

PRESENTATION MATERIAL OF FINANCIAL RESULTS FOR THE THIRD QUARTER OF FY2021 (FROM JANUARY 1, 2021 TO SEPTEMBER 30, 2021)

October 28, 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.

COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU,LTD.

Financial results for the third 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 third quarter of the previous consolidated fiscal year and the third 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 3Q of FY2021 (cumulative)

Net Sales

Net sales are same as the previous fiscal year due to the growth in DX support projects in the manufacturing and marketing areas, despite of the peak-out of several large-scale projects.

Operating Profit

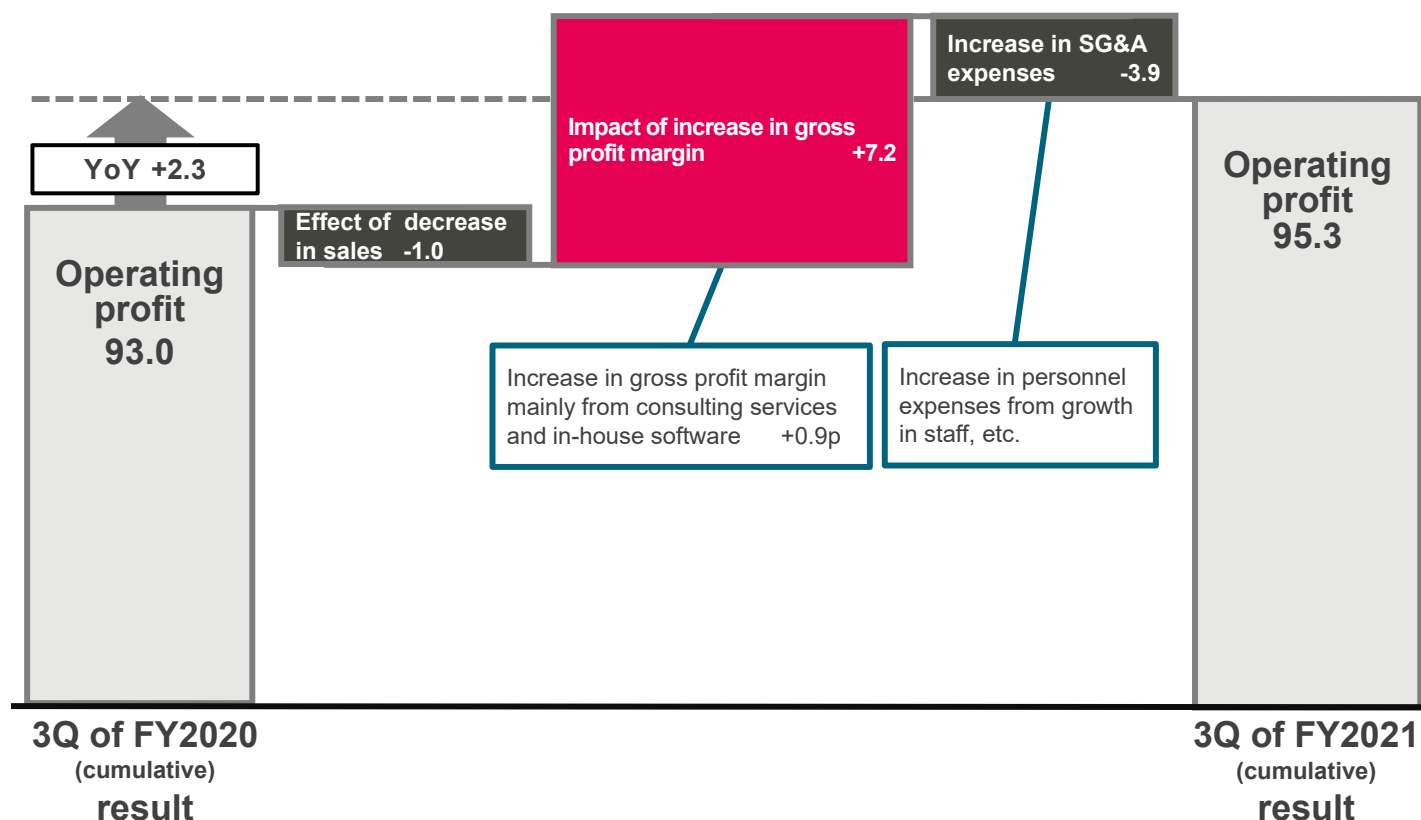
Profits increased due to an improvement in the gross profit margin.

(Unit : Millions of yen)

	3Q of FY2021 (cumulative)	YoY		
		3Q of FY2020 (cumulative)	Variance	% change
Net sales	79,884	80,182	-298	-0.4
Gross profit	28,252	27,630	+622	+2.3
Profit margin	35.4%	34.5%	+0.9p	-
Selling, general and administrative expenses	18,715	18,325	+390	+2.1
Operating profit	9,536	9,305	+231	+2.5
Operating margin	11.9%	11.6%	+0.3p	-
Ordinary profit	9,358	9,118	+240	+2.6
Profit attributable to owners of parent	6,422	6,018	+404	+6.7
Average number of employees during the period	3,200	3,003	+197	+6.5

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

(Unit : 100 million yen)



3. Net Sales and Operating Profit by Reportable Segment

(Unit : Millions of yen)

Reportable segment		3Q of FY2021 (cumulative)	YoY		
			Variance	% change	Overview
Financial Solutions	Net sales	18,039	+243	+1.4	Net sales increased due to the expansion sales and installation of BANK·R and DX-support projects at financial institutions. On the other hand, operating profit declined mainly due to an increase in the cost of sales of some system development projects.
	Operating profit	1,111	-64	-5.4	
	%	6.2	-0.4p	-	
	Employees	797	+68	+9.3	
Business Solutions	Net sales	11,149	-4,924	-30.6	Net sales and operating profit declined due to a decrease in the net sales in the Enterprise IT division as a result of the transfer of this division to the Communication IT segment. However, the business performed well, centered on the Ci*X and CCH Tagetik.
	Operating profit	1,750	-507	-22.5	
	%	15.7	+1.7p	-	
	Employees	409	-170	-29.4	
Manufacturing Solutions	Net sales	23,175	+1,101	+5.0	Net sales and operating profit increased due to the expansion of DX support projects that comprehensively provide consulting services, contract system development, and in-house and third-party software for the automotive industry and the electric and precision equipment industry, which aim to innovate their entire value chains.
	Operating profit	2,176	+689	+46.3	
	%	9.4	+2.7p	-	
	Employees	667	+16	+2.5	
Communication IT	Net sales	27,519	+3,281	+13.5	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 from the Business Solutions segment, despite the peak-out of several large-scale project.
	Operating profit	4,498	+113	+2.6	
	%	16.3	-1.8p	-	
	Employees	716	+262	+57.8	

* Employees : average number of employees during the period BANK·R: next-generation financing solution Ci*X : financial solution system CCH Tagetik : business management solution

Ref.) Supplementary information on Reportable Segment

For comparative purposes, the reference figures for the third 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 Ci*X and 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		3Q of FY2021 (cumulative)	Comparison with reference figures		
			Reference figures for 3Q of FY2020 (cumulative)	Variance	% change
Business Solutions	Net sales	11,149	10,845	+304	+2.8
	Operating profit	1,750	1,574	+176	+11.2
	%	15.7	14.5	+1.2p	-
Communication IT	Net sales	27,519	29,466	-1,947	-6.6
	Operating profit	4,498	5,068	-570	-11.2
	%	16.3	17.2	-0.9p	-

Ref.) Consolidated Results for the 3Q (July - September) of FY2021

Net sales

Net sales increased due to the strong performance in Financial Solutions and Manufacturing Solutions.

Operating profit

Increased due to the higher gross profit margin.

(Unit : Millions of yen)

	3Q of FY2021 (Jul. - Sep.)	YoY		
		3Q of FY2020 (Jul. - Sep.)	Variance	% change
Net sales	25,591	25,161	+430	+1.7
Gross profit	9,232	8,467	+765	+9.0
Profit margin	36.1%	33.7%	+2.4p	-
Selling, general and administrative expenses	6,220	6,133	+87	+1.4
Operating profit	3,011	2,334	+677	+29.0
Operating margin	11.8%	9.3%	+2.5p	-

Ref.) Consolidated Results for the 3Q (July - September) of FY2021

(Unit : Millions of yen)

Reportable segment		3Q of FY2021 (Jul. - Sep.)	YoY			Comparison with reference figures		
			3Q of FY2020 (Jul. - Sep.)	Variance	% change	(Ref.) 3Q of FY2020 (Jul. - Sep.)	Variance	% change
Financial Solutions	Net sales	6,234	5,572	+662	+11.9			
	Operating profit	590	308	+282	+91.6			
	%	9.5	5.5	+4.0p	-			
Business Solutions	Net sales	3,431	5,187	-1,756	-33.9	*3,541	-110	-3.1
	Operating profit	518	537	-19	-3.5	*428	+90	+21.0
	%	15.1	10.4	+4.7p	-	*12.1	+3.0p	-
Manufacturing Solutions	Net sales	7,537	6,543	+994	+15.2			
	Operating profit	665	230	+435	+189.1			
	%	8.8	3.5	+5.3p	-			
Communication IT	Net sales	8,387	7,859	+528	+6.7	*9,505	-1,118	-11.8
	Operating profit	1,236	1,258	-22	-1.7	*1,367	-131	-9.6
	%	14.7	16.0	-1.3p	-	*14.4	+0.3p	-

* These figures are to be used as a reference only. This figure is calculated by adding or subtracting net sales and operating profit of the Enterprise IT division basis from the results for the same period of the previous fiscal year.

4. Consolidated Net Sales by Service Category

(Unit : Millions of yen)

Service category	3Q of FY2021 (cumulative)	YoY		
		Variance	% change	Overview
Consulting Services	4,944	+733	+17.4	Increase in Communication IT.
Custom System Development	20,364	-1,176	-5.5	Decrease in Financial Solutions and Communication IT.
In-house Software	16,091	+1,290	+8.7	Increase in Communication IT (iPLAss) and Financial Solutions (Bank・R).
Third-party Software	24,386	+81	+0.3	Increase in Manufacturing Solutions (CAE and PLM, etc.) and Business Solutions (CCH Tagetik) .
Outsourcing, Operation and Maintenance Services	8,372	-969	-10.4	Decrease in Communication IT.
IT Equipment Sales and Others	5,725	-256	-4.3	Decrease in Financial Solutions.

* iPLAss : marketing platform CAE : Computer Aided Engineering PLM : Product Lifecycle Management

5. Consolidated Net Sales by Industry

(Unit : Millions of yen)

Industry	3Q of FY2021 (cumulative)		YoY	
	Net Sales	Composition Ratio (%)	Variance	% change
Banks	13,939	17.4	-439	-3.1
Other financial institutions	3,545	4.4	+366	+11.5
Financial	17,484	21.9	-73	-0.4
Transportation equipment	11,869	14.9	+144	+1.2
Electric appliances Precision instruments	8,246	10.3	+1,531	+22.8
Machinery	5,361	6.7	+422	+8.5
Other products	6,308	7.9	+281	+4.7
Manufacturing	31,784	39.8	+2,377	+8.1
Services and public offices	23,880	29.9	-3,281	-12.1
Distributions and others	6,737	8.4	+678	+11.2

* 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 it's subsidiaries	16,488	20.6	-5,071	-23.5
---	--------	------	--------	-------

7. Orders Received and Order Backlog

(Unit : Millions of yen)

		Orders received				Order backlog	
		3Q of FY2021 (Jul. – Sep.)	YoY (%)	3Q of FY2021 (cumulative)	YoY (%)	3Q of FY2021 (cumulative)	YoY (%)
Total		24,058	+5.6	88,695	+2.3	43,891	+12.5
Reportable Segments	Financial Solutions	5,736	+26.3	17,571	+5.4	6,994	-5.7
	Business Solutions	3,341	-32.5	11,920	-24.9	5,061	-29.4
	Manufacturing Solutions	8,758	+13.3	28,335	+12.1	17,563	+26.0
	Communication IT	6,221	+11.8	30,868	+7.0	14,272	+36.1
Service Categories	Consulting Services	1,973	+36.0	5,361	+23.7	1,208	+24.8
	Custom System Development	5,954	+23.5	22,093	+11.6	7,526	+11.9
	In-house Software	3,904	-13.3	16,274	+8.8	7,407	+8.2
	Third-party Software	8,869	+10.3	29,981	+3.0	19,619	+20.5
	Outsourcing, Operation and Maintenance Services	2,080	-22.9	9,486	-11.0	3,498	+23.6
	IT Equipment Sales and Others	1,277	+0.9	5,498	-29.9	4,629	-13.4

* 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.

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

There are no changes to the forecasts for the full fiscal year, as announced on February 10, 2021.

	FY2021	YoY			(Reference) Progress in 3Q of FY2021 (cumulative) forecast
		FY2020	Variance	% change	
Net sales	110,000	108,679	+1,321	+1.2	72.6%
Operating profit	12,500	12,189	+311	+2.6	76.3%
Profit margin	11.4%	11.2%	+0.2p	—	—
Ordinary profit	12,300	11,502	+798	+6.9	76.1%
Profit attributable to owners of parent	8,300	7,362	+938	+12.7	77.4%

2. Net Sales Forecast by Business Segment

	FY2021	YoY			(Reference) Progress in 3Q of FY2021 (cumulative) Forecast
		FY2020	Variance	% change	
Financial Solutions	24,852	23,888	+964	+4.0	72.6%
Business Solutions	15,589	22,100	-6,511	-29.5	71.5%
(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	75.0%
Communication IT	38,643	32,179	+6,464	+20.1	71.2%
(Ref.)	<u>38,643</u>	<u>*39,187</u>	<u>-544</u>	<u>-1.4</u>	—
Total	110,000	108,679	+1,321	+1.2	72.6%

* 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)

(Reference)

	FY2021	YoY			Progress in 3Q of FY2021 (cumulative) Forecast
		FY2020	Variance	% change	
Consulting Services	6,471	5,975	+496	+8.3	76.4%
Custom System Development	31,542	28,147	+3,395	+12.1	64.6%
In-house Software	22,162	20,549	+1,613	+7.8	72.6%
Third-party Software	32,262	33,325	-1,063	-3.2	75.6%
Outsourcing, Operation and Maintenance Services	11,188	12,462	-1,274	-10.2	74.8%
IT Equipment Sales and Others	6,373	8,219	-1,846	-22.5	89.8%
Total	110,000	108,679	+1,321	+1.2	72.6%