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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.

October 31, 2022

## Consolidated Financial Results for the Third 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>  
Representative: Ryoichi Nawa, President, CEO and COO  
Contact for Inquiries: Naoto Momiki, General Manager, Corporate Planning Office  
Tel: (03) 6713-6160

Date of scheduled filing of securities report: November 4, 2022

Date of scheduled payment of dividends: –

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: None

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

### 1. Consolidated Business Performance for the Third Quarter of FY2022 (from January 1, 2022 to September 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)	(%)
<b>Third Quarter of FY2022</b>	<b>93,808</b>	<b>17.4</b>	<b>14,186</b>	<b>48.8</b>	<b>14,184</b>	<b>51.6</b>	<b>9,574</b>	<b>49.1</b>
Third Quarter of FY2021	79,884	(0.4)	9,536	2.5	9,358	2.6	6,422	6.7

\* Profit attributable to owners of parent

Note: Comprehensive profit: Third Quarter of FY2022: 10,056 million yen (up 51.7%); Third Quarter of FY2021: 6,627 million yen (up 6.5%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
<b>Third Quarter of FY2022</b>	<b>147.05</b>	–
Third Quarter of FY2021	98.56	–

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
<b>As of September 30, 2022</b>	<b>117,705</b>	<b>71,101</b>	<b>60.4</b>
As of December 31, 2021	108,188	65,471	60.5

Reference: Total shareholders' equity: As of September 30, 2022: 71,066 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: None

### 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: None

### 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

September 30, 2022:	65,182,480 shares	December 31, 2021:	65,182,480 shares
September 30, 2022:	114,664 shares	December 31, 2021:	17,984 shares
Nine months ended September 30, 2022:	65,114,468 shares	Nine months ended September 30, 2021:	65,164,594 shares

**This quarterly financial report is outside the scope of quarterly review procedures.**

#### 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)

	Third quarter of FY2021 (cumulative)	Third quarter of FY2022 (cumulative)	YoY	
			Variance	% change
Net sales	79,884	93,808	13,924	17.4
Operating profit	9,536	14,186	4,650	48.8
Operating profit margin	11.9%	15.1%	3.2p	–
Ordinary profit	9,358	14,184	4,826	51.6
Profit attributable to owners of parent	6,422	9,574	3,152	49.1

During third quarter of the current consolidated fiscal year under review (from January 1, 2022 to September 30, 2022), the Japanese economy continued to pick up as economic and social activities became normalized under the measures against COVID-19. 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 the prolonged situation in Ukraine and rising raw material prices.

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 Third quarter of the current consolidated fiscal year, net sales was ¥93,808 million (up 17.4% year on year), operating profit was ¥14,186 million (up 48.8% year on year), ordinary profit was ¥14,184 million (up 51.6% year on year) and profit attributable to owners of parent was ¥9,574 million (up 49.1% year on year).

Net sales increased in all four business segments. Operating profit and ordinary profit also increased due to the effect of higher sales and an improvement in gross profit margins, particularly for in-house software and third-party software businesses. As a result, although an extraordinary losses of ¥922 million was recorded for the loss on cancellation of lease agreements associated with the partial cancellation of office lease contracts, profit attributable to owners of parent also increased.

The impact of the adoption of the accounting standard for revenue recognition in the third quarter was an increase of ¥2,530 million in net sales and an increase of ¥1,172 million in operating profit.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	Third quarter of FY2021 (cumulative)			Third quarter of FY2022 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	18,039	1,111	6.2%	20,710	1,532	7.4%	2,671	421
Business Solutions	11,149	1,750	15.7%	13,513	3,665	27.1%	2,364	1,915
Manufacturing Solutions	23,175	2,176	9.4%	26,529	3,142	11.8%	3,354	966
Communication IT	27,519	4,498	16.3%	33,055	5,846	17.7%	5,536	1,348
Total	79,884	9,536	11.9%	93,808	14,186	15.1%	13,924	4,650

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 trading, retailing, 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 and electrical and precision equipment industries.

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, mainly in the service and manufacturing industries, 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 third quarter of the current consolidated fiscal year increased by ¥9,517 million from the end of the previous consolidated fiscal year to ¥117,705 million. Current assets increased by ¥7,987 million from the end of the previous consolidated fiscal year to ¥97,920 million, due to an increase in contract assets associated with the adoption of revenue recognition accounting standards, etc., and an increase in advance payments, prepaid rental fees, associated with the provision of subscription-type services. Non-current assets increased by ¥1,530 million from the end of the previous consolidated fiscal year to ¥19,785 million, due to new acquisitions of software and intangible lease assets and 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.

#### (2) Liabilities

Total liabilities at the end of the third quarter of the current consolidated fiscal year increased by ¥3,888 million from the end of the previous consolidated fiscal year to ¥46,604 million. Current liabilities increased by ¥3,898 million from the end of the previous consolidated fiscal year to ¥44,374 million, mainly due to an increase in notes and accounts payable-trade and an increase in contract liabilities, which include advance rentals and maintenance fees. Non-current liabilities decreased by ¥10 million from the end of the previous consolidated fiscal year to ¥2,230 million, mainly due to a decrease in asset retirement 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.

#### (3) Net assets

Net assets at the end of the third quarter of the current consolidated fiscal year increased by ¥5,629 million from the end of the previous consolidated fiscal year to ¥71,101 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 full fiscal year, as announced on July 28, 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 September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	3,882	3,905
Notes and accounts receivable - trade	23,219	—
Notes and accounts receivable - trade, and contract assets	—	25,764
Merchandise and finished goods	30	157
Work in process	1,303	—
Raw materials and supplies	32	25
Advance payments to suppliers	14,063	17,183
Deposits paid	46,272	49,335
Other	1,133	1,551
Allowance for doubtful accounts	(3)	(4)
<b>Total current assets</b>	<b>89,933</b>	<b>97,920</b>
Non-current assets		
Property, plant and equipment	3,386	3,021
Intangible assets	5,112	5,951
Investments and other assets		
Investments and other assets	10,083	11,169
Allowance for doubtful accounts	(327)	(356)
<b>Total investments and other assets</b>	<b>9,756</b>	<b>10,813</b>
<b>Total non-current assets</b>	<b>18,255</b>	<b>19,785</b>
<b>Total assets</b>	<b>108,188</b>	<b>117,705</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,606	12,666
Income taxes payable	3,506	2,574
Advances received	13,632	—
Contract liabilities	—	15,082
Provision for loss on order received	364	1,058
Asset retirement obligations	71	64
Other	13,294	12,927
<b>Total current liabilities</b>	<b>40,476</b>	<b>44,374</b>
Non-current liabilities		
Retirement benefit liability	54	62
Asset retirement obligations	953	855
Provision for share awards	—	52
Other	1,232	1,259
<b>Total non-current liabilities</b>	<b>2,240</b>	<b>2,230</b>
<b>Total liabilities</b>	<b>42,716</b>	<b>46,604</b>

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,285	15,286
Retained earnings	41,489	47,022
Treasury shares	(31)	(416)
Total shareholders' equity	64,925	70,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	261
Foreign currency translation adjustment	371	731
Total accumulated other comprehensive income	527	993
Non-controlling interests	19	34
Total net assets	65,471	71,101
Total liabilities and net assets	108,188	117,705



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

[Consolidated Statements of Income]

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	79,884	93,808
Cost of sales	51,632	59,790
Gross profit	28,252	34,018
Selling, general and administrative expenses	18,715	19,831
Operating profit	9,536	14,186
Non-operating income		
Interest and dividend income	30	37
Dividend income of insurance	20	44
Subsidy income	35	17
Gain on investments in investment partnerships	66	19
Miscellaneous income	30	59
Total non-operating income	182	178
Non-operating expenses		
Interest expenses	27	17
Share of loss of entities accounted for using equity method	73	9
Provision of allowance for doubtful accounts	197	29
Foreign exchange losses	48	108
Miscellaneous losses	14	15
Total non-operating expenses	360	180
Ordinary profit	9,358	14,184
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
Loss on cancellation of rental contracts	—	922
Total extraordinary losses	—	988
Profit before income taxes	9,358	13,497
Income taxes - current	3,656	4,930
Income taxes - deferred	(722)	(1,022)
Total income taxes	2,933	3,907
Profit	6,424	9,589
Profit attributable to non-controlling interests	2	14
Profit attributable to owners of parent	6,422	9,574

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	6,424	9,589
Other comprehensive income		
Valuation difference on available-for-sale securities	35	106
Foreign currency translation adjustment	167	359
Total other comprehensive income	202	466
Comprehensive income	6,627	10,056
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,625	10,041
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 Third quarter of the current consolidated fiscal year decreased by ¥307 million each, due to the adoption of the cost recovery standard, while net sales and cost of sales increased by ¥2,838 million and ¥1,666 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 ¥1,172 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 Third quarter cumulative period of FY2021 (from January 1, 2021 to September 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	18,039	11,149	23,175	27,519	79,884
Inter-segment sales and transfers	–	–	–	–	–
Total	18,039	11,149	23,175	27,519	79,884
Segment profit	1,111	1,750	2,176	4,498	9,536

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

#### II. The Third quarter cumulative period of FY2022 (from January 1, 2022 to September 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	20,710	13,513	26,529	33,055	93,808
Inter-segment sales and transfers	–	–	–	–	–
Total	20,710	13,513	26,529	33,055	93,808
Segment profit	1,532	3,665	3,142	5,846	14,186

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