business environment and other factors.

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Forecast for FY2019

- 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.

(Million yen) (Reference)

	FY2019	YoY			Progress in 3Q of FY2019 (cumulative) forecast
		FY2018	Variance	% change	
Net sales	93,000	91,024	+1,976	+2.2	78.5%
Operating income	8,500	8,239	+261	+3.2	89.4%
Profit margin	9.1%	9.1%	–	–	–
Ordinary income	8,408	8,197	+211	+2.6	89.7%
Profit attributable to owners of parent	5,683	5,187	+496	+9.6	90.8%

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Net Sales Forecast by Business Segment

(Million yen) (Reference)

	FY2019	YoY			Progress in 3Q of FY2019 (cumulative) forecast
		FY2018	Variance	% change	
Financial Solutions	23,790	23,242	+548	+2.4	77.4%
Business Solutions	17,630	16,810	+820	+4.9	80.8%
Manufacturing Solutions	30,648	29,252	+1,396	+4.8	71.7%
Communication IT	20,833	21,718	-885	-4.1	88.0%
Total	93,000	91,024	+1,976	+2.2	78.5%

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Net Sales Forecast by Service Category

(Million yen) (Reference)

	FY2019	YoY			Progress in 3Q of FY2019 (cumulative) forecast
		FY2018	Variance	% change	
Consulting Services	6,333	6,818	-485	-7.1	80.1%
Custom System Development	25,269	24,188	+1,081	+4.5	85.3%
In-house Software	15,763	15,070	+693	+4.6	78.5%
Third-party Software	29,189	27,261	+1,928	+7.1	73.6%
Outsourcing, Operation and Maintenance Services	8,945	9,555	-610	-6.4	75.3%
IT Equipment Sales and Others	7,498	8,130	-632	-7.8	76.6%
Total	93,000	91,024	+1,976	+2.2	78.5%

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Major Press Releases <August 2019~ September 2019>

8/8	ISID and Net Smile Form an AI-OCR Sales Partnership
8/8	ISID Commercializes "DigSports," a System that Uses AI Technology to Suggest which Sports are Most Appropriate for Users
8/9	ISID and Sivira will Study Community Imaging and Long-term Relationship Maintenance in the Field of Education Using Blockchain Technology
8/27	ISID Acquires Certification as a LINE Account Connect Technology Partner within the LINE Service Sales and Development Partner Certification Program
9/12	ISID Expands RPA Business through Capital and Business Alliance with Augmentation Bridge
9/20	Demonstration Experiment of "Kururi Nara" Sightseeing MaaS for Foreign Visitors to Japan
9/26	ISID Provides Pentel with Cyber Security Product AppGuard
9/27	ISID Adopts a Retirement Age of 65

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