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ISID Group 2030 Long-term Management Vision and New Medium-term Management Plan (FY2022–2024)

Information Services International-Dentsu, Ltd. (ISID) announces the formulation of “Vision 2030”, a long-term management vision focused on FY2030, and “ISID X (Cross) Innovation 2024”, a medium-term management plan for the three-year period covering the period FY2022–2024, the details of which are as follows.

I. Review of Previous Medium-term Management Plan (FY2019–2021)

The previous medium-term management plan, ISID X Innovation 2021, was a three-year plan formulated in line with an updated corporate philosophy. The year 2019 began with the slogan “X Innovation,” a concept targeting the co-creation of value going beyond the boundaries of companies, organizations, and technologies. Although our business activities have been impacted by COVID-19 for most of the past three years, efforts to engage in the basic policies of core business evolution, new business creation, and business foundation innovations have been successful. As a result, ISID has been able to exceed all initial targets for net sales, operating profit, operating margin, and ROE.

Item	Target	FY2021 (Ended December 31, 2021)	Variance	CAGR ¹
Net sales	¥110 billion	¥112 billion	¥2.0 billion	7.2%
Operating profit	¥11 billion	¥13.7 billion	¥2.7 billion	18.6%
Operating margin	10%	12.3%	2.3 p	—
ROE	12.5%	14.3%	1.8 p	—

In particular, the Business Solutions segment, with strengths in proprietary software, and Communication IT segment, which proactively promotes collaboration with the Dentsu Group, further enhanced its competitive advantages, driving double-digit growth in the compound annual growth rate. Despite temporary stagnation due to the impact of COVID-19, the Financial Solutions segment and Manufacturing Solutions segment also grew steadily by leveraging our ability to make proposals based on deep insights into client business.

Business Segment	Net Sales for FY2021	CAGR ²
Financial Solutions	¥25.1 billion	2.7%
Business Solutions	¥14.9 billion	12.7%
Manufacturing Solutions	¥32.0 billion	3.1%
Communication IT	¥39.9 billion	12.4%

With respect to the practical implementation of the X Innovation slogan, we also created a large number of integrated projects transcending segment barriers and consolidated human resources responsible for new business development; AI; UI and UX design; xR solutions; and other cutting-edge technologies under the X Innovation Center, established in the first year of the previous medium-term management plan. The center realizes the creation of new value across the entire Group.

The ISID Group values these results highly, from both quantitative and qualitative perspectives, and so has been able to achieve steady growth under its updated corporate philosophy.

Notes:

1. Compound annual growth rate
2. CAGR for the Business Solutions and Communication IT segments is a simple calculation taking into consideration the impact of business division transfers implemented in FY2021.

II. Long-term Management Vision, “Vision 2030”

The ISID Group updated its corporate philosophy in 2019 and proclaimed its mission: “Acting with sincerity, we contribute to progress and harmony among our customers, consumers, and society by exploring the unlimited potential of technology.” Its vision, it stated, is “HUMANOLOGY for the future—bringing people and technology together to shape the future.”

The long-term management vision depicts the ISID Group’s ideal positioning in 2030 and its path toward the realization of its corporate philosophy. The speed of environmental change continues to accelerate, due to COVID-19. Up to now, the ISID Group has formulated and promoted medium-term management plans every three years. However, in order to realize sustainable growth in an era of dramatic change, while recognizing the need to share a long-term perspective throughout the Group, we have decided to formulate a long-term vision.

1. Vision 2030 Statement

The ISID Group will transform itself with the aim of becoming an “X Innovator” realizing social and corporate transformation.

2. Environmental Awareness

Although this is an era in which dramatic changes make the future difficult to predict, we recognize the transition to a new normal society accelerated by COVID-19; the awareness and responsibilities necessary for realizing a sustainable society; the labor environment changes in line with Japan’s shrinking population; and the further advances that will take place in technology as megatrends.

Amid these changes, society and corporations aim to utilize technology more than ever to achieve both sustainability and growth potential. Thus, we see this area as a major growth opportunity for the ISID Group. We anticipate that society and corporations will have even higher expectations in terms of our ability to collaborate with various stakeholders, and appropriately utilize a diverse range of technologies that are constantly evolving and diverging.

3. Positioning in 2030

The ideal positioning for the ISID Group in 2030 is to meet the expectations of society, corporations, and consumers as a high value-added Company that embodies its corporate philosophy. To this end, we recognize the need to break out of the system integrator framework, advocated in 1985, and transform ourselves into an entity that realizes social and corporate transformation with diversity, in terms of both people and technologies.

The ISID Group defines its ideal positioning as “**An X Innovator—an entity that realizes social and corporate transformation through the practical implementation of X Innovation.**”

In further enhancing our growth potential—through self-transformation from system integrator to X Innovator, as a Group possessing diverse human resources, an abundance of technologies, and the various solutions necessary for realizing societal and corporate transformation in 2030—we aim to become a Group with net sales in the ¥300 billion range.

4. Business Policies Focused on 2030

To realize our ideal positioning, we will promote the following four self-transformations.

Business domain expansion (HIRAKU)	Expand business domain from the resolution of individual corporate business issues to support for the resolution of all issues faced by the entire company and social transformation.
New capability acquisition (TSUKURU)	Further enhance strengths in technology implementation while acquiring the capabilities necessary to guide social and corporate transformation as new strengths.
Earnings model innovation (KASEGU)	In addition to expanding and strengthening solutions, strive to diversify profit model and improve profitability through the establishment of new delivery models.
Management foundation innovation (SASAERU)	Update management foundation to accelerate the speed of self-transformation and acquire the ability to flexibly adapt to future changes in the environment.

5. Steps to 2030

ISID intends to formulate and promote three medium-term management plans spanning the nine years from 2022 to 2030, divided into three-year periods. The basic positioning of each period is as follows.

(1) FY2022–2024	Build a new foundation for the ISID Group as a stepping stone for the future while accelerating growth.
(2) FY2025–2027	In 2025, the ISID Group will celebrate its 50th anniversary. As a new ISID Group, we will take on more proactive challenges than before, both organically and in-organically, aiming for even higher growth.
(3) FY2028–2030	Continue taking on positive challenges toward the realization of our ideal positioning and consider a new long-term management vision for 2030 and beyond.

III. Medium-term Management Plan, “ISID X Innovation 2024”

Based on the long-term management vision Vision 2030, this medium-term management plan is the first of three medium-term management plans.

1. Basic Policy

While accelerating growth by deepening X Innovation, we will look ahead to 2030 and build a new foundation for the ISID Group.

2. Priority Measures

ISID will realize the four self-transformations defined in Vision 2030 through efforts comprising a total of 10 priority measures.

A. Business domain expansion (*HIRAKU*)

The ISID Group views corporate business activities from two perspectives: activities that create value such as goods and services (value creation) and activities that promote and provide value through branding and marketing (value provision). We aim to expand business by establishing competitive advantages unique to the ISID Group in each domain.

- (1) Value creation is the core business domain where the ISID Group has traditionally had strengths. Through strategic staffing and collaboration among the existing four business segments, we will aim for continuous growth following the previous medium-term management plan.
- (2) Value provision is a business domain that has expanded by leveraging the strengths of the Dentsu Group. In this domain, we will consolidate human resources involved in marketing-related businesses in each division, create a Company-wide promotion system set up as a customer contact reform business, and aim for even greater growth.
- (3) Combining the strengths of the ISID Group and Dentsu Group in both the value creation and value provision domains, we will establish the Corporate Transformation Support Business, to support new transformation and business growth of entire companies, as well as the Social Transformation Support Business, to support social transformation. Both businesses will be promoted Company-wide as core businesses of the future.

B. New capability acquisition (*TSUKURU*)

- (4) To resolve the urgent issue of personnel shortages, we will revise hiring methods, accelerate the pace at which personnel numbers are increased, and promote a variety of external procurement efforts.
- (5) We will strengthen existing, and acquire new, consulting capabilities, this will be done to enhance the conceptual, design, and business production capabilities of businesses and services, in order that businesses supporting corporate transformation may be established.
- (6) We will amass more cutting-edge technology personnel and further enhance our competitive advantage in technology implementation across the entire Group.

C. Earnings model innovation (*KASEGU*)

- (7) We will expand our lineup of in-house and third-party software, and promote functional enhancements.
- (8) We will strengthen subscription-based services, SaaS, revenue sharing businesses, and BPO businesses, while expanding partner co-creation models to promote the diversification of our business model.

D. Management foundation innovation (*SASAERU*)

- (9) Under our sustainability policy, we will promote management that contributes to the realization of a sustainable society.
- (10) We will implement innovations in business management infrastructure, personnel and training systems, Group and organizational structures, and branding efforts.

3. Quantitative Targets

The following four items are set as quantitative targets for 2024. While accelerating the net sales CAGR compared with the results of the previous medium-term management plan, the operating margin is set at the same level as the results for the fiscal year ended December 31, 2021. We plan to proactively invest profits generated from improved profitability in order to build a new ISID Group.

Item	Target for FY2024	FY2021 Result	CAGR
Net sales	¥150 billion	¥112 billion	10.2%
Operating profit	¥18 billion	¥13.7 billion	9.5%
Operating margin	12%	12.3%	—
ROE	15%	14.3%	—

4. Growth Investments

Item	Target	Policy
Human resources	Increase number of consolidated employees to over 4,200 people by the end of 2024	We aim to increase employee numbers by approximately 1,000 people from the end of December 2021 in order to meet vigorous market needs. In addition to recruitment and educational reforms, we will strive to create new work styles.
Technology	Cumulative investment over three years amounting to ¥17 billion	We will invest approximately twice as much as in the previous medium-term management plan to improve cutting-edge technology implementation capabilities, advance development technologies, and develop new products and services.
M&A	Cumulative investment over three years amounting to ¥10 billion or more	We will actively promote M&A to realize high growth targets.

5. Shareholder Returns

The Group has continued to increase dividends through business growth since the fiscal year ended December 31, 2013, maintaining a consolidated dividend payout ratio of 40% or higher since the fiscal year ended December 31, 2019. Going forward, we will continue with our basic policy of maintaining an appropriate level of steady dividends while retaining sufficient internal reserves to ensure sustained growth, with a consolidated payout of 40% or higher as a guideline for the dividend payout ratio in an effort to enhance shareholder returns.

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