

# **PRESENTATION MATERIAL OF FINANCIAL RESULTS FOR THE SECOND QUARTER OF FY2021 (FROM JANUARY 1, 2021 TO JUNE 30, 2021)**

**July 29, 2021**

**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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## **Financial results for the second quarter of FY2021**

Note:

From the first quarter of the current consolidated fiscal year, the Enterprise IT division, which is engaged in the development and implementation of mission-critical systems, was transferred from the Business Solutions segment to the Communication IT segment, establishing a structure that provides integrated support from the marketing domain to mission-critical operations. The figures for the second quarter of the previous consolidated fiscal year and the second quarter of the current consolidated fiscal year have not been reclassified because it is not practicable to prepare the reportable segments for the same period as the respective comparative periods.

# 1. Consolidated Results for the 2Q of FY2021 (cumulative)

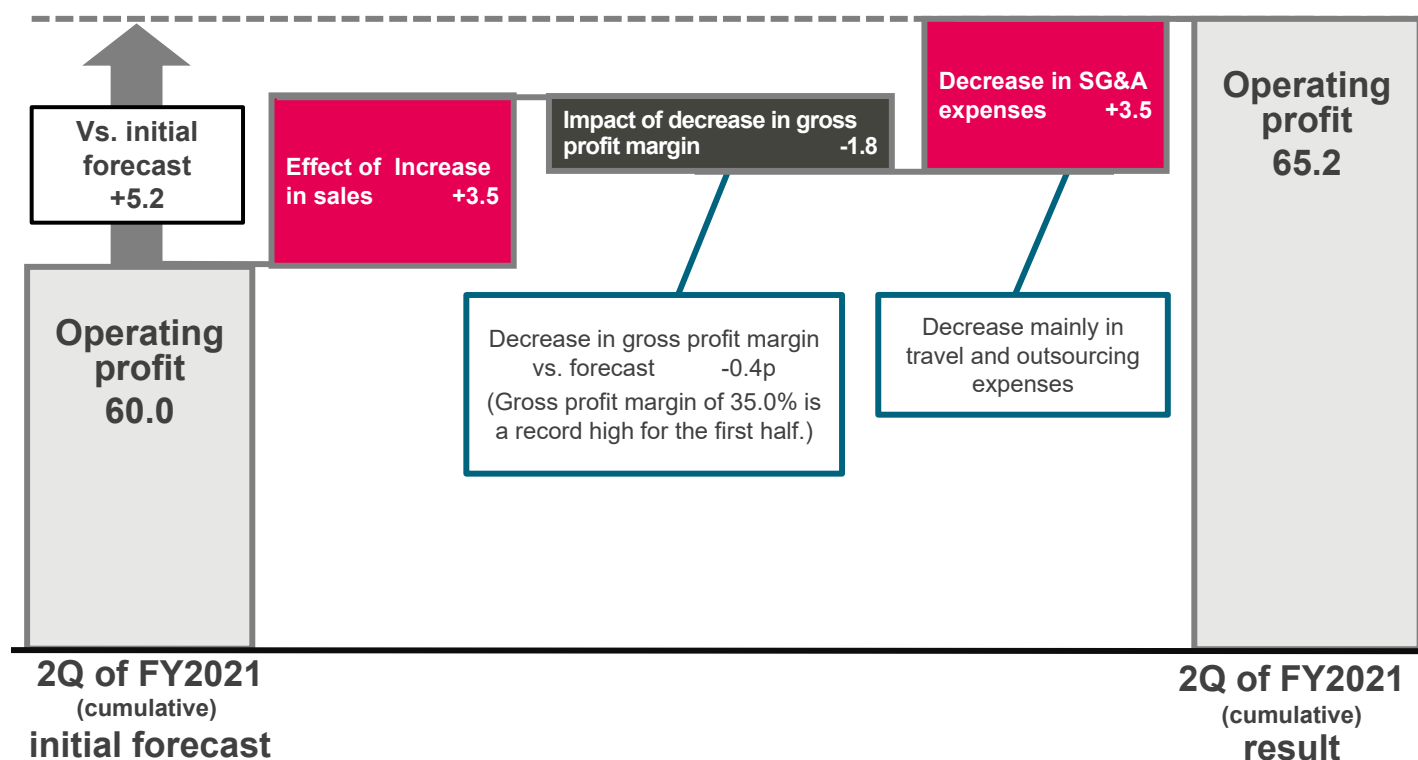
- Vs. initial forecast** Sales and profit increased mainly due to higher sales in Manufacturing Solutions and Communication IT.
- Year on year** Orders received reached record highs for the first half, but sales and profit decreased due to the peak-out of several large-scale projects.
- Interim dividends** Implemented ¥26 per share in line with initial forecast.

(Unit : Millions of yen)

	2Q of FY2021 (cumulative)	Vs. initial forecast (announced on February 10, 2021)			YoY		
		Forecast	Variance	% change	2Q of FY2020 (cumulative)	Variance	% change
Net sales	54,293	53,300	+993	+1.9	55,020	-727	-1.3
Gross profit	19,020	18,849	+171	+0.9	19,163	-143	-0.7
Profit margin	35.0%	35.4%	-0.4p	-	34.8%	+0.2p	-
Selling, general and administrative expenses	12,494	12,849	-355	-2.8	12,192	+302	+2.5
Operating profit	6,525	6,000	+525	+8.8	6,971	-446	-6.4
Operating margin	12.0%	11.3%	+0.7p	-	12.7%	-0.7p	-
Ordinary income	6,443	5,900	+543	+9.2	6,862	-419	-6.1
Profit attributable to owners of parent	4,392	4,000	+392	+9.8	4,512	-120	-2.7
Average number of employees during the period	3,180	3,210	-30	-0.9	2,959	+221	+7.5

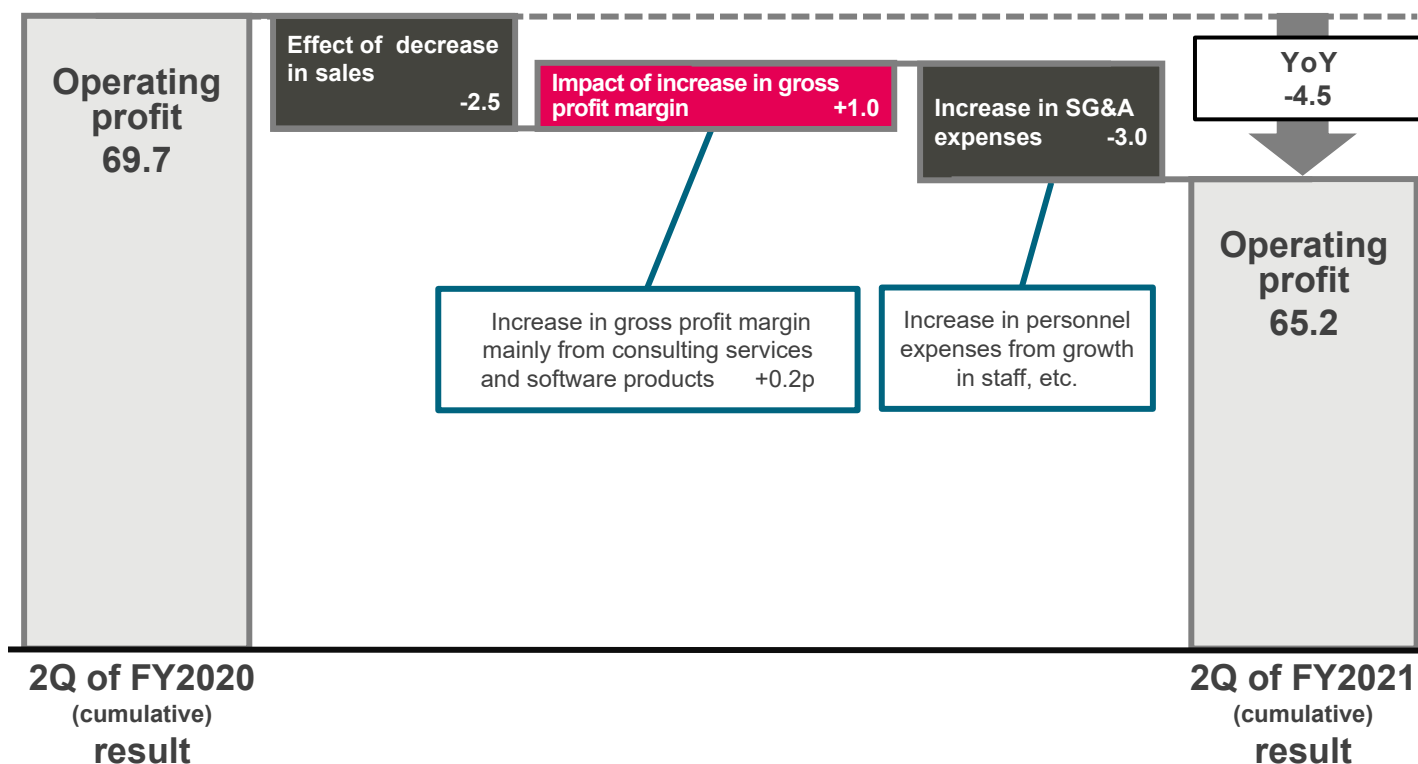
## 2-1. Factors for Increase/Decrease in Operating Profit (vs. initial forecast)

(Unit : 100 million yen)



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

(Unit : 100 million yen)



## 3. Net Sales and Operating Income by Reportable Segment

(Unit : Millions of yen)

Reportable segment		2Q of FY2021 (cumulative)	YoY			Vs. initial forecast	
			Variance	% change	Overview	Variance	% change
Financial Solutions	Net sale	11,804	-420	-3.4	Net sales decreased mainly due to the postponement of the recording of sales for large-scale project, despite the expansion of BANK·R and DX-support projects by financial institutions. Operating profit also declined due to the impact of lower sales and an increase in the cost of sales of some projects.	-418	-3.4
	Operating profit	520	-346	-40.0		-	-
	%	4.4	-2.7p	-		-	-
	employees	791	+72	+10.0		-	-
Business Solutions	Net sale	7,718	-3,167	-29.1	Net Sales and operating profit declined due to a decline in sales in this division following the transfer of the Enterprise IT division. However, the business performed well, centered on POSITIVE, Ci*X, and CCH Tagetik.	+143	+1.9
	Operating profit	1,231	-489	-28.4		-	-
	%	15.9	+0.1p	-		-	-
	employees	412	-151	-26.8		-	-
Manufacturing Solutions	Net sale	15,637	+106	+0.7	Net sales and operating profit increased due to the expansion of DX support projects that comprehensively provide from consulting to system development, in-house and third-party software for the automotive, electric/precision equipment industries, which aim to innovate their entire value chain.	+519	+3.4
	Operating profit	1,511	+254	+20.2		-	-
	%	9.7	+1.6p	-		-	-
	employees	668	+20	+3.1		-	-
Communication IT	Net sale	19,132	+2,754	+16.8	Despite the peak-out of several large-scale projects, both net sales and operating profit increased due to an increase in DX support projects for customers, mainly in the marketing area, and the transfer and integration of the Enterprise IT division.	+748	+4.1
	Operating profit	3,261	+135	+4.3		-	-
	%	17.0	-2.1p	-		-	-
	employees	716	+263	+58.0		-	-

## Ref.) Supplementary information on Reportable Segment

For comparative purposes, the reference figures for the second quarter cumulative period of FY2020 is adjusted for Enterprise IT division's net sales and operating profit. The comparison with the reference values is as follows.

Business Solutions: Sales and profits increased due to the expansion of sales and installation projects of third-party software such as CCH Tagetik.

Communication IT : Despite the acquisition of new projects, mainly in the marketing area, sales and profits decreased due to the peak-out of several large-scale projects.

(Unit : Millions of yen)

Reportable segment		2Q of FY2021 (cumulative)	Comparison with reference figures		
			Reference figures for 2Q of FY2020 (cumulative)	Variance	% change
Business Solutions	Net sales	7,718	7,303	+415	+5.7
	Operating profit	1,231	1,146	+85	+7.4
	%	15.9	15.7	+0.2p	-
Communication IT	Net sales	19,132	19,960	-828	-4.1
	Operating profit	3,261	3,700	-439	-11.9
	%	17.0	18.5	-1.5p	-

## Ref.) Consolidated Results for the 2Q (April - June) of FY2021

**Net sales** Net sales decreased due to the peak-out of several large-scale projects and the postponement of sales of large-scale projects in the financial solutions business to the second half of the fiscal year.

**Operating profit** Decrease due to lower gross profit margin and higher SG&A expenses, in addition to the impact of lower sales.

(Unit : Millions of yen)

	2Q of FY2021 (April - June)	YoY		
		2Q of FY2020 (April - June)	Variance	% change
Net sales	26,797	28,654	-1,857	-6.5
Gross profit	9,425	10,185	-760	-7.5
Profit margin	35.2%	35.5%	-0.3p	-
Selling, general and administrative expenses	6,627	6,508	+119	+1.8
Operating profit	2,798	3,676	-878	-23.9
Operating margin	10.4%	12.8%	-2.4p	-

## 4. Consolidated Net Sales by Service Category

(Unit : Millions of yen)

Service category	2Q of FY2021 (cumulative)	YoY			Vs. initial forecast	
		Variance	% change	Overview	Variance	% change
Consulting Services	3,249	+230	+7.6	Increase in Communication IT and Financial Solutions.	+357	+12.3
Custom System Development	13,464	-1,531	-10.2	Decrease in Financial Solutions and Communication IT.	-2,291	-14.5
In-house Software	11,441	+1,317	+13.0	Increase in Communication IT (iPLAss) and Financial Solutions (Bank・R).	+1,006	+9.6
Third-party Software	16,452	-247	-1.5	Increase in Business Solutions (CCH Tagetik), but decrease in Communication IT (ERP, etc.).	+736	+4.7
Outsourcing, Operation and Maintenance Services	5,590	-500	-8.2	Decrease in Communication IT.	+302	+5.7
IT Equipment Sales and Others	4,094	+4	+0.1	Almost same level as in 2Q of FY2020.	+883	+27.5

\* iPLAss : marketing platform

## 5. Consolidated Net Sales by Industry

(Unit : Millions of yen)

Industry	2Q of FY2021 (cumulative)		YoY	
	Net Sales	Composition Ratio (%)	Variance	% change
Banks	9,127	16.8	-686	-7.0
Other financial institutions	2,369	4.4	+241	+11.3
Financial	11,496	21.2	-445	-3.7
Transportation equipment	8,282	15.3	-85	-1.0
Electric appliances Precision instruments	5,477	10.1	+875	+19.0
Machinery	3,468	6.4	+64	+1.9
Other products	4,120	7.6	-145	-3.4
Manufacturing	21,347	39.3	+708	+3.4
Services and public offices	16,885	31.1	-1,474	-8.0
Distributions and others	4,564	8.4	+483	+11.8

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

## 6. Net Sales for Dentsu Group

Dentsu Group Inc. and its subsidiaries	11,849	21.8	-2,615	-18.1
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## 7. Consolidated Balance Sheets

(Unit : Millions of yen)

	As of June 30, 2021	As of December 31, 2020	Variance	Main Factors for Increase/Decrease
Total current Assets	82,509	78,795	+3,714	Increase in advance payments-trade (+3,532) Increase in deposits paid (+2,768) Decrease in notes and accounts receivable (-1,921)
Total non-Current Assets	17,938	18,351	-413	Decrease in tangible leased assets (-280) Decrease in intangible leased assets (-111)
Total assets	100,448	97,147	+3,301	
Total current liabilities	35,194	34,463	+731	Increase in advances received (+2,935) Decrease in accrued consumption taxes (-948) Decrease in accrued expenses (-692) Decrease in income taxes payable (-683)
Total non-current liabilities	2,698	3,096	-398	Decrease in long-term lease obligations (-372)
Total liabilities	37,892	37,559	+333	
Total net assets	62,555	59,587	+2,967	Increase in retained earnings (+2,795)
Total liabilities and net assets	100,448	97,147	+3,301	

## 8. Consolidated Statements of Cash Flows

(Unit : Millions of yen)

	2Q of FY2021 (cumulative)	Main Factors	YoY	
			2Q of FY2020 (cumulative)	Variance
Cash flows from operating activities	5,666	Profit before income taxes (6,443) Increase in advances received (2,885) Decrease in trade receivables (1,969) Increase in advance payments - trade (-3,510) Income taxes paid (-2,637)	5,154	+512
Cash flows from investing activities	-1,289	Purchase of intangible assets (-916)	-1,850	+561
Cash flows from financing activities	-2,190	Dividends paid (-1,596) Repayments of lease obligations (-590)	-1,961	-229
Effect of exchange rate change on cash and cash equivalents	160		-73	+233
Net increase (decrease) in cash and cash equivalents	2,347		1,270	+1,077
Cash and cash equivalents at the beginning of period	39,773		36,981	+2,792
Cash and cash equivalents at the end of period	42,120		38,251	+3,869

## 9. Orders Received and Order Backlog

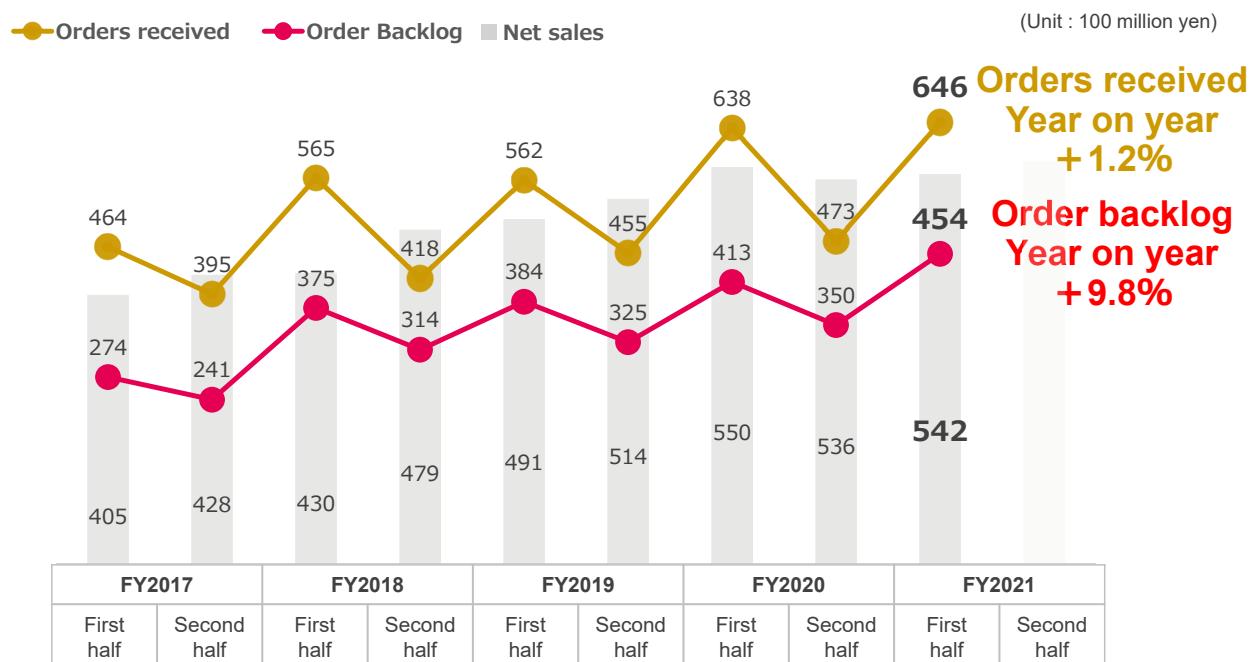
(Unit : Millions of yen)

		Orders received				Order backlog	
		2Q of FY2021 (April - June)	YoY (%)	2Q of FY2021 (cumulative)	YoY (%)	2Q of FY2021 (cumulative)	YoY (%)
<b>Total</b>		<b>31,968</b>	<b>+4.9</b>	<b>64,637</b>	<b>+1.2</b>	<b>45,424</b>	<b>+9.8</b>
<b>Reportable Segments</b>	Financial Solutions	6,363	-12.1	11,834	-2.4	7,493	-11.3
	Business Solutions	4,467	-6.0	8,578	-21.5	5,151	-30.4
	Manufacturing Solutions	7,732	+17.4	19,576	+11.5	16,342	+28.2
	Communication IT	13,404	+12.8	24,647	+5.8	16,438	+28.6
<b>Service Categories</b>	Consulting Services	1,560	+25.5	3,388	+17.6	929	+31.2
	Custom System Development	9,520	+27.9	16,139	+7.8	8,472	+0.3
	In-house Software	6,769	+28.7	12,370	+18.4	8,153	+16.1
	Third-party Software	8,726	-9.3	21,112	+0.3	18,685	+18.0
	Outsourcing, Operation and Maintenance Services	3,150	-5.5	7,405	-7.1	4,200	+24.1
	IT Equipment Sales and Others	2,240	-37.2	4,220	-35.8	4,982	-16.6

\* Figures for Business Solutions and Communication IT for the same period of the previous fiscal year have not been reclassified due to the conditions after the transfer of the business units.

## 10. Trends in Orders Received and Order Backlog

Orders received and order backlog exceeded those of the same period of the previous fiscal year, when multiple large-scale projects were acquired.



# 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.

## 1. Forecast for FY2021

Maintain unchanged our forecasts for the full fiscal year, as announced on February 10, 2021.

	FY2021	(Unit : Millions of yen)			(Reference)
		FY2020	YoY Variance	% change	
Net sales	110,000	108,679	+1,321	+1.2	Progress in 2Q of FY2021 (cumulative) forecast 49.4%
Operating income	12,500	12,189	+311	+2.6	52.2%
Profit margin	11.4%	11.2%	+0.2p	—	—
Ordinary income	12,300	11,502	+798	+6.9	52.4%
Profit attributable to owners of parent	8,300	7,362	+938	+12.7	52.9%



## 2. Net Sales Forecast by Business Segment

(Unit : Millions of yen)

	FY2021	YoY			(Reference) Progress in 2Q of FY2021 (cumulative) Forecast
		FY2020	Variance	% change	
Financial Solutions	24,852	23,888	+964	+4.0	47.5%
Business Solutions	15,589	22,100	-6,511	-29.5	49.5%
(Ref.)	<u>15,589</u>	<u>※15,092</u>	<u>+ 497</u>	<u>+ 3.3</u>	—
Manufacturing Solutions	30,913	30,511	+402	+1.3	50.6%
Communication IT	38,643	32,179	+6,464	+20.1	49.5%
(Ref.)	<u>38,643</u>	<u>※39,187</u>	<u>-544</u>	<u>-1.4</u>	—
<b>Total</b>	<b>110,000</b>	<b>108,679</b>	<b>+1,321</b>	<b>+1.2</b>	<b>49.4%</b>

\* For convenience of comparison, these figures are reference information calculated solely by adding or subtracting sales of our non-consolidated Enterprise IT division from actual results for the year ended December 2020.

## 3. Net Sales Forecast by Service Category

(Unit : Millions of yen)

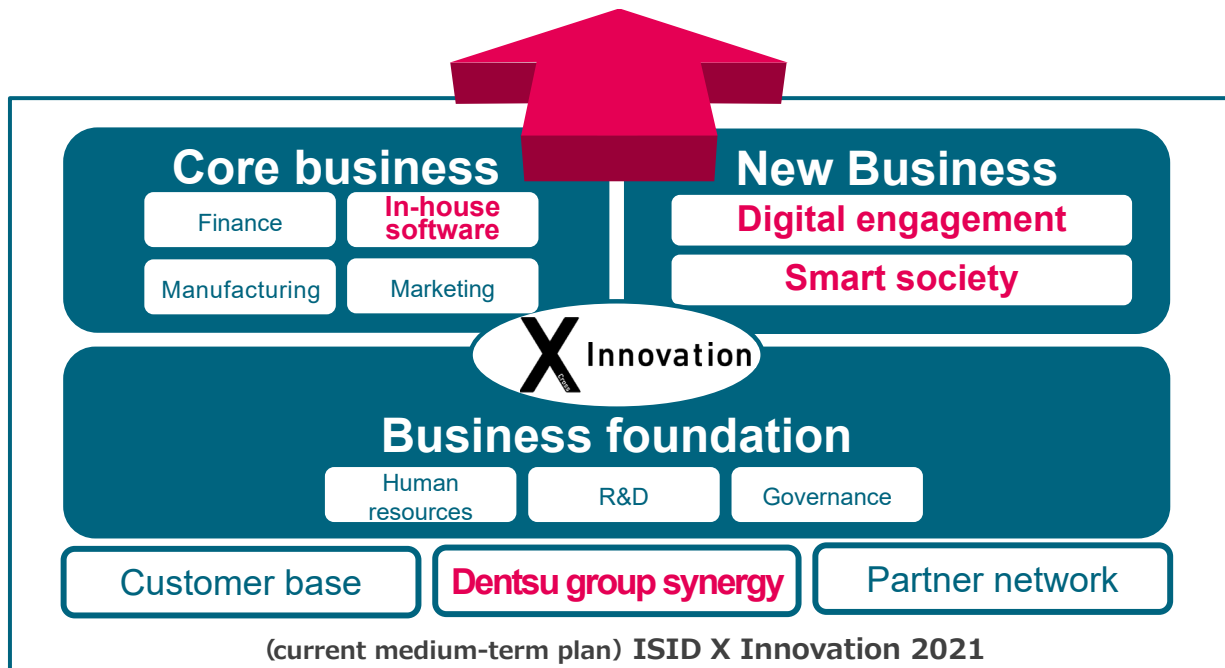
	FY2021	YoY			(Reference) Progress in 2Q of FY2021 (cumulative) Forecast
		FY2020	Variance	% change	
Consulting Services	6,471	5,975	+496	+8.3	50.2%
Custom System Development	31,542	28,147	+3,395	+12.1	42.7%
In-house Software	22,162	20,549	+1,613	+7.8	51.6%
Third-party Software	32,262	33,325	-1,063	-3.2	51.0%
Outsourcing, Operation and Maintenance Services	11,188	12,462	-1,274	-10.2	50.0%
IT Equipment Sales and Others	6,373	8,219	-1,846	-22.5	64.2%
<b>Total</b>	<b>110,000</b>	<b>108,679</b>	<b>+1,321</b>	<b>+1.2</b>	<b>49.4%</b>

# Topics of activities in the first half of the year

## Toward achieving sustainable growth

- Steady progress in the current medium-term management plan. Aiming for further growth, we have begun formulating the next medium-term management plan together with our long-term business strategy for 2030.

## Realizing sustainable growth

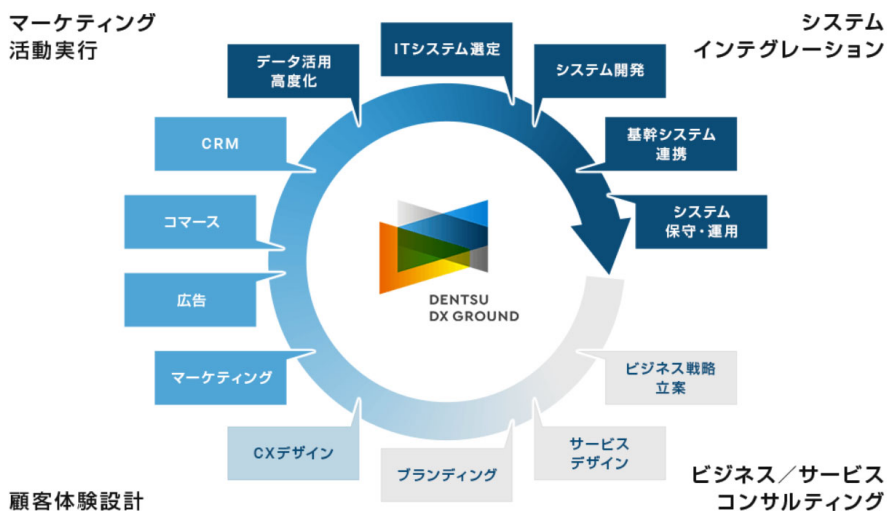


# Evolution of Core Business - Strengthen In-house Software

<h3>Human capital management solution "POSITIVE"</h3> <ul style="list-style-type: none"> <li>Expansion of target from large enterprises to medium-sized enterprises to increase market share.</li> <li>Started offering development, installation and maintenance productivity improvement tools.</li> </ul> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p><b>POSITIVE OPTIMUS</b> 開発・導入・保守の生産性向上ツール</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Development 開発プラットフォーム</p> </div> <div style="text-align: center;"> <p>Implementation 導入生産性向上ツール</p> </div> <div style="text-align: center;"> <p>Maintenance 保守効率化ツール</p> </div> </div> </div>	<h3>Accounting solution "Ci*X"</h3> <ul style="list-style-type: none"> <li>Acquired 132 companies in a cumulative total of 19 corporate groups. (sales started at the end of 2018)</li> </ul> <ul style="list-style-type: none"> <li> Ci*X Expense (Expense settlement)</li> <li> Ci*X Journalizer (Automatic journalizing)</li> <li> Ci*X Workflow (Workflow)</li> </ul> <ul style="list-style-type: none"> <li>Continue to invest in product development. (strengthen products, expand lineups)</li> </ul>
<h3>Conceptual design system "iQUAVIS"</h3> <ul style="list-style-type: none"> <li>Implemented product enhancement using In-house AI tools.</li> <li>Growing use of subscription licenses in automotive OEMs.</li> </ul> <p style="text-align: center;"><u>iQUAVIS knowledge search options</u></p> <div style="display: flex; align-items: center;"> <p style="font-size: small;">テクサイントリジェンス (Document utilization AI solutions)</p> </div>	<h3>VR-collaboration system "CoVR"</h3> <ul style="list-style-type: none"> <li>Planning 50 sales in 3 years for manufacturers, maintenance companies, retailers, etc..</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>

# Creation of new business - Establishment of a new center (August 1, 2021)

- Establish "Digital Engagement Center" to realize customer contact touchpoint for clients.
- Integrate technologies and know-how, and promote DX strategic planning, customer experience design, system construction, and marketing implementation support services in collaboration with Dentsu DX Ground. (cross-organizational unit of Dentsu Group)



**Examples of services provided**

- Full cloud contact center
- Multi-channel collaboration
- Digital marketing
- Manufacturing DX platform
- Field service platform

**Quantitative targets**

Aiming for a  
CAGR of over 20%  
in sales

\* Images in Japanese only

## Creation of new business - Establishment of a new center (August 1, 2021)

- Establish “**Smart Society Center**” to promote business that respond to social issues such as smart cities, municipal DX, and decarbonization.
- Provide new administrative experiences and resident experience for digital society to more than 1700 municipal and companies.

### Examples of services provided

- Smart city implementation consultation
  - Establishment of urban OS Infrastructure
  - Inhabitant consensus building platform
  - Digital twin (Modeling urban 3D)
- 
- Municipal DX consulting
  - Computerization of administrative procedures
  - Improving of municipal operations
  - Digitization of regional promotion tickets
- 
- Remote healthcare services for the elderly
  - Scoring for community contribution activities
  - Smart agri data distribution Infrastructure
  - Maas and Tourism promotion services










### Quantitative targets

Started with **30** employees,  
Aiming for sales of over **5 billion yen**  
in **2024**

## Creation of new business - Strengthen collaboration with the Dentsu Group

- Collaboration with Dentsu Group companies and the development of new solutions are expanding.

<p><b>Dentsu DX Ground</b></p> <p>Support for promotion of cloud integration</p>  <p>DENTSU DX GROUND</p>	<p><b>dentsu SX</b></p> <p>On-to-Off-Integrated optimal solutions for the retail domain</p>  <p>dentsu SX</p>	<p><b>XRX STUDIO</b></p> <p>Support for XR technology utilization</p>  <p>XRX STUDIO</p>	<p><b>Mirai-jigyo-soken</b></p> <p>Support for creation and transformation of future business</p> <p>未来がわかると、未来はつくれる。</p>  <p>未未事業創研</p>
<p><b>CXAI</b></p> <p>Automatically generate creative representations provide AI</p> 	<p><b>DX-shindan-for system</b></p> <p>Marketing system transformation support</p>  <p>Digital transformation 診断 for system</p>	<p><b>Jichitai-DX-hakusho.com</b></p> <p>Support for promotion of digitization of municipal digitization</p> <p>みんなで作ろう</p>  <p>自治体 DX 白書</p>	