

PRESENTATION MATERIAL OF FINANCIAL RESULTS FOR THE SECOND QUARTER OF FY2022 (FROM JANUARY 1, 2022 TO JUNE 30, 2022)

July 28, 2022

Information Services International-Dentsu, Ltd.

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Outline of financial results for the Second Quarter of FY2022

Note:
We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. Major management indicators, etc. related to the second quarter of the current fiscal year are indicators after applying the said accounting standard, etc.

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FY2022 2nd Quarter Financial Highlights

- Net sales and profits **exceeded the initial plan, and both sales and profits increased.**
* Announced revisions to Q2 earnings forecast on July 15
- **Revised full-year earnings forecast** based on progress up to Q2.
- The year-end dividend is expected to **revise from ¥33 to ¥45.** Annual dividend of ¥78 per share, planned to increase **for 10 consecutive years.**

1. Consolidated Results for the Second Quarter of FY2022

- Revenues and profits increased **due to the strong performance of all segments** and the impact of the adoption of the accounting standard for revenue recognition – Net sales +1,954 million yen, Operating profit +1,030 million yen –.

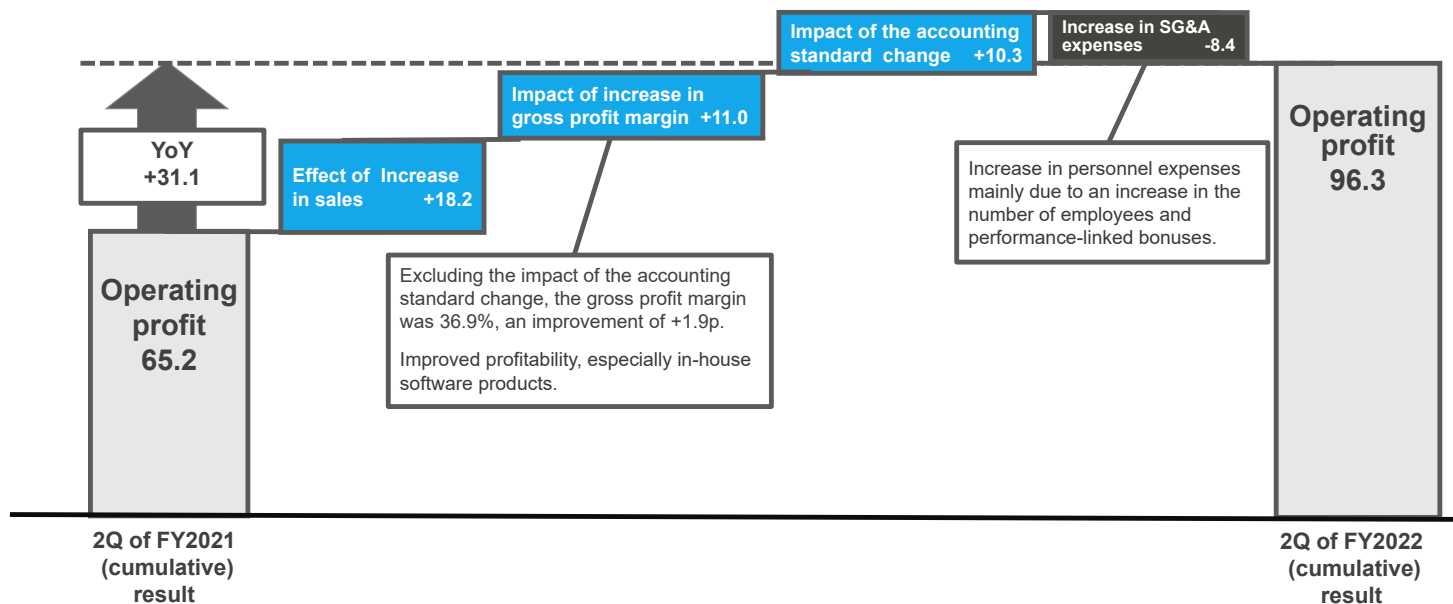
(Unit : Millions of yen)

	2Q of FY2022 (cumulative)	YoY			Vs. initial forecast (announced on February 9, 2022) *		
		Forecast	Variance	% change	2Q of FY2021 (cumulative)	Variance	% change
Net sales	61,458	54,293	+7,165	+13.2	59,000	+2,458	+4.2
Gross profit	22,974	19,020	+3,954	+20.8	21,054	+1,920	+9.1
Profit margin	37.4%	35.0%	+2.4p	–	35.7%	+1.7p	–
Selling, general and administrative expenses	13,339	12,494	+845	+6.8	13,954	-615	-4.4
Operating profit	9,634	6,525	+3,109	+47.6	7,100	+2,534	+35.7
Operating margin	15.7%	12.0%	+3.7p	–	12.0%	+3.7p	–
Ordinary profit	9,645	6,443	+3,202	+49.7	7,100	+2,545	+35.8
Profit attributable to owners of parent	7,028	4,392	+2,636	+60.0	5,000	+2,028	+40.6
Number of employees at the end of the fiscal year	3,342 people	3,199 people	+143 people	+4.5			

* Announced revisions to Q2 earnings forecast on July 15

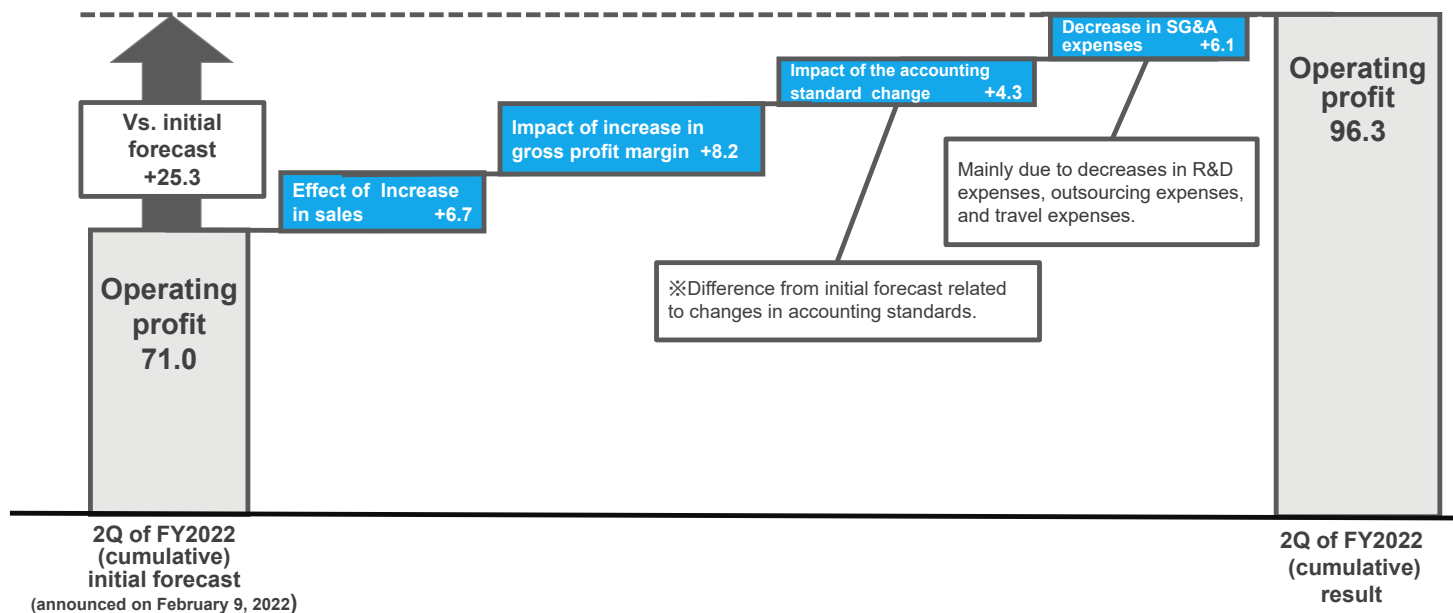
2-1. Factors for Increase/Decrease in Operating Profit (YoY)

(Unit: 100 million of yen)



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

(Unit: 100 million of yen)



3. Net Sales and Operating Profit by Reportable Segment

(Unit : Millions of yen)

Reportable segment		2Q of FY2022 (cumulative)	YoY			Vs. initial forecast	
			Variance	% change	Overview	Variance	% change
Financial Solutions	Net sale	13,635	+1,831	+15.5	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 custom system development projects for the credit card and leasing industries.	+397	+3.0
	Operating profit	1,069	+549	+105.6		—	—
	%	7.8	+3.4p	—		—	—
Business Solutions	Net sale	8,723	+1,005	+13.0	Net sales and operating profit increased due to the expansion of the sales and introduction of four focused solutions, POSITIVE, STRAVIS, Ci*X and CCH Tagetik, mainly in the transportation equipment and service industries.	+799	+10.1
	Operating profit	2,277	+1,046	+85.0		—	—
	%	26.1	+10.2p	—		—	—
Manufacturing Solutions	Net sale	17,339	+1,702	+10.9	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.	+217	+1.3
	Operating profit	2,045	+534	+35.3		—	—
	%	11.8	+2.1p	—		—	—
Communication IT	Net sale	21,759	+2,627	+13.7	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 introduction of SAP solutions to the service industry.	+1,045	+5.0
	Operating profit	4,242	+981	+30.1		—	—
	%	19.5	+2.5p	—		—	—



* POSITIVE : human capital management solution STRAVIS: consolidated accounting software Ci*X : financial solution system CCH Tagetik : business management solution Teamcenter : PLM (Product Lifecycle Management) solution
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Ref.) Consolidated Results for the 2Q (April - June) of FY2022

■ Consolidated Results

(Unit : Millions of yen)

	2Q of FY2022 (April - June)	YoY		
		2Q of FY2021	Variance	% change
Net sales	31,476	26,797	+4,679	+17.5
Gross profit	11,681	9,425	+2,256	+23.9
Profit margin	37.1%	35.2%	+1.9p	—
Selling, general and administrative expenses	7,352	6,627	+725	+10.9
Operating profit	4,328	2,798	+1,530	+54.7
Operating margin	13.8%	10.4%	+3.4p	—

■ Reportable Segment

(Unit : Millions of yen)

Reportable segment		2Q of FY2022 (April - June)	YoY	
			Variance	% change
Financial Solutions	Net sale	6,887	+1,417	+25.9
	Operating profit	292	+419	—
	%	4.2	+6.5p	—
Business Solutions	Net sale	4,552	+290	+6.8
	Operating profit	1,138	+216	+23.4
	%	25.0	+3.4p	—
Manufacturing Solutions	Net sale	8,632	+1,215	+16.4
	Operating profit	636	+215	+51.1
	%	7.4	+1.7p	—
Communication IT	Net sale	11,404	+1,758	+18.2
	Operating profit	2,259	+677	+42.8
	%	19.8	+3.4p	—



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4. Net Sales by Service Category and the Dentsu Group

(Unit : Millions of yen)

Service category	2Q of FY2022 (cumulative)	YoY		Vs. initial forecast	
		Variance	% change	Variance	% change
Consulting Services	3,520	+271	+8.3	-167	-4.5
Custom System Development	16,182	+2,718	+20.2	-341	-2.1
In-house Software	11,769	+328	+2.9	+538	+4.8
Third-party Software	19,612	+3,160	+19.2	+1,963	+11.1
Outsourcing, Operation and Maintenance Services	7,082	+1,492	+26.7	+1,323	+23.0
IT Equipment Sales and Others	3,291	-803	-19.6	-857	-20.7

Counterparty	2Q of FY2022 (cumulative)	YoY	
		Variance	% change
Dentsu Group Inc. and its subsidiaries	11,874	+25	+0.2

5. Net Sales by Industry

(Unit : Millions of yen)

Industry	2Q of FY2022 (cumulative)		YoY	
	Net Sales	Composition Ratio (%)	Variance	% change
Banks	9,619	15.6	+492	+5.4
Other financial institutions	3,880	6.3	+1,413	+57.3
Financial	13,500	21.9	+1,906	+16.4
Transportation equipment	9,028	14.7	+729	+8.8
Electric appliances Precision instruments	6,196	10.1	+720	+13.1
Machinery	3,868	6.3	+382	+11.0
Other products	5,603	9.1	+1,378	+32.6
Manufacturing	24,697	40.2	+3,209	+14.9
Services and public offices	18,289	29.8	+1,494	+8.9
Distributions and others	4,971	8.1	+557	+12.6

6. Consolidated Balance Sheets

(Unit : Millions of yen)

	As of June 30, 2022	As of December 31, 2021	Variance	Main Factors for Increase/Decrease
Total current Assets	96,246	89,933	+6,313	Increase in trade receivables and contract assets (+3,674) Increase in advance payments-trade (+3,011)
Total non-current Assets	18,144	18,255	-111	Increase in software (+458) Decrease in tangible leased assets (-343) Decrease in deferred tax assets (-244)
Total assets	114,390	108,188	+6,202	
Total current liabilities	41,723	40,476	+1,247	Increase in contract liability (+3,120) Decrease in accrued consumption taxes (-1,835)
Total non-current liabilities	1,988	2,240	-252	Decrease in long-term lease obligations (-291)
Total liabilities	43,711	42,716	+995	
Total net assets	70,679	65,471	+5,208	Increase in retained earnings (+5,136)
Total liabilities and net assets	114,390	108,188	+6,202	

7. Consolidated Statements of Cash Flows

(Unit : Millions of yen)

	2Q of FY2022 (cumulative)	Main Factors	YoY	
			2Q of FY2021 (cumulative)	Variance
Cash flows from operating activities	4,358	Quarterly income before income taxes (9,880) Increase in contract liability (2,938) Income taxes paid (-3,447) Increase in trade receivables and contract assets (-2,153) Decrease in accrued consumption taxes (-1,837)	5,666	-1,308
Cash flows from investing activities	-1,676	Purchase of intangible assets (-1,273)	-1,289	-387
Cash flows from financing activities	-2,861	Dividends paid (-1,954) Purchase of treasury shares (-384)	-2,190	-671
Effect of exchange rate change on cash and cash equivalents	356		160	+196
Net increase (decrease) in cash and cash equivalents	177		2,347	-2,170
Cash and cash equivalents at the beginning of period	49,748		39,773	+9,975
Cash and cash equivalents at the end of period	49,925		42,120	+7,805

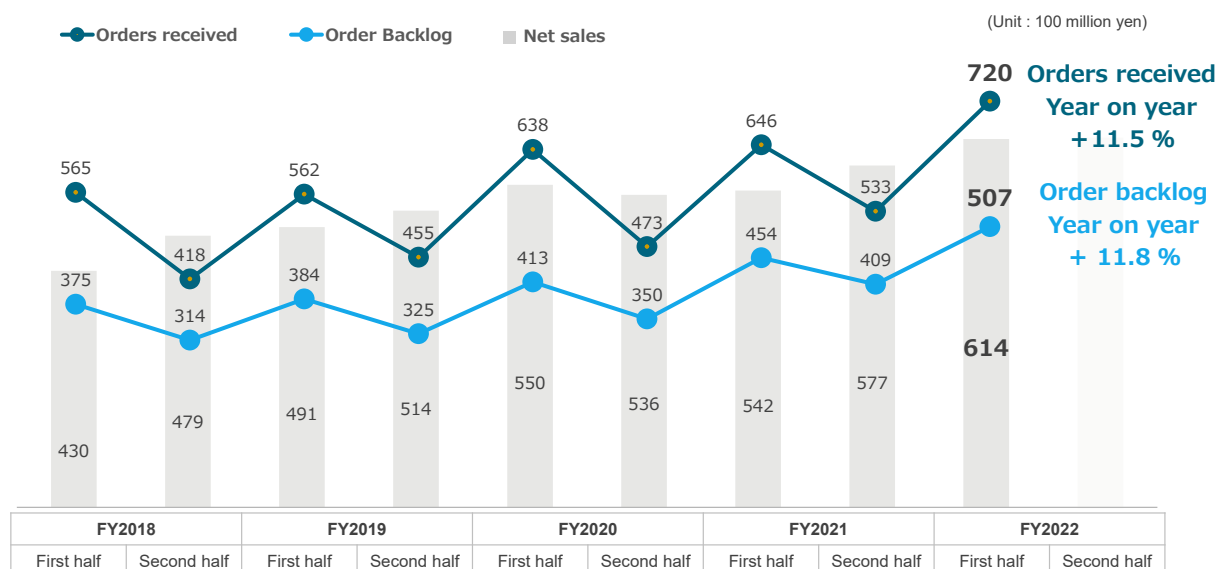
8. Orders Received and Order Backlog

(Unit : Millions of yen)

		Orders received				Order backlog	
		2Q of FY2022 (April - June)	YoY (%)	2Q of FY2022 (cumulative)	YoY (%)	2Q of FY2022 (cumulative)	YoY (%)
Total		29,814	-6.7	72,085	+11.5	50,772	+11.8
Reportable Segments	Financial Solutions	7,587	+19.2	15,188	+28.3	8,922	+19.1
	Business Solutions	3,992	-10.6	9,488	+10.6	5,976	+16.0
	Manufacturing Solutions	8,410	+8.8	19,996	+2.1	18,184	+11.3
	Communication IT	9,823	-26.7	27,411	+11.2	17,690	+7.6
Service Categories	Consulting Services	1,766	+13.2	3,775	+11.4	1,022	+10.0
	Custom System Development	8,017	-15.8	18,358	+13.7	8,663	+2.3
	In-house Software	5,393	-20.3	13,431	+8.6	8,778	+7.7
	Third-party Software	9,326	+6.9	22,674	+7.4	21,514	+15.1
	Outsourcing, Operation and Maintenance Services	3,693	+17.2	10,326	+39.4	5,417	+29.0
	IT Equipment Sales and Others	1,616	-27.9	3,518	-16.6	5,376	+7.9

* Year-on-year comparisons are with figures before the application of the accounting standard for revenue recognition and are for reference purposes only.

9. Trends in Orders Received and Order Backlog



Forecast for FY2022

Note: Explanation regarding the appropriate use of forecasts of business results

The 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 forecasts as a result of changes in the business environment and other factors.

1. Forecast for FY2022

The full-year forecast announced on February 9, 2022 has been revised, as customers' willingness to invest in digital technology is extremely strong and the order backlog at the end of June is at a high level.

(Unit : Millions of yen)

	Initial forecast (announced on February 9, 2022)	Revised Forecast (announced on July 28, 2022)	Vs. initial forecast		YoY		
			Variance	% change	FY2021	Variance	% change
Net sales	120,000	123,000	+3,000	+2.5	112,085	+10,915	+9.7
Operating profit	15,000	17,500	+2,500	+16.7	13,736	+3,764	+27.4
Operating margin	12.5%	14.2%	+1.7p	—	12.3%	+1.9p	—
Ordinary profit	15,000	17,500	+2,500	+16.7	13,224	+4,276	+32.3
Profit attributable to owners of parent	10,500	12,500	+2,000	+19.0	8,944	+3,556	+39.8

2. Forecast for the Second Half

- Maintain sales at the level of the first half
- Operating profit decreased compared to the first half due to an increase in SG&A expenses

(Unit : Millions of yen)

	First half of FY2022	Second half of FY2022 (announced on July 28, 2022)	Progress in 2Q of FY2022 (cumulative) revised forecast	Point
Net sales	61,458	61,541	50.0%	Aiming for sales on par with the first half.
Gross profit	22,974	22,525	50.5%	In the first half, profitability improved significantly, particularly for In-house software, and the impact of the accounting standard change exceeded expectations. Gross profit margin for the second half is expected to be somewhat conservative compared to the first half.
Profit margin	37.4%	36.6%	—	
Selling, general and administrative expenses	13,339	14,660	47.6%	Increase personnel expenses, recruitment expenses, education expenses, and R&D expenses by approx. ¥1.3 billion from the first half to strengthen human resources and solutions.
Operating profit	9,634	7,865	55.1%	
Operating margin	15.7%	12.8%	—	
Ordinary profit	9,645	7,854	55.1%	
Profit attributable to owners of parent	7,028	5,471	56.2%	

3. Net Sales Forecast Reference by Reportable Segment

(Unit : Millions of yen)

Reportable segment	Initial forecast (announced on February 9, 2022)	Revised forecast (announced on July 28, 2022)	Vs. initial forecast		YoY		
			Variance	% change	FY2021	Variance	% change
Financial Solutions	26,453	27,000	+547	+2.1	25,176	+1,824	+7.2
Business Solutions	16,346	17,500	+1,154	+7.1	14,958	+2,542	+17.0
Manufacturing Solutions	34,208	34,500	+292	+0.9	32,031	+2,469	+7.7
Communication IT	42,991	44,000	+1,009	+2.3	39,919	+4,081	+10.2

4. Net Sales Forecast Reference by Service Category

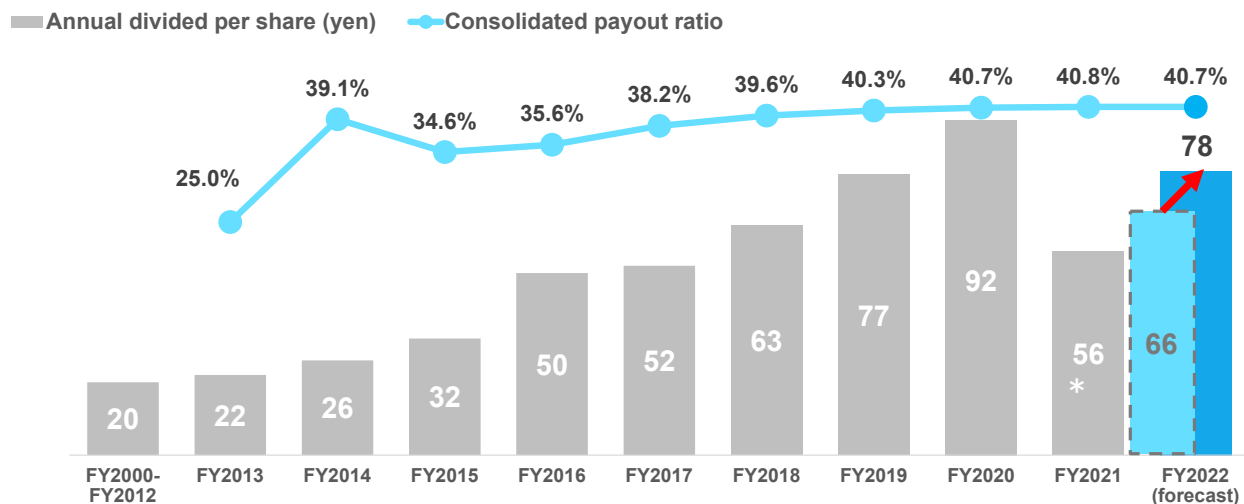
(Unit : Millions of yen)

Service category	Initial forecast (announced on February 9, 2022)	Revised forecast (announced on July 28, 2022)	Vs. initial forecast		YoY		
			Variance	% change	FY2021	Variance	% change
Consulting Services	7,576	7,500	-76	-1.0%	7,200	+300	+4.2%
Custom System Development	33,706	33,500	-206	-0.6%	29,245	+4,255	+14.5%
In-house Software	24,223	25,000	+777	+3.2%	22,089	+2,911	+13.2%
Third-party Software	36,164	38,500	+2,336	+6.5%	33,767	+4,733	+14.0%
Outsourcing, Operation and Maintenance Services	11,903	13,000	+1,097	+9.2%	12,085	+915	+7.6%
IT Equipment Sales and Others	6,426	5,500	-926	-14.4%	7,696	-2,196	-28.5%

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5. Dividend Forecast

- Year-end dividend increased from ¥33 to ¥45
- Annual dividend is expected to be ¥78 per share, for a dividend payout ratio of 40.7%, 10 consecutive years



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* Conducted a 2-for-1 stock split on January 1, 2021

Topics of activities in the first half of FY2022

Medium-term Management Plan for FY2022–2024

ISID X Innovation 2024

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

Priority Measures		Quantitative Goals		
A. Business domain expansion (HIRAKU)	① Accelerate existing core business growth	FY2024 plan targets	CAGR 2021–2024	
	② Strength and establish customer contact reform business			
	③ Strength and establish corporate and social transformation business	Net sales	¥150 billion	10.2%
B. New capability acquisition (TSUKURU)	④ Strengthen human resources	Operating profit	¥18 billion	9.5%
	⑤ Strengthen consulting	Operating margin	12%	
	⑥ Strengthen cutting-edge technology	ROE	15%	
C. Earnings model innovation (KASEGU)	⑦ Enhance in-house software and third-party software	Growth Investments		
	⑧ Promote diversification of business models	Human resources	4,200 employees (consolidated, as of end of 2024)	
D. Management foundation innovation (SASAERU)	⑨ Promote sustainability management	Technology	¥17.0 billion (three-year cumulative)	
	⑩ Innovate management foundation	M&A/Financing	¥10.0 billion or more (three-year cumulative)	

Initiatives for the Medium-Term Management Plan

- Business Domain Expansion

► Strength social transformation business

- Launched two new solutions to local governments at the Smart Society Center

SMART SOCIETY CENTER



minnect; administrative procedure application management system

- Contribute to improving the operational efficiency of local governments by responding to both Mynportal applications and paper applications for child-rearing, nursing care, one-stop moving, etc.
- Starts sales in October, plans to sell to **100 local governments in three years**



CIVILIOS; urban OS solution for local governments

- Contributing to the realization of smart cities by local governments in accordance with the Cabinet Office Guidelines "Smart City Reference Architecture"
- Started sales in July, plans to sell to **20 local governments in three years**

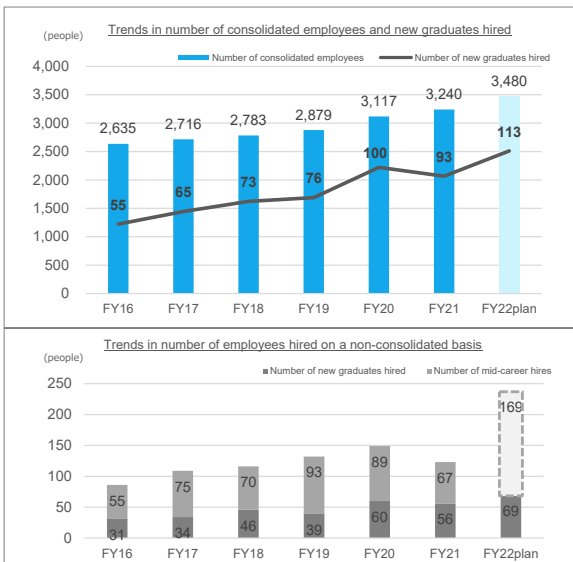


Initiatives for the Medium-Term Management Plan

- New Capability Acquisition

► Strengthen human resources

- **113 new graduates and 150 mid-career hires** confirmed (as of July 21)



Main initiatives









- **Strengthen recruitment capabilities by expanding the recruitment system to expand new graduates and mid-career hires**
 - Establishment of Recruitment Department
 - Formation of recruitment manager assignments and working groups for each business division
 - Strengthening Initiatives with Agents and external dissemination
- Formulation of policies for **new personnel system** and start of system design
- Revisions and measures to **improve engagement and diversify work styles**
- Consider **organizational development of future line management personnel**

Initiatives for the Medium-Term Management Plan

- New Capability Acquisition

► Strengthen the CoE (; center of excellence) function


- Established eight centers under the X (Cross) Innovation Center to consolidate advanced technology personnel
- **Aiming for R&D of ¥5 billion over three years, sales contribution of ¥12 billion in FY2024**

 AI Transformation Center Product development and support for business divisions in the AI field	 UX Design center Support for business divisions in the UI/UX field	 Digital Engagement Center Promote business for customer contact DX system	 Enterprise xR Center Product development and support for business divisions in the xR field
 Enterprise Platform Center Strengthening the functions of aiuola; development platform and support for business divisions	 Software Design Center Support for business divisions in the development technology and security field	 Cloud Innovation Center Support for business divisions in the Cloud field	 Smart Society Center Promote business that responds to social issues

Initiatives for the Medium-Term Management Plan

- Earning Model Innovation

► Strengthen enhance in-house software and third-party software and promote diversification of business models

POSITIVE; integrated HCM solution <ul style="list-style-type: none"> ● Major version upgrades with new UIs (Ver.7.0 latest version) ● Expansion of support measures for sales agents Strengthen sales to medium-sized companies - Develop "OPTIMUS-Template" deployment template - Expansion "POSE", an in-licensing training program <p style="text-align: right;">POSITIVE®</p>	Teamcenter; PLM solution <ul style="list-style-type: none"> ● First strategic collaboration with Dentsu and Fujitsu - Joint PJ to realize DX in the engineering chain area for the manufacturing industry
Ci*X; integrated accounting solution <ul style="list-style-type: none"> ● Continuously strengthen functions in response to changes in market needs "Ci*X Expense V2.1", "Ci*X Workflow V1.2" ● Started development of the fifth new product ● Started distributor sales of "Ci*X Expense" - As the first step, Sakura Information Systems Co., Ltd. <p style="text-align: right;"></p>	UiPath; RPA solution <ul style="list-style-type: none"> ● Started offering "DX Human Resources Development Startup Program" with UiPath ● Received Partner of the Year 2021 Award and the Partner Award for the fourth consecutive year
	CCH Tagetik; company management solution <ul style="list-style-type: none"> ● Strengthen partnerships and cultivate Tagetik qualified personnel to meet strong demand ● Strengthening cooperation with STRAVIS and promoting cloud service "PAS"*

Initiatives for the Medium-Term Management Plan

- Management Foundation Innovation

- ▶ Launch of company-wide projects aimed at achieving the long-term vision and the medium-term management plan
 - Become “X Innovator” and realize sales of ¥300 billion range in 2030

