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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 27, 2023

Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2023(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 12, 2023

Date of scheduled payment of dividends: –

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes (For analysts, institutional investors, etc.)

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

1. Consolidated Business Performance for the First Quarter of FY2023 (from January 1, 2023 to March 31, 2023)

(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 FY2023	34,779	16.0	5,676	7.0	5,781	8.4	3,837	(4.8)
First Quarter of FY2022	29,982	9.0	5,305	42.4	5,331	46.3	4,033	59.9

* Profit attributable to owners of parent

Note: Comprehensive profit: First Quarter of FY2023: 3,937million yen (down8.6%); First Quarter of FY2022: 4,307million yen (up59.4%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
First Quarter of FY2023	58.98	–
First Quarter of FY2022	61.89	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of March 31, 2023	121,144	74,882	61.8
As of December 31, 2022	121,892	73,871	60.6

Reference: Total shareholders' equity: As of March 31, 2023: 74,849 million yen; As of December 31, 2022: 73,838 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)
FY2022	–	33.00	–	45.00	78.00
FY2023	–				
FY2023(forecast)		44.00	–	44.00	88.00

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

3. Consolidated Forecasts for FY2023(from January 1, 2023 to December 31, 2023)

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	67,130	9.2	9,730	1.0	9,734	0.9	6,684	(4.9)	102.73
FY2023	137,000	6.2	20,000	7.6	20,000	9.0	14,000	11.1	215.16

* Profit attributable to owners of parent

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

Notes

1. Changes in the scope of consolidation for significant subsidiaries (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:
 - 1) Changes in accounting policies in accordance with revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimate: None
 - 4) Restatements: None

4. Issued and outstanding common stock

- 1) Number of shares issued and outstanding at the end of the period, including treasury stock
- 2) Number of treasury stock at the end of the period
- 3) Average number of shares outstanding for each period

March 31, 2023:	65,182,480 shares	December 31, 2022:	65,182,480 shares
March 31, 2023:	113,205 shares	December 31, 2022:	114,680 shares
Three months ended March 31, 2023:	65,068,028 shares	Three months ended March 31, 2022:	65,164,496 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

(Millions of yen)

	First quarter of FY2022 (cumulative)	First quarter of FY2023 (cumulative)	YoY	
			Variance	% change
Net sales	29,982	34,779	4,797	16.0
Operating profit	5,305	5,676	371	7.0
Operating profit margin	17.7%	16.3%	(1.4p)	-
Ordinary profit	5,331	5,781	450	8.4
Profit attributable to owners of parent	4,033	3,837	(196)	(4.8)

During the first quarter of the current consolidated fiscal year (January 1, 2023 to March 31, 2023), the Japanese economy continued to recover, albeit slowly, as normalization from the COVID-19. As for the business environment surrounding ISID group, while some customers showed conservative movements against the backdrop of the prolonged situation in Ukraine, the rise in raw material prices and the fears of global recession due to monetary tightening, etc., 'corporates' willingness to invest in utilizing digital technology was strong and remained firm.

Amid these circumstances, the ISID Group is promoting its long-term management vision, "Vision 2030," and its three-year medium-term management plan, "ISID X (Cross) Innovation 2024," which concludes in the fiscal year ending December 31, 2024. Under "Vision 2030," we have set the goal to achieve net sales in the ¥300 billion range as a Group. In the medium-term management plan, which is the first step toward achieving this goal, we have set quantitative targets of ¥150 billion in net sales, ¥18 billion in operating profit, 12% in operating profit margin and 15% in ROE. Under the four action policies of "Business domain expansion," "New capability acquisition," "Earnings model innovation," and "Management foundation innovation," we are accelerating business growth and promoting self-transformation.

In the current consolidated fiscal year, which is the second year of medium-term plan, we decided to change our company name from "Information Services International-Dentsu, Ltd." to "DENTSU SOKEN INC." effective January 1, 2024, in order to further promote the Group's transformation toward the year 2030. We have commenced considering and preparing for integration with two subsidiaries specializing in consulting, and the transfer of the functions of the Dentsu Institute, a think tank in dentsu Japan that manages the Dentsu Group's Japanese businesses. In addition, we plan to revise the quantitative targets in the current medium-term management plan, since we achieved the profit items (operating profit, operating margin, and ROE) in the previous fiscal year two years ahead of schedule.

In the first quarter of the current consolidated fiscal year, net sales were ¥34,779 million (up 16.0% year on year), operating profit was ¥5,676 million (up 7.0% year on year), ordinary profit was ¥5,781 million (up 8.4% year on year) and profit attributable to owners of parent was ¥3,837 million (down 4.8% year on year).

Net sales increased in all four segments. Operating profit and ordinary profit also increased due to the effect of higher sales, despite an increase in selling, general and administrative expenses, mainly personnel and sales promotion expenses. Net profit attributable to owners of the parent decreased due to loss on valuation of investment securities.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	First quarter of FY2022 (cumulative)			First quarter of FY2023 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	6,748	776	11.5%	7,315	523	7.1%	567	(253)
Business Solutions	4,171	1,138	27.3%	5,674	1,571	27.7%	1,503	433
Manufacturing Solutions	8,707	1,408	16.2%	10,155	1,284	12.6%	1,448	(124)
Communication IT	10,355	1,982	19.1%	11,633	2,297	19.7%	1,278	315
Total	29,982	5,305	17.7%	34,779	5,676	16.3%	4,797	371

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 increased due to the expansion of the providing consulting services and the sales and introduction of software products in the areas of accounting and customer contact reform, mainly to the banking industry. Operating profit declined due to lower profitability caused by higher cost of sales in some projects.

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 the sales and introduction of four focused 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 trading and manufacturing 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 increased due to the expansion of the NX, 3D CAD and the Teamcenter, PLM solution mainly in the transportation equipment and machinery industries. Operating profit decreased mainly due to higher personnel and outsourcing expenses, despite the effect of increase in sales.

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 projects for the implementation of SAP solutions, mainly in the manufacturing industry, against the backdrop of replacement demand for ERP systems, as well as growth in outsourcing, operation and maintenance services, mainly for the Dentsu Group.

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 ¥748 million from the end of the previous consolidated fiscal year to ¥121,144 million. Current assets decreased by ¥1,343 million from the end of the previous consolidated fiscal year to ¥101,756 million, mainly due to a decrease in deposits due to payment of various taxes and payment of dividends. Non-current assets increased by ¥594 million from the end of the previous consolidated fiscal year to ¥19,387 million, mainly due to an increase in deferred tax assets.

(2) Liabilities

Total liabilities at the end of the first quarter of the current consolidated fiscal year decreased by ¥1,760 million from the end of the previous consolidated fiscal year to ¥46,261 million. Current liabilities decreased by ¥1,838 million from the end of the previous consolidated fiscal year to ¥43,849 million, mainly due to a decrease in contract liabilities associated with the provision of maintenance and subscription-based services and a decrease in income taxes payable. Non-current liabilities increased by ¥79 million from the end of the previous consolidated fiscal year to ¥2,412 million.

(3) Net assets

Net assets at the end of the first quarter of the current consolidated fiscal year increased by ¥1,011 million from the end of the previous consolidated fiscal year to ¥74,882 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 10, 2023

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.

II. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,909	4,483
Notes and accounts receivable - trade, and contract assets	30,377	30,231
Merchandise and finished goods	121	45
Raw materials and supplies	29	27
Advance payments to suppliers	17,315	17,655
Deposits paid	48,846	47,410
Other	1,503	1,906
Allowance for doubtful accounts	(3)	(4)
Total current assets	103,099	101,756
Non-current assets		
Property, plant and equipment	3,098	3,054
Intangible assets	5,903	5,825
Investments and other assets		
Investments and other assets	10,145	10,508
Allowance for doubtful accounts	(354)	(1)
Total investments and other assets	9,791	10,507
Total non-current assets	18,793	19,387
Total assets	121,892	121,144
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,163	14,039
Income taxes payable	3,075	2,214
Contract liabilities	14,296	12,916
Provision for loss on orders received	785	532
Provision for share awards	10	11
Other	13,355	14,133
Total current liabilities	45,687	43,849
Non-current liabilities		
Retirement benefit liability	52	56
Asset retirement obligations	854	855
Provision for share awards	54	71
Other	1,371	1,429
Total non-current liabilities	2,333	2,412
Total liabilities	48,021	46,261

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,270	15,270
Retained earnings	50,045	50,951
Treasury shares	(416)	(410)
Total shareholders' equity	73,080	73,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	234	271
Foreign currency translation adjustment	524	586
Total accumulated other comprehensive income	758	857
Non-controlling interests	32	33
Total net assets	73,871	74,882
Total liabilities and net assets	121,892	121,144

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

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	29,982	34,779
Cost of sales	18,689	22,004
Gross profit	11,292	12,774
Selling, general and administrative expenses	5,986	7,098
Operating profit	5,305	5,676
Non-operating income		
Interest and dividend income	12	13
Share of profit of entities accounted for using equity method	16	5
Foreign exchange gains	—	7
Dividend income of insurance	44	47
Subsidy income	—	20
Gain on investments in investment partnerships	—	17
Miscellaneous income	20	3
Total non-operating income	94	115
Non-operating expenses		
Interest expenses	6	9
Loss on investments in investment partnerships	17	—
Provision of allowance for doubtful accounts	15	—
Foreign exchange losses	26	—
Miscellaneous losses	2	1
Total non-operating expenses	68	11
Ordinary profit	5,331	5,781
Extraordinary income		
Compensation for forced relocation	270	—
Gain on change in equity	31	—
Total extraordinary income	301	—
Extraordinary losses		
Impairment losses	—	74
Loss on valuation of investment securities	65	302
Total extraordinary losses	65	377
Profit before income taxes	5,567	5,403
Income taxes - current	1,816	2,452
Income taxes - deferred	(298)	(887)
Total income taxes	1,518	1,565
Profit	4,048	3,838
Profit attributable to non-controlling interests	15	0
Profit attributable to owners of parent	4,033	3,837

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	4,048	3,838
Other comprehensive income		
Valuation difference on available-for-sale securities	89	36
Foreign currency translation adjustment	168	62
Total other comprehensive income	258	99
Comprehensive income	4,307	3,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,291	3,937
Comprehensive income attributable to non-controlling interests	15	0

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 the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No.31, June 17, 2021; 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 in Paragraph 27-2 of the Accounting Standard for Fair Value Measurement, etc. 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.

(Segment Information and other)

Segment Information

I. 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 reportable 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

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 FY2023 (from January 1, 2023 to March 31, 2023)

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

(Millions of yen)

	Reportable segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	7,315	5,674	10,155	11,633	34,779
Inter-segment sales and transfers	-	-	-	-	-
Total	7,315	5,674	10,155	11,633	34,779
Segment profit	523	1,571	1,284	2,297	5,676

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