# Presentation Material of Financial Results for the Third Quarter of FY2020 (from January 1, 2020 to September 30, 2020)

October 30, 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.

COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

## 1. Consolidated Results for the 3Q of FY2020

**Net sales and all profits items achieved record highs for the 2nd consecutive year in the cumulative 3Q**

| | |
|---|---|
| Net Sales | Net sales increased due to strong performance in Business Solutions and Communication IT segments |
| Profit | Profits increased due to higher sales and an improvement in the gross profit margin |

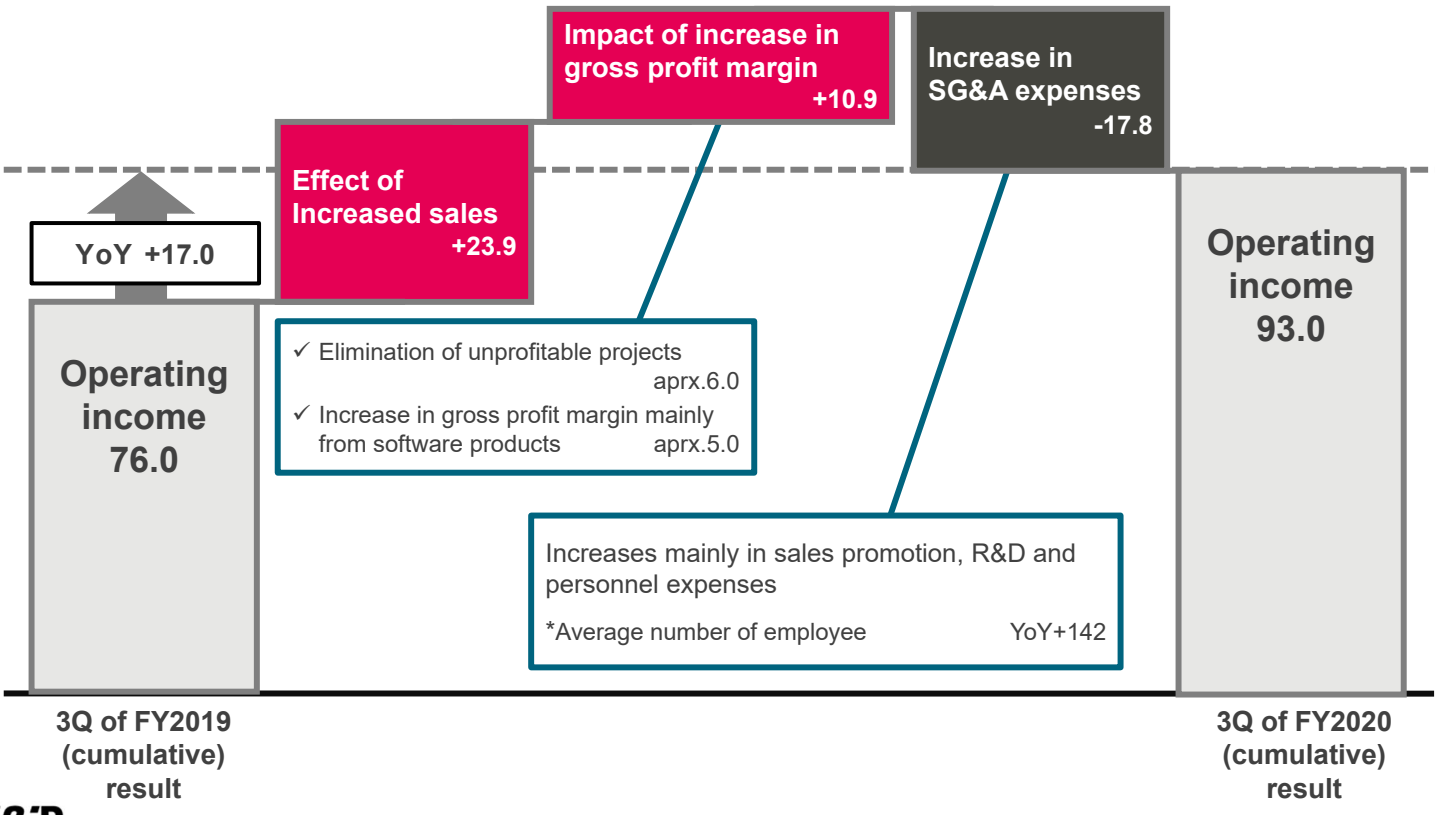
(Unit : Million yen)

| | 3Q of FY2020 (cumulative) | YoY | | |
|---|---|---|---|---|
| | | 3Q of FY2019 (cumulative) | Variance | % change |
| Net sales | 80,182 | 72,963 | +7,219 | +9.9 |
| Gross profit | 27,630 | 24,146 | +3,484 | +14.4 |
| Profit margin | 34.5% | 33.1% | +1.4p | – |
| Selling, general and administrative expenses | 18,325 | 16,543 | +1,782 | +10.8 |
| Operating income | 9,305 | 7,602 | +1,703 | +22.4 |
| Operating margin | 11.6% | 10.4% | +1.2p | – |
| Ordinary income | 9,118 | 7,539 | +1,579 | +20.9 |
| Profit attributable to owners of parent | 6,018 | 5,160 | +858 | +16.6 |

COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

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

(Unit : 100 million yen)




iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.



# 3. Net Sales and Operating Income by Reportable Segment

(Unit : Million yen)

| Reportable segment | | 3Q of FY2020 (cumulative) | YoY Variance | YoY % change | Overview |
|---|---|---|---|---|---|
| Financial Solutions | Net sales | 17,796 | -613 | -3.3 | Net sales decreased due to a decrease in megabanks, while there was an increase in government-affiliated financial institutions and distributive financial institutions. Operating income declined due to the impact of lower sales, despite the elimination of the negative impact of unprofitable project. |
| | Operating income | 1,175 | -110 | -8.6 | |
| | % | 6.6% | -0.4p | – | |
| Business Solutions | Net sales | 16,073 | +1,828 | +12.8 | Net sales increased due to an expansion of in-house software such as POSITIVE, Ci*X and STRAVIS. Despite an increase in R&D investment, profits increased due to the effects of higher sales and improved profitability. |
| | Operating income | 2,257 | +458 | +25.5 | |
| | % | 14.0% | +1.4p | – | |
| Manufacturing Solutions | Net sales | 22,074 | +92 | +0.4 | Despite cancelled in consulting services due to the impact of the COVID-19, net sales increased due to a steady increase of PLM and CAE, particularly for the automotive industry. Profits decreased mainly due to a decrease in sales of highly profitable consulting services. |
| | Operating income | 1,487 | -213 | -12.5 | |
| | % | 6.7% | -1.0p | – | |
| Communication IT | Net sales | 24,238 | +5,912 | +32.3 | In addition to steady growth in large-scale system upgrade project in Dentsu Group's core system field, the expansion of businesses supporting digital transformation through collaboration with Dentsu Group resulted in higher net sales and profits. |
| | Operating income | 4,385 | +1,569 | +55.7 | |
| | % | 18.1% | +2.7p | – | |

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

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

# 4. Consolidated Net Sales by Service Category

(Unit : Million yen)

| Service category | 3Q of FY2020 (cumulative) | YoY | | Overview |
|---|---|---|---|---|
| | | Variance | % change | |
| Consulting Services | 4,211 | -864 | -17.0 | Decrease in Manufacturing solutions segment. |
| Custom System Development | 21,540 | -4 | -0.0 | Expansion of Communication IT and Business solutions segments, but the Financial solutions segment declined. |
| In-house Software | 14,801 | +2,434 | +19.7 | Expansion of POSITIVE, iPLAss and Ci*X. |
| Third-party Software | 24,305 | +2,811 | +13.1 | Expansion of Salesforce Solutions, PLM and CAE. |
| Outsourcing, Operation and Maintenance Services | 9,341 | +2,605 | +38.7 | Expansion of Communication IT segment. |
| IT Equipment and Others | 5,981 | +238 | +4.1 | Expansion of Communication IT segment. |

* iPLAss :Marketing Platform

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.



# 5. Consolidated Net Sales by Industry

(Unit : Million yen)

| Industry | 3Q of FY2020 (cumulative) | | YoY | |
|---|---|---|---|---|
| | Net Sales | Composition Ratio (%) | Variance | % change |
| Banks | 14,378 | 17.9 | +53 | +0.4 |
| Other financial institutions | 3,179 | 4.0 | -1,161 | -26.8 |
| Financial | 17,557 | 21.9 | -1,108 | -5.9 |
| Transportation equipment | 11,725 | 14.6 | +868 | +8.0 |
| Electric appliances Precision instruments | 6,703 | 8.4 | -47 | -0.7 |
| Machinery | 4,904 | 6.1 | +3 | +0.1 |
| Other products | 5,723 | 7.1 | -113 | -1.9 |
| Manufacturing | 29,055 | 36.2 | +711 | +2.5 |
| Services and public offices | 27,479 | 34.3 | +6,878 | +33.4 |
| Distributions and others | 6,093 | 7.6 | +738 | +13.8 |

Sales to the Dentsu Group

| | | | | |
|---|---|---|---|---|
| Dentsu Group Inc. and it's subsidiaries | 21,560 | 26.9 | +5,847 | +37.2 |

* As we reviewed some of our customers' industries, we used reclassified figures for comparison in the same period of the previous fiscal year.

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

# 6. Orders received and Order backlog

(Unit : Million yen)

| | | Orders received | | Order backlog | |
|---|---|---|---|---|---|
| | | 3Q of FY2020 (cumulative) | YoY (%) | 3Q of FY2020 (cumulative) | YoY (%) |
| Total | | 86,679 | +8.8 | 38,999 | +2.2 |
| Reportable Segments | Financial Solutions | 16,674 | +3.0 | 7,415 | -20.6 |
| | Business Solutions | 15,870 | -4.1 | 7,164 | -9.3 |
| | Manufacturing Solutions | 25,283 | +5.0 | 13,935 | +13.1 |
| | Communication IT | 28,851 | +26.1 | 10,484 | +21.8 |
| Service Categories | Consulting Services | 4,333 | -16.8 | 968 | -6.0 |
| | Custom System Development | 19,788 | -12.4 | 6,726 | -38.5 |
| | In-house Software | 14,953 | +0.0 | 6,846 | -4.6 |
| | Third-party Software | 29,100 | +23.3 | 16,277 | +23.3 |
| | Outsourcing, Operation and Maintenance Services | 10,664 | +33.4 | 2,830 | +3.1 |
| | IT Equipment Sales and Others | 7,839 | +46.3 | 5,348 | +74.0 |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.



# Ref. Consolidated Results for the 3Q (2020/7/1-9/30)

(Unit : Million yen)

| Consolidated Statements of Income | 3Q of FY2020 | YoY | |
|---|---|---|---|
| | | Variance | % change |
| Net sales | 25,161 | +1,383 | +5.8 |
| Gross profit | 8,467 | +553 | +7.0 |
| Profit margin | 33.7% | +0.4p | – |
| Selling, general and administrative expenses | 6,133 | +618 | +11.2 |
| Operating income | 2,334 | -64 | -2.7 |
| Operating margin | 9.3% | -0.8p | – |
| Ordinary income | 2,255 | -132 | -5.5 |
| Profit attributable to owners of parent | 1,505 | -242 | -13.9 |

(Unit : Million yen)

| Reportable segment | | 3Q of FY2020 | YoY | |
|---|---|---|---|---|
| | | | Variance | % change |
| Financial Solutions | Net sales | 5,572 | -597 | -9.7 |
| | Operating income | 308 | -270 | -46.7 |
| | % | 5.5% | -3.9p | – |
| Business Solutions | Net sales | 5,187 | +515 | +11.0 |
| | Operating income | 537 | -42 | -7.3 |
| | % | 10.4% | -2.0p | – |
| Manufacturing Solutions | Net sales | 6,543 | -298 | -4.4 |
| | Operating income | 230 | -119 | -34.1 |
| | % | 3.5% | -1.6p | – |
| Communication IT | Net sales | 7,859 | +1,764 | +28.9 |
| | Operating income | 1,258 | +368 | +41.3 |
| | % | 16.0% | +1.4p | – |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

# Ref. Orders received for the 3Q (2020/7/1-9/30)

(Unit : Million yen)

| | | Orders received | |
|---|---|---|---|
| | | 3Q of FY2020 | YoY (%) |
| Total | | 22,784 | -3.0 |
| Reportable Segments | Financial Solutions | 4,543 | +7.7 |
| | Business Solutions | 4,948 | -6.0 |
| | Manufacturing Solutions | 7,730 | +25.5 |
| | Communication IT | 5,562 | -29.0 |
| Service Categories | Consulting Services | 1,451 | -15.1 |
| | Custom System Development | 4,822 | -42.1 |
| | In-house Software | 4,503 | -11.8 |
| | Third-party Software | 8,044 | +46.1 |
| | Outsourcing, Operation and Maintenance Services | 2,697 | +116.6 |
| | IT Equipment Sales and Others | 1,265 | -20.0 |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.



# 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.

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

# Forecast for FY2020

- Although results for the 3Q cumulative period of the fiscal year under review have been above our initial plan, many companies have remained cautious stance in response to the impact of the spread of the COVID-19, and trends in the 4Q are uncertain. For this reason, we have left our full-year earnings forecasts announced on February 10, 2020 unchanged.

(Unit : Million yen)

| | FY2020 | YoY | | | (Reference) |
|---|---|---|---|---|---|
| | | FY2019 | Variance | % change | Progress in 3Q of FY2020 (cumulative) |
| Net sales | 105,000 | 100,679 | +4,321 | +4.3 | 76.4% |
| Operating income | 10,500 | 10,075 | +425 | +4.2 | 88.6% |
| Operating margin | 10.0% | 10.0% | – | – | – |
| Ordinary income | 10,217 | 9,648 | +569 | +5.9 | 89.2% |
| Profit attributable to owners of parent | 6,911 | 6,226 | +685 | +11.0 | 87.1% |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.



# Net Sales Forecast by Reportable Segment

(Unit : Million yen)

| | FY2020 | YoY | | | (Reference) |
|---|---|---|---|---|---|
| | | FY2019 | Variance | % change | Progress in 3Q of FY2020 (cumulative) |
| Financial Solutions | 25,611 | 24,622 | +989 | +4.0 | 69.5% |
| Business Solutions | 20,057 | 19,289 | +768 | +4.0 | 80.1% |
| Manufacturing Solutions | 31,410 | 30,027 | +1,383 | +4.6 | 70.3% |
| Communication IT | 27,920 | 26,739 | +1,181 | +4.4 | 86.8% |
| Total | 105,000 | 100,679 | +4,321 | +4.3 | 76.4% |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.

# Net Sales Forecast by Service Category

(Unit : Million yen)

| | FY2020 | YoY | | | (Reference) |
|---|---|---|---|---|---|
| | | FY2019 | Variance | % change | Progress in 3Q of FY2020 (cumulative) |
| Consulting Services | 6,589 | 6,819 | -230 | -3.4 | 63.9% |
| Custom System Development | 29,798 | 29,153 | +645 | +2.2 | 72.3% |
| In-house Software | 18,824 | 17,126 | +1,698 | +9.9 | 78.6% |
| Third-party Software | 31,694 | 29,945 | +1,749 | +5.8 | 76.7% |
| Outsourcing, Operation and Maintenance Services | 9,701 | 9,524 | +177 | +1.9 | 96.3% |
| IT Equipment Sales and Others | 8,390 | 8,110 | +280 | +3.5 | 71.3% |
| Total | 105,000 | 100,679 | +4,321 | +4.3 | 76.4% |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.



# Stock Split and Partial Amendment of Articles of Incorporation

- ISID resolved at a Board of Directors meeting held on October 30, 2020, to implement a stock split and partial amendment of articles of incorporation.

## Stock split

| | | | |
|---|---|---|---|
| Purpose | The stock split aims to reduce the investment unit price for ISID's stock, increase the liquidity of the stocks, and to further expand the investor base. | | |
| Method | Split its ordinary share owned by shareholders recorded in the shareholder registry 2-for-1. | | |
| Number of shares to be increased by the stock split | 1 | Number of shares outstanding before stock split | 32,591,240 shares |
| | 2 | Number of shares added through stock split | 32,591,240 shares |
| | 3 | Number of shares outstanding after stock split | 65,182,480 shares |
| | 4 | Total number of authorized shares after stock split | 196,000,000 shares |
| Schedule | 1 | Announce date of record | Friday, December 11, 2020 (planned) |
| | 2 | Date of record | Thursday, December 31, 2020 |
| | 3 | Effective date | Friday, January 1, 2021 |

## Partial amendment to the articles of incorporation

| | | | |
|---|---|---|---|
| Reason | In conjunction with the stock split, ISID will adjust the total number of authorized shares described in Article 6 of the Company's Articles of Incorporation, effective Friday, January 1, 2021, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act. | | |
| Amended content | Total Number of Authorized Shares of before amendment | | 98,000,000 shares |
| | Total Number of Authorized Shares of after amendment | | 196,000,000 shares |
| Schedule | Effective date of the amendment to the articles of incorporation : Friday, January 1, 2021 | | |

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU, LTD.