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

October 30, 2020

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2020 (Japan GAAP)

Name of Listed Company:	Information Services International-Dentsu, Ltd.
Listed Exchange:	Tokyo
Code Number:	4812
URL:	https://www.isid.co.jp/english/
Representative:	Ryoichi Nawa, President, CEO and COO
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Date of scheduled filing of securities report:	November 6, 2020
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 FY2020 (from January 1, 2020 to September 30, 2020)

(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 FY2020	80,182	9.9	9,305	22.4	9,118	20.9	6,018	16.6
Third Quarter of FY2019	72,963	12.9	7,602	34.3	7,539	32.9	5,160	36.2

* Net income attributable to parent company's shareholders.

Note: Comprehensive income: Third Quarter of FY2020: 6,223 million yen (up 23.7%); Third Quarter of FY2019: 5,029 million yen (up 37.1%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
Third Quarter of FY2020	184.72	-
Third Quarter of FY2019	158.38	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of September 30, 2020	96,762	58,331	60.3
As of December 31, 2019	87,305	54,882	62.8

Reference: Total shareholders' equity: As of September 30, 2020: 58,309 million yen; As of December 31, 2019: 54,858 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)
FY2019	-	35.00	-	42.00	77.00
FY2020	-	43.00	-		
FY2020 (forecast)				43.00	86.00

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

3. Consolidated Forecasts for FY2020 (from January 1, 2020 to December 31, 2020)

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	105,000	4.3	10,500	4.2	10,217	5.9	6,911	11.0	212.11

* 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, 2020:	32,591,240 shares	December 31, 2019:	32,591,240 shares
ii. Number of treasury stock at the end of the period:	September 30, 2020:	8,889 shares	December 31, 2019:	8,869 shares
iii. Average number of shares outstanding for each period (cumulative quarterly period):	Nine months ended September 30, 2020:	32,582,359 shares	Nine months ended September 30, 2019:	32,582,513 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)

	Third quarter of FY2019 (cumulative)	**Third quarter of FY2020 (cumulative)**	YoY	
			Variance	% change
Net sales	72,963	80,182	7,219	9.9%
Operating income	7,602	9,305	1,703	22.4%
Operating margin	10.4%	11.6%	1.2p	–
Ordinary income	7,539	9,118	1,579	20.9%
Profit attributable to owners of parent	5,160	6,018	858	16.6%

During the third quarter cumulative period of the fiscal year under review (from January 1, 2020 to September 30, 2020), although the Japanese economy started on a moderate recovery trend thanks to improvements in employment and the income environment, the economy deteriorated rapidly due to the impact of worldwide outbreak of the Coronavirus Disease 2019 (COVID-19), and the situation is extremely severe. Amid the lack of visibility of a period of convergence for the COVID-19, there is a strong sense of uncertainty about the future of the domestic and overseas economies, and there are concerns that the negative impact on corporate performance will be prolonged. In the information services industry, although corporate IT investment demand for the creation of innovative services and the transformation of business processes has been firm, some companies have begun to restrain or postpone IT investment due to the deterioration in business conditions.

Amid such conditions, the ISID Group is advancing the medium-term management plan “ISID X (Cross) Innovation 2021,” which ends in the fiscal year ending December 2021. Under the three basic policies of “core business evolution”, “the new business creation” and “the business foundation innovations," we aim to achieve consolidated net sales of ¥110 billion, operating income of ¥11 billion, operating margin of 10.0% and ROE of 12.5% by the fiscal year ending December 2021. In the fiscal year under review, the third year of the medium-term management plan, we will work to further create new businesses by reinforcing existing businesses and promoting X Innovation while actively strengthening our personnel structure, investing in R&D and creating a comfortable working environment. Through these efforts, we will work to strengthen the foundations for future growth.

During the third quarter cumulative period of the fiscal year under review, net sales were ¥80,182 million (up 9.9% year on year), operating income was ¥9,305 million (up 22.4% year on year), ordinary income was ¥9,118 million (up 20.9% year on year) and profit attributable to owners of parent was ¥6,018 million (up 16.6% year on year).

Net sales increased in year on year thanks to strong performance in Business Solutions segment and Communication IT segment among the four businesses in which we operate. In terms of operating income, in addition to the effects of higher sales, the gross profit margin improved due to the elimination of the negative impact of projects that were unprofitable in the previous fiscal year and the improvement in the profitability of software products. As a result, year on year recorded a significant increase in profits.

Due to the COVID-19, there were cancelled or postponed, mainly consulting services. However, the impact on results was limited during the cumulative consolidated third quarter of the fiscal year under review.

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

In order to reflect the operating results of each reportable segment more appropriately, the method of allocation of some expenses has been changed to the method of allocation based on rational allocation standards that are appropriate for the actual conditions of each segment since the second quarter of the fiscal year. Also, segment information for t third quarter cumulative of the previous fiscal year is also presented based on the revised method for calculating profit or loss.

Net Sales and Operating Income by Reportable Segment

(Millions of yen)

Reportable Segment	Third quarter of FY2019 (cumulative)			**Third quarter of FY2020 (cumulative)**			Variance	
	Net sales	Operating Income	Operating margin	Net sales	Operating Income	Operating margin	Net sales	Operating income
Financial Solutions	18,409	1,285	7.0%	17,796	1,175	6.6%	(613)	(110)
Business Solutions	14,245	1,799	12.6%	16,073	2,257	14.0%	1,828	458
Manufacturing Solutions	21,982	1,700	7.7%	22,074	1,487	6.7%	92	(213)
Communication IT	18,326	2,816	15.4%	24,238	4,385	18.1%	5,912	1,569
Total	72,963	7,602	10.4%	80,182	9,305	11.6%	7,219	1,703

Status of Business Operations by Reportable Segment

Financial Solutions

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

Net sales decreased due to a decrease in projects for megabanks, while there was an increase in projects for government-affiliated financial institutions and distributive financial institutions. Operating income declined mainly due to the impact of lower sales and other factors, despite the elimination of the negative impact of project that was unprofitable in the previous fiscal year.

Business Solutions

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

Net sales increased due to an expansion of licensing sales and installation of in-house software, such as the POSITIVE human resource management solution, the Ci*X accounting solution, and the STRAVIS consolidated accounting solution, as a result of continuing demand for system upgrades triggered by corporate work style reforms, and the end of the support period and aging of existing systems. Despite an increase in R&D investment aimed at new product development, operating income also increased due to the effects of higher sales and improved profitability.

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.

Although some consulting services projects were cancelled or postponed due to the impact of the COVID-19, net sales increased due to a steady increase of licensing sales and installation of third-party software such as PLM[*1] and CAE[*2], particularly for the automotive industry. Operating income decreased mainly due to a decrease in sales of highly profitable consulting services.

*1 PLM: Product Lifecycle Management

*2 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.

Net Sales and operating income increased due to steady growth in large-scale system upgrade projects in Dentsu Group's core system field, as well as expansion of businesses supporting customers' digital transformation through collaboration with Dentsu Groups.

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, 2020), total assets amounted to ¥96,762 million, up ¥9,457 million from the end of the previous fiscal year. Current assets up ¥6,837 million from the end of the previous fiscal year to ¥76,565 million, mainly due to an increase in advance payments for prepaid rental fees associated with the expansion of subscription-type services. Non-current assets rose ¥2,621 million from the end of the previous fiscal year to ¥20,197 million, due to investments in affiliates and an increase in deferred tax assets.

(2) Liabilities

At the end of the third quarter of the fiscal year under review, total liabilities amounted to ¥38,430 million, up ¥6,007 million from the end of the previous fiscal year. Current liabilities up ¥5,648 million from the end of the previous fiscal year to ¥35,104 million, primarily due to an increase in advances received, mainly in advance rental and maintenance fees received. Non-current liabilities up ¥360 million from the end of the previous fiscal year to ¥3,326 million, mainly due to 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 ¥58,331 million, up ¥3,448 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, despite dividends from retained earnings.

3. Explanation of Consolidated Financial Results Forecasts

Although results for third quarter 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 fourth quarter are uncertain. For this reason, we have left our full-year earnings forecasts announced on February 10, 2020 unchanged. We will promptly disclose any necessary revisions to forecasts in the light of the affairs, business trends and other factors.

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, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	3,497	2,844
Notes and accounts receivable - trade	20,263	20,574
Merchandise and finished goods	152	197
Work in process	2,332	2,146
Raw materials and supplies	23	24
Advance payments - trade	8,634	13,812
Deposits paid	33,666	35,783
Other	1,169	1,184
Allowance for doubtful accounts	(11)	(2)
Total current assets	69,728	76,565
Non-current assets		
Property, plant and equipment	4,574	4,267
Intangible assets	3,233	4,746
Investments and other assets		
Investments and other assets	9,952	11,379
Allowance for doubtful accounts	(183)	(196)
Total investments and other assets	9,769	11,183
Total non-current assets	17,576	20,197
Total assets	87,305	96,762
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,668	8,604
Income taxes payable	1,781	2,404
Advances received	10,097	13,529
Provision for loss on order received	575	322
Other	9,334	10,243
Total current liabilities	29,456	35,104
Non-current liabilities		
Retirement benefit liability	34	41
Asset retirement obligations	946	1,012
Other	1,986	2,272
Total non-current liabilities	2,966	3,326
Total liabilities	32,423	38,430

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	31,238	34,487
Treasury shares	(30)	(30)
Total shareholders' equity	54,675	57,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	324
Foreign currency translation adjustment	115	61
Total accumulated other comprehensive income	183	385
Non-controlling interests	23	21
Total net assets	54,882	58,331
Total liabilities and net assets	87,305	96,762

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

[Consolidated Statements of Income]

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net sales	72,963	80,182
Cost of sales	48,817	52,551
Gross profit	24,146	27,630
Selling, general and administrative expenses	16,543	18,325
Operating profit	7,602	9,305
Non-operating income		
Interest and dividend income	30	28
Dividend income of insurance	62	59
Subsidy income	22	56
Gain on investments in investment partnerships	-	19
Miscellaneous income	9	45
Total non-operating income	125	210
Non-operating expenses		
Interest expenses	23	30
Share of loss of entities accounted for using equity method	125	277
Foreign exchange losses	15	37
Loss on investments in investment partnerships	16	-
Miscellaneous loss	7	51
Total non-operating expenses	187	397
Ordinary profit	7,539	9,118
Extraordinary income		
Gain on sales of investment securities	265	-
Total extraordinary income	265	-
Extraordinary losses		
Loss on valuation of investment securities	66	119
Loss on liquidation of business	59	-
Total extraordinary losses	126	119
Profit before income taxes	7,679	8,999
Income taxes - current	2,848	3,560
Income taxes - deferred	(336)	(582)
Total income taxes	2,512	2,977
Profit	5,167	6,021
Profit attributable to non-controlling interests	7	3
Profit attributable to owners of parent	5,160	6,018

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Profit	5,167	6,021
Other comprehensive income		
Valuation difference on available-for-sale securities	8	255
Foreign currency translation adjustment	(146)	(53)
Total other comprehensive income	(137)	201
Comprehensive income	5,029	6,223
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,022	6,220
Comprehensive income attributable to non-controlling interests	7	3

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)

Not applicable

(Significant Subsequent Events)

(Stock Split and Partial Amendment of Articles of Incorporation Accompanying Stock Split)

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.

1. Purpose of the stock split

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.

2. Outline of the stock split

(1) Method

On December 31, 2020, ISID will split its ordinary share owned by shareholders recorded in the shareholder registry two-for -one.

(2) 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

(3) Schedule

1. Announce date of record	December 11, 2020
2. Date of record	December 31, 2020*
3. Effective date	January 1, 2021

*Practically December 30,2020.

(4) Impact on per share information

Per share information of the case given that the stock split had been conducted at the beginning of the prior fiscal year is as follows.

	The third quarter cumulative period of FY2019 (January. 1 – September. 30, 2019)	The third quarter cumulative period of FY2020 (January. 1 – September. 30, 2020)
Net income per share – basic	¥79.19	¥92.36

Note: “Net income per share – diluted” is not presented as there are no diluted shares.

3. Partial amendment to the articles of incorporation

(1) 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 January 1, 2021, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

(2) Content

The amended content is described below.

(Changes are underlined.)

Before amendment	After amendment
(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be 98,000,000 shares.	(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be 196,000,000 shares.

(3) Schedule

The amendment will go into effect January 1, 2021.

4. Other

(1) Change in capital

The stock split will not change the amount of stated capital.

(2) Dividends

This stock split will be implemented on January 1, 2021. Therefore, year-end dividends for fiscal 2020, which ends December 31, 2020, will be based on the number of shares before the stock split.

(Additional Information)

Not applicable

■ Segment Information

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

1. Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable 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	1,285	1,799	1,700	2,816	7,602

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

II. The third quarter cumulative period of FY2020 (from January 1, 2020 to September 30, 2020)

1. Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	17,796	16,073	22,074	24,238	80,182
Inter-segment sales and transfers	–	–	–	–	–
Total	17,796	16,073	22,074	24,238	80,182
Segment income	1,175	2,257	1,487	4,385	9,305

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

2. Sales and Income (Loss) by Reportable Segment

In order to reflect the operating results of each reportable segment more appropriately, the method of allocation of some expenses has been changed to the method of allocation based on rational allocation standards that are appropriate for the actual conditions of each segment since the second quarter of the fiscal year under review. Also, segment information for the third quarter cumulative of the previous fiscal year is also presented based on the revised method for calculating profit or loss.