Presentation Material of Financial Results for the First Quarter of FY2020 (from January 1, 2020 to March 31, 2020)

April 28, 2020

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.
In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

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1. Consolidated Results for the First Quarter of FY2020

Net Sales Net sales increased due to strong performance in all business segments.

Profit Profits increased thanks to an effects of higher sales and an improvement in the gross profit margin

(Million yen)

	1Q of FY2020 (cumulative)	YoY		
		1Q of FY2019 (cumulative)	Variance	% change
Net sales	26,366	23,035	+3,331	+14.5
Gross profit	8,978	7,641	+1,337	+17.5
Profit margin	34.1%	33.2%	+0.9p	–
Selling, general and administrative expenses	5,683	5,082	+601	+11.8
Operating income	3,294	2,558	+736	+28.8
Operating margin	12.5%	11.1%	+1.4p	–
Ordinary income	3,252	2,567	+685	+26.6
Profit attributable to owners of parent	2,060	1,743	+317	+18.1

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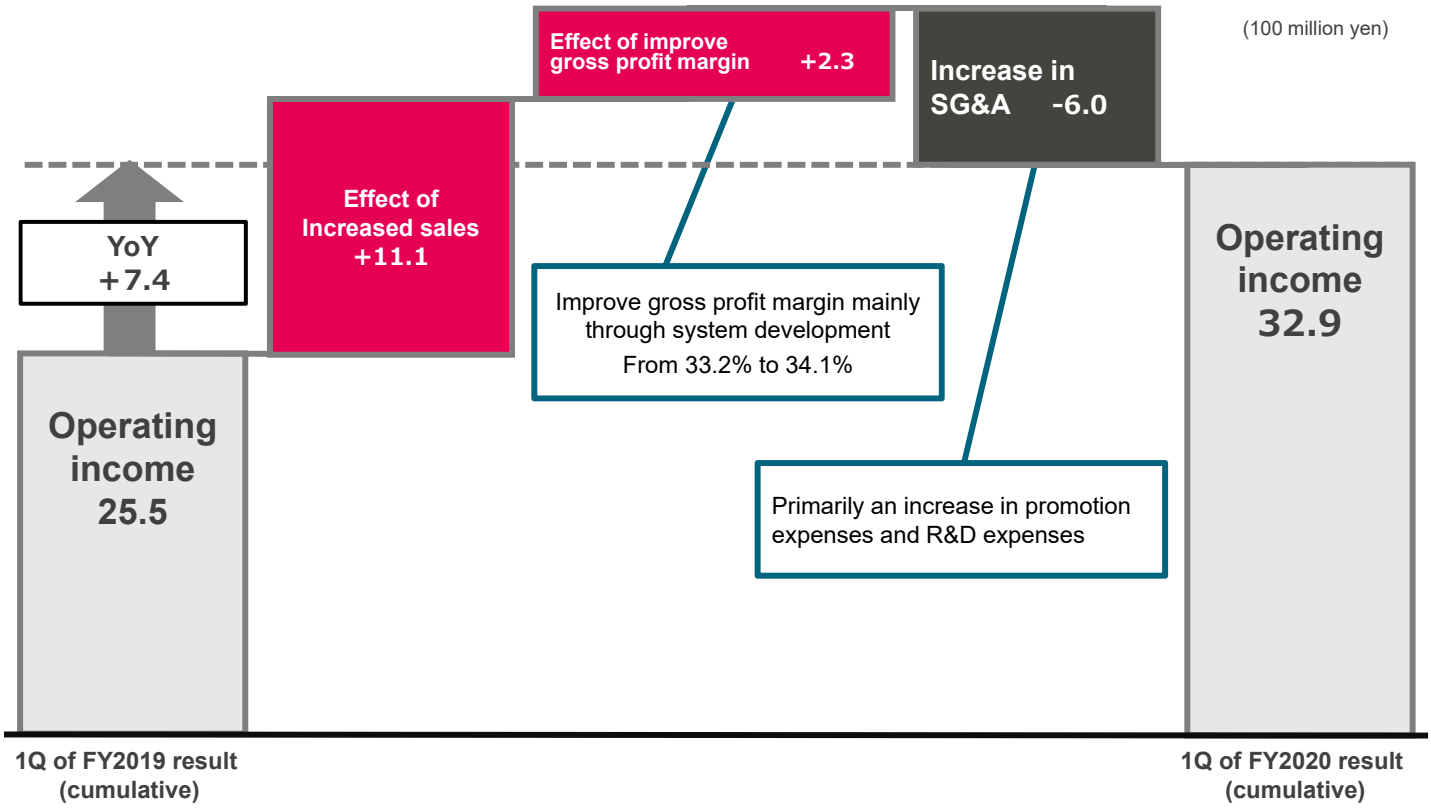
2. Factors for Increase/Decrease in Operating Income (YoY)



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3. Net Sales and Operating Income by Business Segment

(Million yen)

Business segment		1Q of FY2020 (cumulative)	YoY Variance	YoY % change	Overview
Financial Solutions	Net sales	5,990	+212	+3.7	Both sales and profits increased due to an expansion of system development projects for government-affiliated financial institutions and general operating companies that enter the financial services business.
	Operating income	503	+81	+19.2	
	Operating margin	8.4	+1.1p	–	
Business Solutions	Net sales	5,249	+760	+16.9	Both sales and profits increased due to an expansion of licensing sales and installation of the POSITIVE, Ci*X and STRAVIS, as a result of continuing demand for system upgrades triggered by corporate work style reforms, the end of the support period and aging of existing systems.
	Operating income	733	+226	+44.6	
	Operating margin	14.0	+2.7p	–	
Manufacturing Solutions	Net sales	8,107	+440	+5.7	Sales increased due to an expansion of licensing sales and installation of software products for PLM and CAE, mainly for the automobile industry. Profits declined mainly due to a decrease in sales of highly profitable consulting services.
	Operating income	793	-147	-15.6	
	Operating margin	9.8	-2.5p	–	
Communication IT	Net sales	7,018	+1,919	+37.6	Both sales and profits increased due to steady growth in large-scale system renewal projects in the Dentsu Group's core system field and an expansion of collaborative businesses with Dentsu Group, mainly for the public sector.
	Operating income	1,263	+575	+83.6	
	Operating margin	18.0	+4.5p		

* POSITIVE : Human Resources Management Solution Ci*X : Accounting Solution STRAVIS : Consolidated Accounting Solution PLM :Product Lifecycle Management
CAE : Computer Aided Engineering

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4. Consolidated Net Sales by Service Category

(Million yen)

Service category	1Q of FY2020 (cumulative)	YoY		Overview
		Variance	% change	
Consulting Services	1,852	-173	-8.5	Decreased in Manufacturing Solutions segment.
Custom System Development	7,541	+1,410	+23.0	Expanded in Financial Solutions and Communication IT segments.
In-house Software	4,783	+1,074	+29.0	Expanded in POSITIVE, Ci*X and iPLAss.
Third-party Software	7,904	+834	+11.8	Increased in Salesforce-related and software of PLM and CAE.
Outsourcing, Operation and Maintenance Services	2,205	+20	+0.9	Decreased in Financial Solutions segment but Increased in Communication IT segment.
IT Equipment and Others	2,079	+165	+8.6	Increased in Communication IT segment.

iPLAss :Marketing Platform

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5. Consolidated Net Sales by Industry

(Million yen)

Industry	1Q of FY2020 (cumulative)		YoY		
	Net Sales	Composition Ratio	Variance	% change	Variance of Ratio
Banks	4,800	18.2%	+209	+4.6	-1.7p
Other financial institutions	1,023	3.9%	-342	-25.1	-2.0p
Financial	5,822	22.1%	-133	-2.2	-3.8p
Transportation equipment	4,464	16.9%	+603	+15.6	+0.2p
Electric appliances Precision instruments	2,219	8.4%	+45	+2.1	-1.0p
Machinery	1,937	7.3%	+80	+4.3	-0.7p
Others products	2,066	7.8%	+262	+14.5	+0.0p
Manufacturing	10,686	40.5%	+990	+10.2	-1.6p
Services and public offices	7,947	30.1%	+2,271	+40.0	+5.5p
Distributions and others	1,911	7.2%	+203	+11.9	-0.2p

Sales to the Dentsu Group

Dentsu Group Inc. and it's subsidiaries	6,073	23.0%	+1,881	+44.9	+4.8p

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6. Orders received and Order backlog

(Million yen)

		Orders received		Order backlog	
		1Q of FY2020 (cumulative)	YoY (%)	1Q of FY2020 (cumulative)	YoY (%)
Business Segments	Financial Solutions	4,889	-7.5	7,436	-32.8
	Business Solutions	6,170	+1.7	8,288	+15.5
	Manufacturing Solutions	10,966	+6.3	13,585	+5.6
	Communication IT	11,402	+42.5	10,253	+47.6
Service Categories	Consulting Services	1,638	-1.9	632	+15.8
	Custom System Development	7,524	+34.4	8,461	-9.5
	In-house Software	5,190	-5.9	7,101	+11.0
	Third-party Software	11,436	+12.8	15,015	+5.9
	Outsourcing, Operation and Maintenance Services	4,633	-1.0	3,936	-1.1
	IT Equipment Sales and Others	3,004	+45.5	4,416	+22.3
Total		33,427	+12.7	39,563	+4.0

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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 FY2020

- Our forecast for the first half and the full fiscal year may be affected by the spread of the COVID-19. However, as it is difficult to calculate future effects at this time, the forecast announced on February 10, 2020 is retained.

(Million yen)

	FY2020	YoY			1H of FY2020 (Jan.-Jun.)	YoY		
		FY2019	Variance	% change		1H of FY2019	Variance	% change
Net sales	105,000	100,679	+4,321	+4.3	52,300	49,185	+3,115	+6.3
Operating income	10,500	10,075	+425	+4.2	5,300	5,204	+96	+1.8
Operating margin	10.0%	10.0%	–	–	10.1%	10.6%	-0.5p	–
Ordinary income	10,217	9,648	+569	+5.9	5,164	5,152	+12	+0.2
Profit attributable to owners of parent	6,911	6,226	+685	+11.0	3,450	3,412	+38	+1.1

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Net Sales Forecast by Business Segment

(Million yen)

	FY2020	YoY			1H of FY2020 (Jan.-Jun.)	YoY		
		FY2019	Variance	% change		1H of FY2019	Variance	% change
Financial Solutions	25,611	24,622	+989	+4.0	12,257	12,240	+17	+0.1
Business Solutions	20,057	19,289	+768	+4.0	9,884	9,572	+312	+3.3
Manufacturing Solutions	31,410	30,027	+1,383	+4.6	15,857	15,140	+717	+4.7
Communication IT	27,920	26,739	+1,181	+4.4	14,300	12,231	+2,069	+16.9
Total	105,000	100,679	+4,321	+4.3	52,300	49,185	+3,115	+6.3

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Net Sales Forecast by Service Category

(Million yen)

	FY2020	YoY		
		FY2019	Variance	% change
Consulting Services	6,589	6,819	-230	-3.4
Custom System Development	29,798	29,153	+645	+2.2
In-house Software	18,824	17,126	+1,698	+9.9
Third-party Software	31,694	29,945	+1,749	+5.8
Outsourcing, Operation and Maintenance Services	9,701	9,524	+177	+1.9
IT Equipment Sales and Others	8,390	8,110	+280	+3.5
Total	105,000	100,679	+4,321	+4.3

(Million yen)

	1H of FY2020 (Jan.-Jun.)	YoY		
		1H of FY2019	Variance	% change
Consulting Services	3,346	3,597	-251	-7.0
Custom System Development	14,852	13,912	+940	+6.8
In-house Software	9,081	8,383	+698	+8.3
Third-party Software	15,622	14,713	+909	+6.2
Outsourcing, Operation and Maintenance Services	4,788	4,613	+175	+3.8
IT Equipment Sales and Others	4,607	3,965	+642	+16.2
Total	52,300	49,185	+3,115	+6.3

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