

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

October 31, 2022

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.

isiD

COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU LTD.

Outline of financial results for the Third 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 third quarter of the current fiscal year are indicators after applying the said accounting standard, etc.

isiD

COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU LTD.

1. Consolidated Results for the Third Quarter of FY2022

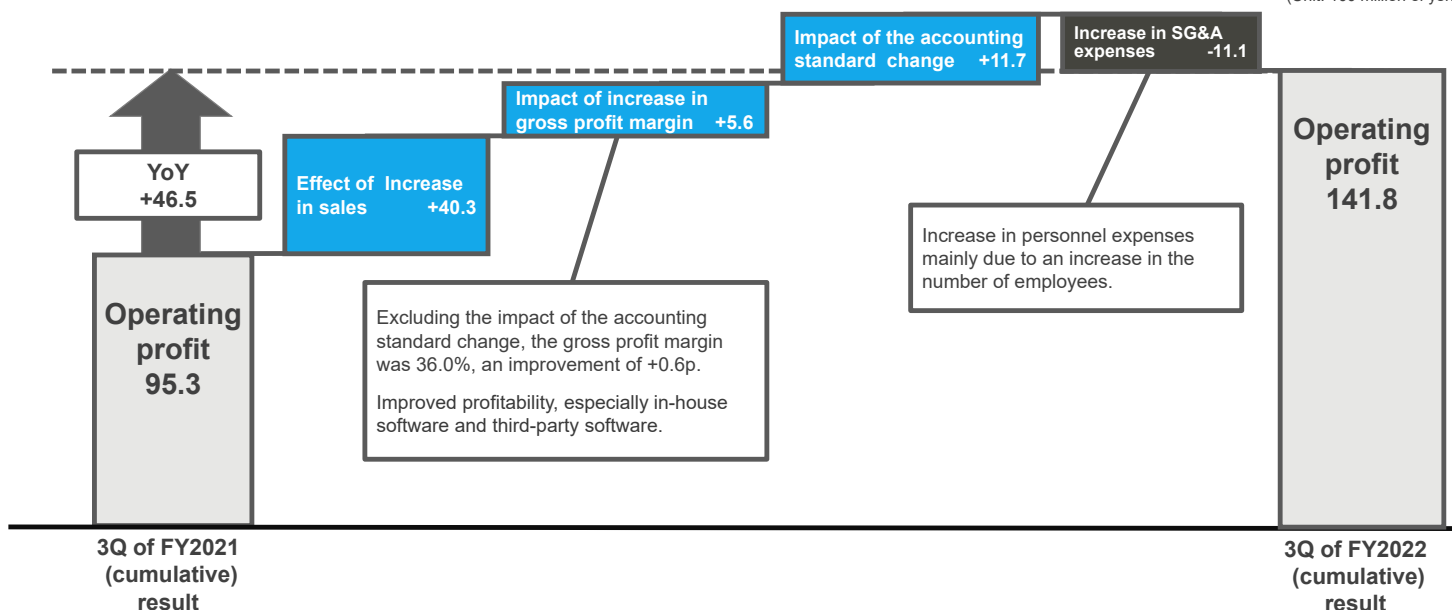
- Revenues and profits increased **due to the strong performance of all segments** and the impact of the adoption of the accounting standard for revenue recognition – Net sales +2,530 million yen, Operating profit +1,172 million yen –.

(Unit : Millions of yen)

	3Q of FY2022 (cumulative)	YoY		
		3Q of FY2021 (cumulative)	Variance	% change
Net sales	93,808	79,884	+13,924	+17.4
Gross profit	34,018	28,252	+5,766	+20.4
Profit margin	36.3%	35.4%	+0.9p	–
Selling, general and administrative expenses	19,831	18,715	+1,116	+6.0
Operating profit	14,186	9,536	+4,650	+48.8
Operating margin	15.1%	11.9%	+3.2p	–
Ordinary profit	14,184	9,358	+4,826	+51.6
Profit attributable to owners of parent	9,574	6,422	+3,152	+49.1
Number of employees at the end of the fiscal year	3,364 people	3,240 people	+124 people	+3.8

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

(Unit: 100 million of yen)



3. Non-operating Income&Losses/Extraordinary Income&Losses

(Unit : Millions of yen)

	3Q of FY2022 (cumulative)	YoY		
		3Q of FY2021 (cumulative)	Variance	% change
Operating profit	14,186	9,536	+4,650	+48.8
Non-operating income	178	182	-4	-2.2
Non-operating expenses	180	360	-180	-50.0
Ordinary profit	14,184	9,358	+4,826	+51.6
Extraordinary income	301	-	+301	-
Extraordinary losses	988	-	+988	-
Profit before income taxes	13,497	9,358	+4,139	+44.2
Total income taxes	3,907	2,933	+974	+33.2
Profit attributable to non-controlling interests	14	2	+12	+600.0
Profit attributable to owners of parent	9,574	6,422	+3,152	+49.1

<Extraordinary income>

Compensation for forced relocation	270
Gain on change in equity	31

<Extraordinary losses>

Loss on valuation of investment securities	65
Loss on cancellation of rental contracts *	922

*Due to the cancellation of a portion of the office lease agreement due to lower office attendance rate of employees as a result of remote work.

4. Net Sales and Operating Profit by Reportable Segment

(Unit : Millions of yen)

Reportable segment		3Q of FY2022 (cumulative)	YoY		Overview
			Variance	% change	
Financial Solutions	Net sales	20,710	+2,671	+14.8	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.
	Operating profit	1,532	+421	+37.9	
	%	7.4	+1.2p	-	
Business Solutions	Net sales	13,513	+2,364	+21.2	Net sales and operating profit increased due to the expansion of the sales and introduction of our four key solutions, POSITIVE, STRAVIS, Ci*X and CCH Tagetik, mainly in trading, retailing, and service industries.
	Operating profit	3,665	+1,915	+109.4	
	%	27.1	+11.4p	-	
Manufacturing Solutions	Net sales	26,529	+3,354	+14.5	Net sales and operating profit increased due to the expansion of projects for the introduction of Teamcenter, a PLM solution that supports the digitization of engineering chains, mainly in the transportation equipment and electrical and precision equipment industries.
	Operating profit	3,142	+966	+44.4	
	%	11.8	+2.4p	-	
Communication IT	Net sales	33,055	+5,536	+20.1	Net sales and operating profit increased due to the expansion in 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, mainly in the service and manufacturing industries.
	Operating profit	5,846	+1,348	+30.0	
	%	17.7	+1.4p	-	

* POSITIVE : human capital management solution STRAVIS: consolidated accounting software Ci*X : financial solution system CCH Tagetik : business management solution PLM : Product Lifecycle Management

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

■ Consolidated Results

(Unit : Millions of yen)

	3Q of FY2022 (July - September)	3Q of FY2021	YoY	
			Variance	% change
Net sales	32,350	25,591	+6,759	+26.4
Gross profit	11,043	9,232	+1,811	+19.6
Profit margin	34.1%	36.1%	-2.0p	-
Selling, general and administrative expenses	6,491	6,220	+271	+4.4
Operating profit	4,552	3,011	+1,541	+51.2
Operating margin	14.1%	11.8%	+2.3p	-

■ Reportable Segment

(Unit : Millions of yen)

Reportable segment		3Q of FY2022 (July - September)	YoY	
			Variance	% change
Financial Solutions	Net sale	7,075	+841	+13.5
	Operating profit	463	-127	-21.5
	%	6.5	-3.0p	-
Business Solutions	Net sale	4,789	+1,358	+39.6
	Operating profit	1,387	+869	+167.8
	%	29.0	+13.9p	-
Manufacturing Solutions	Net sale	9,189	+1,652	+21.9
	Operating profit	1,096	+431	+64.8
	%	11.9	+3.1p	-
Communication IT	Net sale	11,295	+2,908	+34.7
	Operating profit	1,604	+368	+29.8
	%	14.2	-0.5p	-

5. Net Sales by Service Category and the Dentsu Group

(Unit : Millions of yen)

Service category	3Q of FY2022 (cumulative)	YoY	
		Variance	% change
Consulting Services	5,327	+383	+7.7
Custom System Development	24,486	+4,122	+20.2
In-house Software	17,696	+1,605	+10.0
Third-party Software	30,039	+5,653	+23.2
Outsourcing, Operation and Maintenance Services	11,235	+2,863	+34.2
IT Equipment Sales and Others	5,024	-701	-12.2

(Unit : Millions of yen)

Counterparty	3Q of FY2022 (cumulative)	YoY	
		Variance	% change
Dentsu Group Inc. and its subsidiaries	17,657	+1,169	+7.1

6. Net Sales by Industry

(Unit : Millions of yen)

Industry	3Q of FY2022 (cumulative)		YoY	
	Net Sales	Composition Ratio (%)	Variance	% change
Banks	14,425	15.4	+487	+3.5
Other financial institutions	6,018	6.4	+2,329	+63.1
Financial	20,444	21.8	+2,817	+16.0
Transportation equipment	13,449	14.3	+1,556	+13.1
Electric appliances Precision instruments	9,695	10.3	+1,450	+17.6
Machinery	6,285	6.7	+877	+16.2
Other products	8,725	9.3	+2,226	+34.3
Manufacturing	38,156	40.6	+6,108	+19.1
Services and public offices	27,628	29.5	+3,881	+16.3
Distributions and others	7,579	8.1	+1,118	+17.3

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU LTD.

* As we reviewed some of our client industries, we used reclassified figures for comparative purposes for the same period last year.

9

7. Orders Received and Order Backlog

(Unit : Millions of yen)

	Orders received				Order backlog		
	3Q of FY2022 (July - September)	YoY (%)	3Q of FY2022 (cumulative)	YoY (%)	3Q of FY2022 (cumulative)	YoY (%)	
Total	29,527	+22.7	101,613	+14.6	47,950	+9.2	
Reportable Segments	Financial Solutions	5,986	+4.4	21,175	+20.5	7,833	+12.0
	Business Solutions	4,939	+47.8	14,428	+21.0	6,126	+21.0
	Manufacturing Solutions	8,465	-3.3	28,462	+0.4	17,460	-0.6
	Communication IT	10,134	+62.9	37,546	+21.6	16,529	+15.8
Service Categories	Consulting Services	1,759	-10.8	5,535	+3.2	975	-19.3
	Custom System Development	6,759	+13.5	25,118	+13.7	7,118	-5.4
	In-house Software	5,559	+42.4	18,991	+16.7	8,411	+13.6
	Third-party Software	9,771	+10.2	32,445	+8.2	20,858	+6.3
	Outsourcing, Operation and Maintenance Services	3,606	+73.4	13,932	+46.9	4,870	+39.2
	IT Equipment Sales and Others	2,071	+62.2	5,589	+1.7	5,715	+23.5

iSiD COPYRIGHT INFORMATION SERVICES INTERNATIONAL-DENTSU LTD.

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

10

Forecasts 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

We maintain unchanged our forecasts, as announced on July 28, 2022.

	FY2022	YoY			(Reference) Progress in 3Q of FY2022 (cumulative) forecast
		FY2021	Variance	% change	
Net sales	123,000	112,085	+10,915	+9.7	76.3%
Operating profit	17,500	13,736	+3,764	+27.4	81.1%
Profit margin	14.2%	12.3%	+1.9p	—	—
Ordinary profit	17,500	13,224	+4,276	+32.3	81.1%
Profit attributable to owners of parent	12,500	8,944	+3,556	+39.8	76.6%

2. Net Sales Forecast by Reportable Segment

(Unit : Millions of yen)

	FY2022	YoY			(Reference) Progress in 3Q of FY2022 (cumulative) Forecast
		FY2021	Variance	% change	
Financial Solutions	27,000	25,176	+1,824	+7.2	76.7%
Business Solutions	17,500	14,958	+2,542	+17.0	77.2%
Manufacturing Solutions	34,500	32,031	+2,469	+7.7	76.9%
Communication IT	44,000	39,919	+4,081	+10.2	75.1%
Total	123,000	112,085	+10,915	+9.7	76.3%

3. Net Sales Forecast by Service Category

(Unit : Millions of yen)

	FY2022	YoY			(Reference) Progress in 3Q of FY2022 (cumulative) Forecast
		FY2021	Variance	% change	
Consulting Services	7,500	7,200	+300	+4.2	71.0%
Custom System Development	33,500	29,245	+4,255	+14.5	73.1%
In-house Software	25,000	22,089	+2,911	+13.2	70.8%
Third-party Software	38,500	33,767	+4,733	+14.0	78.0%
Outsourcing, Operation and Maintenance Services	13,000	12,085	+915	+7.6	86.4%
IT Equipment Sales and Others	5,500	7,696	-2,196	-28.5	91.3%
Total	123,000	112,085	+10,915	+9.7	76.3%