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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.

April 28, 2022

Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2022(Japanese GAAP)

Name of Listed Company: Information Services International-Dentsu, Ltd.
Listed Exchange: Tokyo
Code Number: 4812
URL: <https://www.isid.co.jp/english>
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Date of scheduled filing of securities report: May 11, 2022

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 First Quarter of FY2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated Operating Results (Cumulative)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss)*	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
First Quarter of FY2022	29,982	9.0	5,305	42.4	5,331	46.3	4,033	59.9
First Quarter of FY2021	27,495	4.3	3,726	13.1	3,643	12.0	2,521	22.4

* Net profit attributable to parent company's shareholders

Note: Comprehensive profit: First Quarter of FY2022: 4,307million yen (up59.4%); First Quarter of FY2021: 2,701million yen (up35.9%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
First Quarter of FY2022	61.89	--
First Quarter of FY2021	38.70	--

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of March 31, 2022	107,839	67,887	62.9
As of December 31, 2021	108,188	65,471	60.5

Reference: Total shareholders' equity: As of March 31, 2022: 67,852 million yen; As of December 31, 2021: 65,452 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)
FY2021	--	26.00	--	30.00	56.00
FY2022	--				
FY2022(forecast)		33.00	--	33.00	66.00

Note: Revision to the dividend forecasts from the latest announcement: No

3. Consolidated Forecasts for FY2022(from January 1, 2022 to December 31, 2022)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit		Ordinary profit		Net profit *		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half	59,000	8.7	7,100	8.8	7,100	10.2	5,000	13.8	76.73
FY2022	120,000	7.1	15,000	9.2	15,000	13.4	10,500	17.4	161.13

*Net profit attributable to parent company's shareholders

Note: Revision to the consolidated forecasts from the latest announcement: No

4. Other Items

(1) Changes in the scope of consolidation for significant subsidiaries during three months (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: Yes

ii. Changes in accounting policies other than 1) above: None

iii. Changes in accounting estimate: None

iv. Restatements: None

Note: For details, please refer to "II. Consolidated Financial Statement 3. Notes on Quarterly Consolidated Financial Statement (Changes in Accounting Policies)."

(4) Issued and outstanding common stock

i. Number of shares issued and outstanding at the end of the period, including treasury stock

March 31, 2022:	65,182,480 shares	December 31, 2021:	65,182,480 shares
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ii. Number of treasury stock at the end of the period

March 31, 2022:	17,984 shares	December 31, 2021:	17,984 shares
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iii. Average number of shares outstanding for each period

Three months ended March 31, 2022	65,164,496 shares	Three months ended March 31, 2021:	65,164,617 shares
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This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act.

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

Effective from the beginning of the first quarter of the current consolidated fiscal year, we have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). For details, please refer to "II. Consolidated Financial Statement 3. Notes on Quarterly Consolidated Financial Statement (Changes in Accounting Policies)."

(Millions of yen)

Reportable segment	First quarter of FY2021 (cumulative)	First quarter of FY2022 (cumulative)	YoY	
			Variance	% change
Net sales	27,495	29,982	2,487	9.0
Operating profit	3,726	5,305	1,579	42.4
Operating profit margin	13.6%	17.7%	4.1p	–
Ordinary profit	3,643	5,331	1,688	46.3
Profit attributable to owners of parent	2,521	4,033	1,512	59.9

During first quarter of the current consolidated fiscal year under review (from January 1, 2022 to March 31, 2022), the Japanese economy continued to recover, although the outlook remained uncertain due to concerns about the re-expansion of COVID-19 and the worsening situation in Ukraine. Also, the business environment surrounding the ISID Group remained firm, as companies remained strongly motivated to utilize digital technology for operational and business innovation, although some conservative moves were seen against the backdrop of continued priority measures such as pre-emergency measures and production adjustments due to the shortage of semiconductors.

Amid these circumstances, the ISID Group formulated long-term management vision, "Vision 2030," and launched our three-year medium-term management plan, "ISID X(Cross) Innovation 2024," in the current fiscal year. In 2030, we aim to achieve net sales in the ¥300 billion range as a Group with diverse human resources, an abundance of technologies, and the various solutions. In the medium-term management plan, which is the first step toward achieving this goal, we aim to achieve our quantitative target (Net sales of ¥150 billion, operating profit of ¥18 billion, operating margin of 12%, and ROE of 15%) for the fiscal year ending December 31, 2024, by accelerating business growth and implementing to transform ourselves based on four action policies: "Business domain expansion," "New capability acquisition," "Earnings model innovation," and "Management foundation innovation."

In the first quarter of the current consolidated fiscal year, net sales was ¥29,982 million (up 9.0% year on year), operating profit was ¥5,305 million (up 42.4% year on year), ordinary profit was ¥5,331 million (up 46.3% year on year) and profit attributable to owners of parent was ¥4,033 million (up 59.9% year on year).

Net sales increased in all four business segments as a result of firm corporate strategic IT investments. Profits also increased at each stage, reflecting the effect of higher sales and an improvement in the gross profit margin, mainly for in-house software and third-party software.

The impact of the adoption of the accounting standard for revenue recognition in the first quarter under review was an increase of ¥547 million in net sales and an increase of ¥452 million in operating profit.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	First quarter of FY2021 (cumulative)			First quarter of FY2022 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	6,333	647	10.2%	6,748	776	11.5%	415	129
Business Solutions	3,455	309	8.9%	4,171	1,138	27.3%	716	829
Manufacturing Solutions	8,220	1,090	13.3%	8,707	1,408	16.2%	487	318
Communication IT	9,485	1,679	17.7%	10,355	1,982	19.1%	870	303
Total	27,495	3,726	13.6%	29,982	5,305	17.7%	2,487	1,579

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 and operating profit increased due to the strong performance of DX support projects for the banking industry, mainly in the area of customer contact reform, and the expansion of system development projects for the credit card and leasing industries.

Business Solutions

The main business of this segment is providing IT solutions for business management operations, centered on accounting and human resources.

Net sales and operating profit increased due to the expansion of sales and introduction of our four key solutions, the POSITIVE, human resource management solution, the STRAVIS, consolidated accounting solution, the Ci*X, accounting solution and the CCH Tagetik, a business management solution, mainly in the transportation equipment and service industries.

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.

Net sales and operating profit increased due to the expansion of projects for the introduction of the Teamcenter, a PLM solution that supports the digitization of engineering chains, mainly in the transportation equipment industry and the electric and precision industries, as well as steady growth in projects for the process manufacturing industry, which is developing as a new market.

Communication IT

The main business of this segment is providing IT solutions that support companies optimize their value chains and business processes, from marketing to core business areas.

Net sales and operating profit increased due to an expansion of customer DX support projects in the marketing and core business areas to the service and pharmaceutical industries, despite the peak-out of several large-scale projects in the previous year.

2. Explanation of Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets at the end of the first quarter of the current consolidated fiscal year decreased by ¥349 million from the end of the previous consolidated fiscal year to ¥107,839 million. Current assets decreased by ¥609 million from the end of the previous consolidated fiscal year to ¥89,324 million, mainly due to a decrease in deposits due to payment of various taxes and payment of dividends, despite an increase in notes receivable, accounts receivable and contract assets associated with the adoption of revenue recognition accounting standards, etc., and a decrease in work in process, as well as an increase in advance payments, mainly prepaid rental fees, associated with the provision of subscription-type services. Non-current assets increased by ¥259 million from the end of the previous consolidated fiscal year to ¥18,514 million, mainly due to an increase in deferred tax assets.

As stated in "II. Consolidated Financial Statement 3. Notes on Quarterly Consolidated Financial Statement (Changes in Accounting Policies)," due to the adoption of the revenue recognition accounting standard, "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year, are included in "Notes and accounts receivable - trade and contract assets" from the first quarter of the fiscal year under review.

(2) Liabilities

Total liabilities at the end of the first quarter of the current consolidated fiscal year decreased by ¥2,765 million from the end of the previous consolidated fiscal year to ¥39,951 million. Current liabilities decreased by ¥2,624 million from the end of the previous consolidated fiscal year to ¥37,852 million, mainly due to a decrease in advances received, which includes advance rentals and maintenance fees received, and a decrease in income taxes payable and other current liabilities mainly due to the payment of various taxes, despite an increase in notes and accounts payable-trade. Non-current liabilities decreased by ¥142 million from the end of the previous consolidated fiscal year to ¥2,098 million, mainly due to a decrease in lease obligations.

As stated in "II. Consolidated Financial Statement 3. Notes on Quarterly Consolidated Financial Statement (Changes in Accounting Policies)," due to the adoption of the revenue recognition accounting standard, "Advances received," which were included in "Current liabilities" in the consolidated balance sheet for the previous consolidated fiscal year, are included in "Contract liabilities" from the first quarter of the fiscal year under review.

(3) Net assets

Net assets at the end of the first quarter of the current consolidated fiscal year increased by ¥2,415 million from the end of the previous consolidated fiscal year to ¥67,887 million, mainly as a result of an increase in retained earnings due to the recording of profit attributable to owners of parent, despite the payment of dividends from retained earnings.

3. Explanation of Consolidated Financial Results Forecasts

There are no changes to our forecasts for the first half and the full fiscal year, as announced on February 9, 2022

Note: Forecast figures are projections based on information available at the time of release and are not intended as a guarantee that we 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,882	3,374
Notes and accounts receivable - trade	23,219	—
Notes and accounts receivable - trade, and contract assets	—	24,216
Merchandise and finished goods	30	141
Work in process	1,303	—
Raw materials and supplies	32	25
Advance payments to suppliers	14,063	15,488
Deposits paid	46,272	44,194
Other	1,133	1,886
Allowance for doubtful accounts	(3)	(4)
Total current assets	89,933	89,324
Non-current assets		
Property, plant and equipment	3,386	3,220
Intangible assets	5,112	5,272
Investments and other assets		
Investments and other assets	10,083	10,363
Allowance for doubtful accounts	(327)	(342)
Total investments and other assets	9,756	10,021
Total non-current assets	18,255	18,514
Total assets	108,188	107,839
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,606	11,503
Income taxes payable	3,506	1,741
Advances received	13,632	—
Contract liabilities	—	12,593
Provision for loss on order received	364	337
Asset retirement obligations	71	43
Other	13,294	11,633
Total current liabilities	40,476	37,852
Non-current liabilities		
Retirement benefit liability	54	59
Asset retirement obligations	953	959
Other	1,232	1,079
Total non-current liabilities	2,240	2,098
Total liabilities	42,716	39,951

(Millions of yen)

	As of December 31, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	41,489	43,631
Treasury shares	(31)	(31)
Total shareholders' equity	64,925	67,066
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	245
Foreign currency translation adjustment	371	540
Total accumulated other comprehensive income	527	785
Non-controlling interests	19	35
Total net assets	65,471	67,887
Total liabilities and net assets	108,188	107,839

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

[Consolidated Statements of Income]

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net sales	27,495	29,982
Cost of sales	17,901	18,689
Gross profit	9,594	11,292
Selling, general and administrative expenses	5,867	5,986
Operating profit	3,726	5,305
Non-operating income		
Interest and dividend income	10	12
Share of profit of entities accounted for using equity method	—	16
Dividend income of insurance	20	44
Gain on investments in investment partnerships	39	—
Miscellaneous income	27	20
Total non-operating income	97	94
Non-operating expenses		
Interest expenses	9	6
Share of loss of entities accounted for using equity method	44	—
Loss on investments in investment partnerships	—	17
Provision of allowance for doubtful accounts	106	15
Foreign exchange losses	16	26
Miscellaneous losses	3	2
Total non-operating expenses	181	68
Ordinary profit	3,643	5,331
Extraordinary income		
Compensation for forced relocation	—	270
Gain on change in equity	—	31
Total extraordinary income	—	301
Extraordinary losses		
Loss on valuation of investment securities	—	65
Total extraordinary losses	—	65
Profit before income taxes	3,643	5,567
Income taxes - current	1,627	1,816
Income taxes - deferred	(507)	(298)
Total income taxes	1,120	1,518
Profit	2,523	4,048
Profit attributable to non-controlling interests	1	15
Profit attributable to owners of parent	2,521	4,033

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	2,523	4,048
Other comprehensive income		
Valuation difference on available-for-sale securities	48	89
Foreign currency translation adjustment	129	168
Total other comprehensive income	178	258
Comprehensive income	2,701	4,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,700	4,291
Comprehensive income attributable to non-controlling interests	1	15

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

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year under review. Due to this, when promised goods or services are transferred to customers, revenue is to be recognized in an amount which we expect to receive in exchange for those goods or services. With respect to made-to-order software, we previously applied the percentage-of-completion method (the percentage of completion is estimated based on the cost-to-cost method) for contracts whose outcome is deemed certain for the portion of work in progress, and applied the completed-contract method for other contracts. However, as a result of the application mentioned above, we have changed the methods so that with regard to obligations that are fulfilled over a certain period, the progress of work related to fulfillment of the obligations is estimated and revenue is recognized based on such estimate of the progress over that certain period. Progress rates related to the satisfaction of performance obligations are calculated based on the ratio of actual incurred costs to estimated total costs through the end of the period.

In cases where we are unable to reasonably estimate the extent of progress related to the satisfaction of performance obligations, but expects to recover the costs incurred, revenue is recognized on a cost recovery method.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment set forth in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the first quarter of the current consolidated fiscal year under review was added to or subtracted from the beginning balance of retained earnings for the first quarter of the current consolidated fiscal year under review, and thus the new accounting policy was applied from such beginning balance. As a result, net sales and cost of sales for the first quarter of the current consolidated fiscal year decreased by ¥533 million each, due to the adoption of the cost recovery standard, while net sales and cost of sales increased by ¥1,081 million and ¥629 million, respectively, due to the application of the method of recognizing revenue over a certain period as the performance obligation is satisfied. Operating profit, ordinary profit and quarterly profit before income taxes and minority interests each increased by ¥452 million. The impact of retained earnings on the balance at the beginning of the fiscal year is insignificant.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year, are included in "Notes and accounts receivable - trade and contract assets" from the first quarter of the current consolidated fiscal year under review. In addition, "Advances received," which was presented in "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is included in "Contract liabilities" from the first quarter of the current consolidated fiscal year under review.

In accordance with the transitional treatment set forth in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, in accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information broken down revenues from contracts with customers for the first quarter of the previous consolidated fiscal year is not presented.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 of July 4, 2019; hereinafter referred to as the “Accounting Standard for Fair Value Measurement”), etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 of July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. is to be applied going forward. Note that this change has no effect on financial statements for the first quarter of the current consolidated fiscal year under review.

(Additional Information)

(Accounting Estimates for Impacts Associated with Infections of COVID-19)

There were no significant changes from the content described in "5. Financial Information, 1. Consolidated Financial Statements, etc. (1) Notes to Consolidated Financial Statements (Additional Information)" in the Annual Securities Report* for the previous consolidated fiscal year.

* In Japanese

■ Segment Information

Sales and Profit (Loss) by Reportable Segment

I. The first quarter cumulative period of FY2021 (from January 1, 2021 to March 31, 2021)

1. Information on net sales and operational profit or loss by reported segment

(Millions of yen)

	Reportable segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	6,333	3,455	8,220	9,485	27,495
Inter-segment sales and transfers	–	–	–	–	–
Total	6,333	3,455	8,220	9,485	27,495
Segment profit	647	309	1,090	1,679	3,726

Note: Total values for segment profit match those for the operating profit on the “Consolidated Statements of Income.”

II. The first quarter cumulative period of FY2022 (from January 1, 2022 to March 31, 2022)

1. Information on net sales and operational profit or loss by reported segment

(Millions of yen)

	Reportable segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	6,748	4,171	8,707	10,355	29,982
Inter-segment sales and transfers	–	–	–	–	–
Total	6,748	4,171	8,707	10,355	29,982
Segment profit	776	1,138	1,408	1,982	5,305

Notes: Total values for segment profit match those for the operating profit on the “Consolidated Statements of Income.”