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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 31, 2023

Consolidated Financial Results for the Second 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>
Representative: Ryoichi Nawa, President, CEO and COO
Contact for Inquiries: Naoto Momiki, Corporate Administration Division
Tel: (03) 6713-6160

Date of scheduled filing of securities report: August 4, 2023
Date of scheduled payment of dividends: September 1, 2023
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 Second Quarter of FY2023 (from January 1, 2023 to June 30, 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)	(%)
Second Quarter of FY2023	69,849	13.7	10,652	10.6	10,785	11.8	7,446	6.0
Second Quarter of FY2022	61,458	13.2	9,634	47.6	9,645	49.7	7,028	60.0

* Profit attributable to owners of parent

Note: Comprehensive profit: Second Quarter of FY2023: 7,625million yen (up1.9%); Second Quarter of FY2022: 7,483million yen (up 63.8%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
Second Quarter of FY2023	114.44	–
Second Quarter of FY2022	107.90	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of June 30, 2023	128,351	78,573	61.2
As of December 31, 2022	121,892	73,871	60.6

Reference: Total shareholders' equity: As of June 30, 2023: 78,540 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	–	44.00			
FY2023(forecast)			–	47.00	91.00

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

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)
FY2023	140,000	8.5	21,000	13.0	21,100	15.0	14,700	16.7	225.91

* Profit attributable to owners of parent

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

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:
 - 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	June 30, 2023:	65,182,480 shares	December 31, 2022:	65,182,480 shares
2) Number of treasury stock at the end of the period	June 30, 2023:	112,215 shares	December 31, 2022:	114,680 shares
3) Average number of shares outstanding for each period	Six months ended June 30, 2023:	65,069,066 shares	Six months ended June 30, 2022:	65,138,180 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.

Please refer to page 4 for information on the above forecasts.

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I. Qualitative Information on the Consolidated Financial Results for the Subject Period

1. Explanation of Business Results

(Millions of yen)

	Second quarter of FY2022 (cumulative)	Second quarter of FY2023 (cumulative)	YoY	
			Variance	% change
Net sales	61,458	69,849	8,391	13.7
Operating profit	9,634	10,652	1,018	10.6
Operating margin	15.7%	15.3%	(0.4p)	-
Ordinary profit	9,645	10,785	1,140	11.8
Profit attributable to owners of parent	7,028	7,446	418	6.0

During the second quarter of the current consolidated fiscal year (January 1, 2023 to June 30, 2023), the Japanese economy continued to recover, albeit at a moderate pace, with the normalization of social activities. As for the business environment surrounding the ISID Group, while some customers showed conservative movements against the backdrop of 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 the current medium-term management plan, we are accelerating business growth and promoting self-transformation under the four action policies of "Business domain expansion," "New capability acquisition," "Earnings model innovation," and "Management foundation innovation."

In the current consolidated fiscal year, which is the second year of medium-term management 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. In conjunction with this change in our company name, we decided to integrate two subsidiaries specializing in consulting with us. In addition, we are considering and preparing for the transfer of the functions of the Dentsu Institute, a think tank in dentsu Japan that manages the Dentsu Group's Japanese businesses, for us.

In the second quarter of the current consolidated fiscal year, net sales was ¥69,849 million (up 13.7% year on year), operating profit was ¥10,652 million (up 10.6% year on year), ordinary profit was ¥10,785 million (up 11.8% year on year) and profit attributable to owners of parent was ¥7,446 million (up 6.0% year on year).

Net sales increased in all four segments. In terms of profit, despite an increase in selling, general and administrative expenses, mainly personnel and R&D expenses, all levels of profit increased due to the effect of higher sales.

Net sales, operating profit, and business results by reportable segment are as follows.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	Second quarter of FY2022 (cumulative)			Second quarter of FY2023 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	13,635	1,069	7.8%	14,721	1,416	9.6%	1,086	347
Business Solutions	8,723	2,277	26.1%	11,653	3,152	27.0%	2,930	875
Manufacturing Solutions	17,339	2,045	11.8%	19,795	2,171	11.0%	2,456	126
Communication IT	21,759	4,242	19.5%	23,678	3,910	16.5%	1,919	(332)
Total	61,458	9,634	15.7%	69,849	10,652	15.3%	8,391	1,018

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 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.

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 key solutions, the POSITIVE, human resource management solution, the STRAVIS, consolidated accounting solution, the Ci*X, accounting solution and the CCH Tagetik, business management solution, mainly in the trading and manufacturing industry.

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 the NX, 3D CAD, the Teamcenter, product lifecycle management solution and the iQUAVIS, conceptual design support system, mainly in the transportation equipment and machinery industry.

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 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. Operating profit decreased due to lower profitability of custom system development and outsourcing, operation and maintenance services.

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 ¥6,459 million from the end of the previous consolidated fiscal year to ¥128,351 million. Current assets increased by ¥7,278 million from the end of the previous fiscal year to ¥110,377 million due to an increase in deposits paid due mainly to an increase in contract liabilities, as well as an increase in advance payments to suppliers related to subscription contracts and maintenance contracts for customer services, in addition to progress in collection of trade receivables as of the end of the previous consolidated fiscal year. Non-current assets decreased by ¥819 million from the end of the previous consolidated fiscal year to ¥17,974 million due to a decrease in deferred tax assets.

(2) Liabilities

Total liabilities at the end of the second quarter of the current consolidated fiscal year increased by ¥1,756 million from the end of the previous consolidated fiscal year to ¥49,777 million. Current liabilities increased by ¥1,596 million from the end of the previous consolidated fiscal year to ¥47,283 million, mainly due to an increase in contract liabilities associated with the provision of maintenance and subscription-type services, despite payment of income taxes payable. Non-current liabilities increased by ¥161 million from the end of the previous consolidated fiscal year to ¥2,494 million.

(3) Net assets

Net assets at the end of the second quarter of the current consolidated fiscal year increased by ¥4,702 million from the end of the previous consolidated fiscal year to ¥78,573 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

Based on recent performance trends, ISID have revised its consolidated financial forecast and dividend forecast announced on February 10, 2023 as follows.

In addition, in terms of our medium-term management plan, profitability has exceeded initial expectations, such as achieving the quantitative targets for the fiscal year ending December 31, 2024, of operating profit, operating margin, and ROE two years ahead of schedule. As a result, we review the performance indicators of our target indicators as follows.

(1) Revision to consolidated financial forecast for the fiscal year ending December 31, 2023

(January 1, 2023 – December 31, 2023)

	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)	137,000	20,000	20,000	14,000	215.16
Revised Forecast (B)	140,000	21,000	21,100	14,700	225.91
Variance (B – A)	3,000	1,000	1,100	700	
Percentage Change (%)	2.2%	5.0%	5.5%	5.0%	
(Ref.) Previous fiscal year (ended December 31, 2022)	129,054	18,590	18,354	12,598	193.51

* Profit attributable to owners of parent

(2) Revision of dividend Forecast for the fiscal year ending December 31, 2023

	Dividends per share		
	End of second quarter	Year end	Annual
Previous Forecast	–	44.00 yen	88.00 yen
Revised Forecast	–	47.00 yen	91.00 yen
Current fiscal year	44.00 yen	–	–
Previous fiscal year (ended December 31, 2022)	33.00 yen	45.00 yen	78.00 yen

(3) Revision of the medium-term management plan

Quantitative Targets

Item	Target for FY2024	
	Initial Plan (Announced on February 9, 2022)	Revised Plan (Announced on July 31, 2023)
Net sales	¥150 billion	¥150 billion
Operating profit	¥18 billion	¥22.5 billion
Operating margin	12%	15%
ROE	15%	18%

For details, please refer to "Notice of Revisions to Consolidated Financial Forecast and Year-End Dividend Forecast" and "Notice of Revision to Medium-term Management Plan" announced today, 31 July 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	4,909	4,741
Notes and accounts receivable - trade, and contract assets	30,377	28,687
Merchandise and finished goods	121	36
Raw materials and supplies	29	23
Advance payments to suppliers	17,315	19,990
Deposits paid	48,846	54,953
Other	1,503	1,948
Allowance for doubtful accounts	(3)	(4)
Total current assets	103,099	110,377
Non-current assets		
Property, plant and equipment	3,098	3,107
Intangible assets	5,903	5,820
Investments and other assets		
Investments and other assets	10,145	9,046
Allowance for doubtful accounts	(354)	(1)
Total investments and other assets	9,791	9,045
Total non-current assets	18,793	17,974
Total assets	121,892	128,351
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,163	14,016
Income taxes payable	3,075	2,613
Contract liabilities	14,296	18,191
Provision for loss on orders received	785	298
Provision for share awards	10	—
Other	13,355	12,163
Total current liabilities	45,687	47,283
Non-current liabilities		
Retirement benefit liability	52	62
Asset retirement obligations	854	858
Provision for share awards	54	88
Other	1,371	1,485
Total non-current liabilities	2,333	2,494
Total liabilities	48,021	49,777

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,270	15,270
Retained earnings	50,045	54,559
Treasury shares	(416)	(406)
Total shareholders' equity	73,080	77,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	234	227
Foreign currency translation adjustment	524	708
Total accumulated other comprehensive income	758	936
Non-controlling interests	32	33
Total net assets	73,871	78,573
Total liabilities and net assets	121,892	128,351

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

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	61,458	69,849
Cost of sales	38,484	44,286
Gross profit	22,974	25,562
Selling, general and administrative expenses	13,339	14,910
Operating profit	9,634	10,652
Non-operating income		
Interest and dividend income	26	26
Foreign exchange gains	—	42
Dividend income of insurance	44	47
Subsidy income	16	24
Gain on investments in investment partnerships	31	3
Miscellaneous income	34	7
Total non-operating income	153	151
Non-operating expenses		
Interest expenses	12	13
Loss on investments in investment partnerships	17	0
Provision of allowance for doubtful accounts	29	—
Foreign exchange losses	68	—
Miscellaneous losses	15	4
Total non-operating expenses	142	18
Ordinary profit	9,645	10,785
Extraordinary income		
Gain on sale of investment securities	—	135
Compensation for forced relocation	270	—
Gain on change in equity	31	—
Total extraordinary income	301	135
Extraordinary losses		
Impairment losses	—	74
Loss on valuation of investment securities	65	302
Total extraordinary losses	65	377
Profit before income taxes	9,880	10,544
Income taxes - current	2,615	2,681
Income taxes - deferred	222	414
Total income taxes	2,837	3,096
Profit	7,042	7,447
Profit attributable to non-controlling interests	14	1
Profit attributable to owners of parent	7,028	7,446

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	7,042	7,447
Other comprehensive income		
Valuation difference on available-for-sale securities	90	(6)
Foreign currency translation adjustment	350	183
Total other comprehensive income	441	177
Comprehensive income	7,483	7,625
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,469	7,624
Comprehensive income attributable to non-controlling interests	14	1

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") 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, the new accounting policy set forth in the guidance on Accounting Standard for Fair Value Measurement is to be applied going forward. Note that this change has no effect on quarterly consolidated financial statements.

(Segment Information and other)

Segment Information

I. 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 reportable 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

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 FY2023 (from January 1, 2023 to June 30, 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	14,721	11,653	19,795	23,678	69,849
Inter-segment sales and transfers	-	-	-	-	-
Total	14,721	11,653	19,795	23,678	69,849
Segment profit	1,416	3,152	2,171	3,910	10,652

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