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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.

July 28, 2022

Consolidated Financial Results for the Second 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
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Date of scheduled filing of securities report: August 5, 2022
Date of scheduled payment of dividends: September 1, 2022
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: Yes

(Amounts less than one million yen are rounded down.)

1. Consolidated Business Performance for the Second Quarter of FY2022 (from January 1, 2022 to June 30, 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)	(%)
Second Quarter of FY2022	61,458	13.2	9,634	47.6	9,645	49.7	7,028	60.0
Second Quarter of FY2021	54,293	(1.3)	6,525	(6.4)	6,443	(6.1)	4,392	(2.7)

* Profit attributable to owners of parent

Note: Comprehensive profit: Second Quarter of FY2022: 7,483million yen (up63.8%); Second Quarter of FY2021: 4,567million yen (up2.3%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
Second Quarter of FY2022	107.90	–
Second Quarter of FY2021	67.40	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of June 30, 2022	114,390	70,679	61.8
As of December 31, 2021	108,188	65,471	60.5

Reference: Total shareholders' equity: As of June 30, 2022: 70,644 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	–	33.00			
FY2022(forecast)			–	45.00	78.00

Note: Revision to the dividend forecasts from the latest announcement: Yes

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)
FY2022	123,000	9.7	17,500	27.4	17,500	32.3	12,500	39.8	191.90

*Profit attributable to owners of parent

Note: Revision to the consolidated forecasts from the latest announcement: Yes

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
- ii. Number of treasury stock at the end of the period
- iii. Average number of shares outstanding for each period

June 30, 2022:	65,182,480 shares	December 31, 2021:	65,182,480 shares
June 30, 2022:	114,664 shares	December 31, 2021:	17,984 shares
Six months ended June 30, 2022:	65,138,180 shares	Six months ended June 30, 2021:	65,164,599 shares

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)

	Second quarter of FY2021 (cumulative)	Second quarter of FY2022 (cumulative)	YoY	
			Variance	% change
Net sales	54,293	61,458	7,165	13.2
Operating profit	6,525	9,634	3,109	47.6
Operating profit margin	12.0%	15.7%	3.7p	–
Ordinary profit	6,443	9,645	3,202	49.7
Profit attributable to owners of parent	4,392	7,028	2,636	60.0

During second quarter of the current consolidated fiscal year under review (from January 1, 2022 to June 30, 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 trends among some customers against the backdrop of rising raw material prices and stagnant parts supply.

Amid these circumstances, the ISID Group launched long-term management vision, "Vision 2030," and started our three-year medium-term management plan, "ISID X(Cross) Innovation 2024," from the current consolidated 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 are promoting business activities to achieve our quantitative targets (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 second quarter of the current consolidated fiscal year, net sales was ¥61,458 million (up 13.2% year on year), operating profit was ¥9,634 million (up 47.6% year on year), ordinary profit was ¥9,645 million (up 49.7% year on year) and profit attributable to owners of parent was ¥7,028 million (up 60.0% year on year).

Net sales increased in all four business segments. 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 system development.

The impact of the adoption of the accounting standard for revenue recognition in the second quarter was an increase of ¥1,954 million in net sales and an increase of ¥1,030 million in operating profit.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	Second quarter of FY2021 (cumulative)			Second quarter of FY2022 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	11,804	520	4.4%	13,635	1,069	7.8%	1,831	549
Business Solutions	7,718	1,231	15.9%	8,723	2,277	26.1%	1,005	1,046
Manufacturing Solutions	15,637	1,511	9.7%	17,339	2,045	11.8%	1,702	534
Communication IT	19,132	3,261	17.0%	21,759	4,242	19.5%	2,627	981
Total	54,293	6,525	12.0%	61,458	9,634	15.7%	7,165	3,109

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, as well as an expansion of projects for the implementation of SAP solutions to the service industry against the backdrop of replacement demand for ERP systems.

2. Explanation of Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets at the end of the second quarter of the current consolidated fiscal year increased by ¥6,202 million from the end of the previous consolidated fiscal year to ¥114,390 million. Current assets increased by ¥6,313 million from the end of the previous consolidated fiscal year to ¥96,246 million, mainly due to an increase in contract assets associated with the adoption of revenue recognition accounting standards, etc., and an increase in advance payments, mainly prepaid rental fees, associated with the provision of subscription-type services. Non-current assets decreased by ¥111 million from the end of the previous consolidated fiscal year to ¥18,144 million, mainly due to a decrease in deferred tax assets.

As stated in "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.

(2) Liabilities

Total liabilities at the end of the second quarter of the current consolidated fiscal year increased by ¥995 million from the end of the previous consolidated fiscal year to ¥43,711 million. Current liabilities increased by ¥1,247 million from the end of the previous consolidated fiscal year to ¥41,723 million, mainly due to an increase in notes and accounts payable-trade and an increase in contract liabilities, which includes advance rentals and maintenance fees received. Non-current liabilities decreased by ¥252 million from the end of the previous consolidated fiscal year to ¥1,988 million, mainly due to a decrease in lease obligations.

As stated in "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.

(3) Net assets

Net assets at the end of the second quarter of the current consolidated fiscal year increased by ¥5,207 million from the end of the previous consolidated fiscal year to ¥70,679 million, mainly as a result of an increase in retained earnings due to the recording of profit attributable to owners of parent.

3. Explanation of Consolidated Financial Results Forecasts

During second quarter of the current consolidated fiscal year, our Group's performance was strong in all four business segments. Despite concerns about the future against the backdrop of rising raw material prices and stagnant parts supply, we have revised our full-year forecasts announced on February 9, 2022 because customers' willingness to invest in digital is extremely strong, and the order backlog at the end of June is at a high level. In addition, with the revision of the full-year forecasts, the dividend forecast for the fiscal year ending December 2022 is also revised.

The details of each modification are as follows.

(1) Revisions to Consolidated Financial Forecast

Revisions to consolidated financial forecast for the fiscal year ended December 31, 2022

(January 1, 2022 – December 31, 2022)

	Net sales	Operating profit	Ordinary profit	Net profit*	Net profit per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	120,000	15,000	15,000	10,500	161.13
Revised Forecast (B)	123,000	17,500	17,500	12,500	191.90
Variance (B – A)	3,000	2,500	2,500	2,000	–
Percentage Change (%)	2.5%	16.7%	16.7%	19.0%	–
(Ref.) Previous fiscal year (ended December 31, 2021)	112,085	13,736	13,224	8,944	137.26

(2) Revisions to Year-End Dividend Forecast

Dividends per share (yen) for the fiscal year ended December 31, 2022

	Dividends per share		
	End of second quarter	Year end	Annual
Previous Forecast	–	33.00 yen	66.00 yen
Revised forecast	–	45.00 yen	78.00 yen
Current fiscal year	33.00 yen	–	–
Previous fiscal year (ended December 31, 2021)	26.00 yen	30.00 yen	56.00 yen

For details, please refer to today's announcement. "Notice of Revisions to Consolidated Financial Forecast and Year-End Dividend Forecast."

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 June 30, 2022
Assets		
Current assets		
Cash and deposits	3,882	3,734
Notes and accounts receivable - trade	23,219	—
Notes and accounts receivable - trade, and contract assets	—	26,893
Merchandise and finished goods	30	197
Work in process	1,303	—
Raw materials and supplies	32	28
Advance payments to suppliers	14,063	17,074
Deposits paid	46,272	46,650
Other	1,133	1,672
Allowance for doubtful accounts	(3)	(4)
Total current assets	89,933	96,246
Non-current assets		
Property, plant and equipment	3,386	3,220
Intangible assets	5,112	5,420
Investments and other assets		
Investments and other assets	10,083	9,859
Allowance for doubtful accounts	(327)	(356)
Total investments and other assets	9,756	9,503
Total non-current assets	18,255	18,144
Total assets	108,188	114,390
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,606	11,189
Income taxes payable	3,506	2,659
Advances received	13,632	—
Contract liabilities	—	16,752
Provision for loss on order received	364	486
Asset retirement obligations	71	—
Other	13,294	10,635
Total current liabilities	40,476	41,723
Non-current liabilities		
Retirement benefit liability	54	63
Asset retirement obligations	953	965
Provision for share-based remuneration	—	34
Other	1,232	924
Total non-current liabilities	2,240	1,988
Total liabilities	42,716	43,711

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,285	15,286
Retained earnings	41,489	46,626
Treasury shares	(31)	(416)
Total shareholders' equity	64,925	69,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	245
Foreign currency translation adjustment	371	722
Total accumulated other comprehensive income	527	968
Non-controlling interests	19	34
Total net assets	65,471	70,679
Total liabilities and net assets	108,188	114,390

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

[Consolidated Statements of Income]

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	54,293	61,458
Cost of sales	35,272	38,484
Gross profit	19,020	22,974
Selling, general and administrative expenses	12,494	13,339
Operating profit	6,525	9,634
Non-operating income		
Interest and dividend income	24	26
Share of profit of entities accounted for using equity method	20	44
Dividend income of insurance	63	31
Gain on investments in investment partnerships	31	16
Miscellaneous income	20	34
Total non-operating income	160	153
Non-operating expenses		
Interest expenses	19	12
Share of loss of entities accounted for using equity method	83	17
Provision of allowance for doubtful accounts	108	29
Foreign exchange losses	22	68
Miscellaneous losses	8	15
Total non-operating expenses	241	142
Ordinary profit	6,443	9,645
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	6,443	9,880
Income taxes - current	1,979	2,615
Income taxes - deferred	69	222
Total income taxes	2,049	2,837
Profit	4,394	7,042
Profit attributable to non-controlling interests	2	14
Profit attributable to owners of parent	4,392	7,028

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	4,394	7,042
Other comprehensive income		
Valuation difference on available-for-sale securities	19	90
Foreign currency translation adjustment	154	350
Total other comprehensive income	173	441
Comprehensive income	4,567	7,483
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,565	7,469
Comprehensive income attributable to non-controlling interests	2	14

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. 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 was added to or subtracted from the beginning balance of retained earnings for the first quarter of the current consolidated fiscal year, and thus the new accounting policy was applied from such beginning balance. As a result, net sales and cost of sales for the second quarter of the current consolidated fiscal year decreased by ¥609 million each, due to the adoption of the cost recovery standard, while net sales and cost of sales increased by ¥2,563 million and ¥1,533 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 ¥1,030 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. 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.

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.

(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. 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.

(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 Second quarter cumulative period of FY2021 (from January 1, 2021 to June 30, 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	11,804	7,718	15,637	19,132	54,293
Inter-segment sales and transfers	–	–	–	–	–
Total	11,804	7,718	15,637	19,132	54,293
Segment profit	520	1,231	1,511	3,261	6,525

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

II. The Second quarter cumulative period of FY2022 (from January 1, 2022 to June 30, 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	13,635	8,723	17,339	21,759	61,458
Inter-segment sales and transfers	–	–	–	–	–
Total	13,635	8,723	17,339	21,759	61,458
Segment profit	1,069	2,277	2,045	4,242	9,634

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