

**PRESENTATION MATERIAL OF FINANCIAL RESULTS
FOR THE SECOND QUARTER OF FY2023
(FROM JANUARY 1, 2023 TO JUNE 30, 2023)**

July 31, 2023

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.

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**Outline of financial results for
the Second Quarter of FY2023**

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FY2023 2nd Quarter Financial Highlights

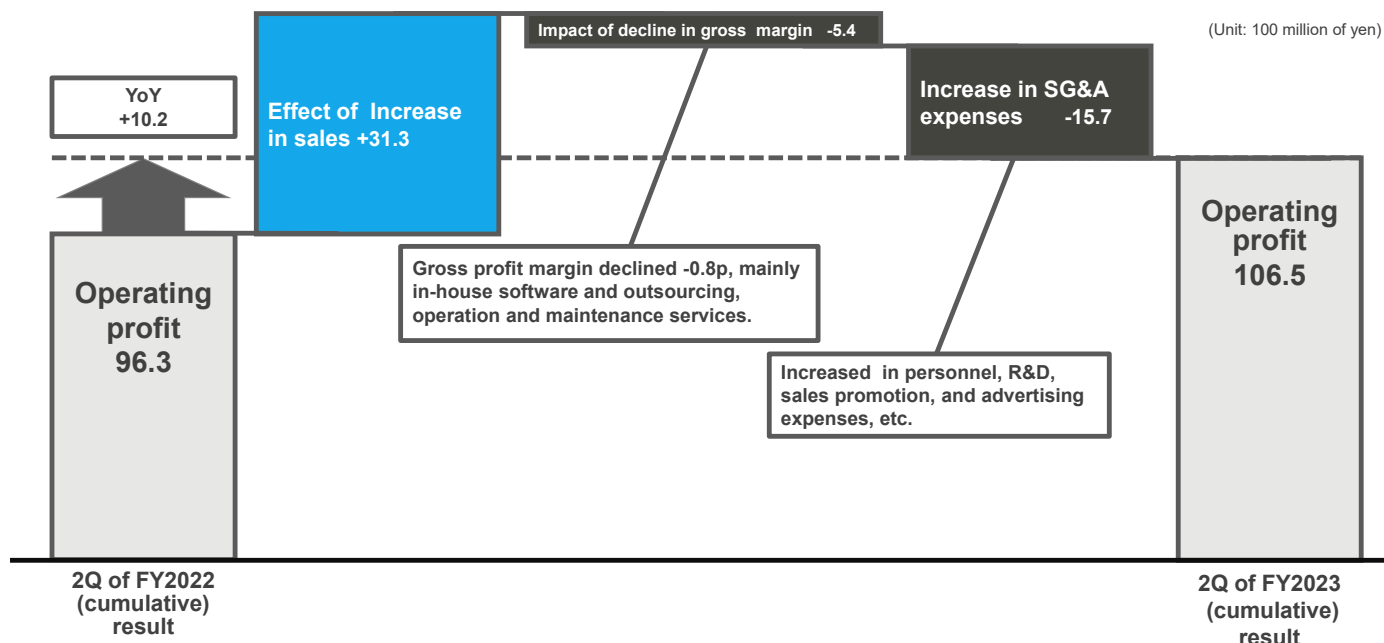
- Net sales and operating profit **exceeded the initial plan and reached a record high for the first half of the year.**
- The order backlog also built up to a record high, particularly for **Business and Manufacturing solutions.**
- **Updated the full-year forecast, dividend forecast and Medium-term Management Plan target based on progress to date.**

1. Consolidated Results for the Second Quarter of FY2023

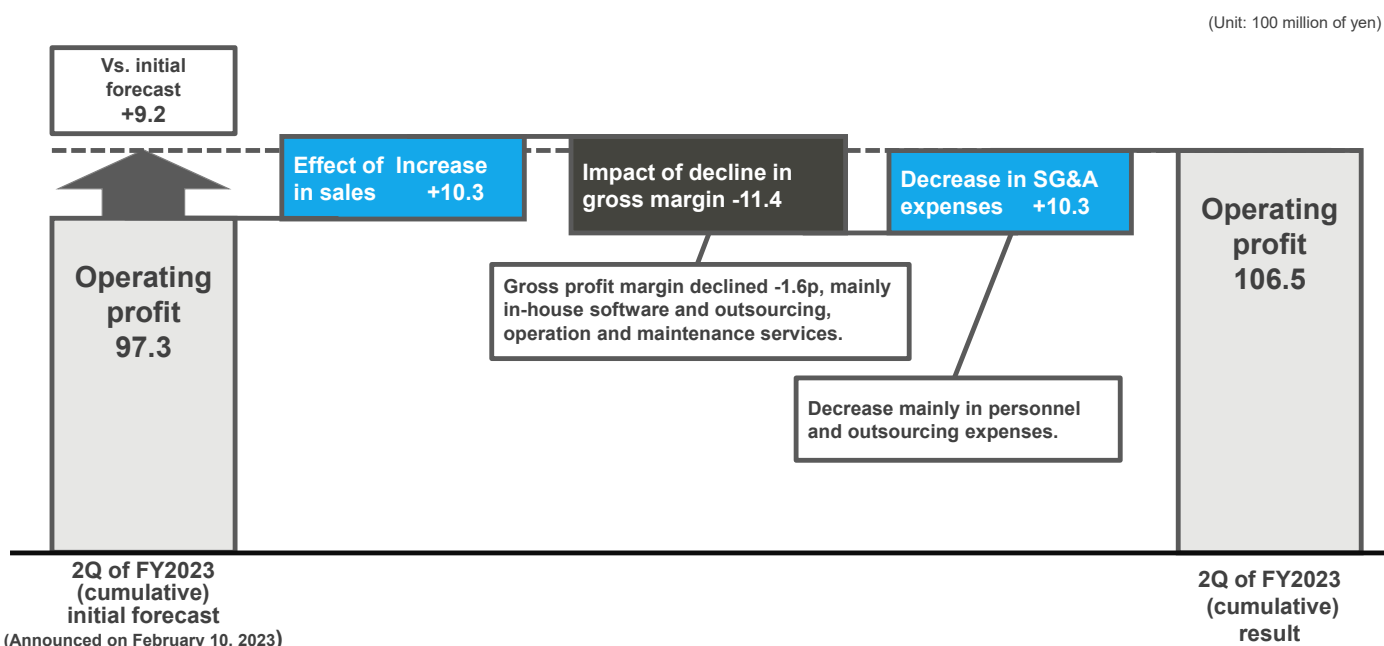
(Unit : Millions of yen)

	2Q of FY2023 (cumulative)	YoY			Vs. initial forecast (Announced on February 10, 2023)		
		2Q of FY2022 (cumulative)	Variance	% change	Forecast	Variance	% change
Net sales	69,849	61,458	+8,391	+13.7	67,130	+2,719	+4.1
Gross profit	25,562	22,974	+2,588	+11.3	25,677	-115	-0.4
Gross profit margin	36.6%	37.4%	-0.8p	—	38.2%	-1.6p	—
Selling, general and administrative expenses	14,910	13,339	+1,571	+11.8	15,946	-1,036	-6.5
Operating profit	10,652	9,634	+1,018	+10.6	9,730	+922	+9.5
Operating margin	15.3%	15.7%	-0.4p	—	14.5%	+0.8p	—
Ordinary profit	10,785	9,645	+1,140	+11.8	9,734	+1,051	+10.8
Profit attributable to owners of parent	7,446	7,028	+418	+6.0	6,684	+762	+11.4
Number of employees as of the end of the second quarter	3,599 people	3,342 people	+257 people	+7.7			

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



2-1. Factors for Increase/Decrease in Operating Profit (vs. initial forecast)



3. Non-operating Income/Expense and Extraordinary Income/Loss

(Unit : Millions of yen)

	2Q of FY2023 (cumulative)	YoY		
		2Q of FY2022 (cumulative)	Variance	% change
Operating profit	10,652	9,634	+1,018	+10.6
Non-operating income	151	153	-2	-1.0
Non-operating expenses	18	142	-124	-87.1
Ordinary profit	10,785	9,645	+1,140	+11.8
Extraordinary income	135	301	-166	-55.0
Extraordinary losses	377	65	+312	+474.3
Profit before income taxes	10,544	9,880	+664	+6.7
Total income taxes	3,096	2,837	+259	+9.1
Profit attributable to noncontrolling interests	1	14	-13	-92.9
Profit attributable to owners of parent	7,446	7,028	+418	+6.0

First Quarter of FY2022
Compensation for forced relocation
270

Second Quarter of FY2023
Profit on valuation of investment securities
135

First Quarter of FY2023
Loss on valuation of investment securities
302
Impairment losses
74

4. Net Sales and Operating Profit by Reportable Segment

(Unit : Millions of yen)

Reportable segment		2Q of FY2023 (cumulative)	YoY			Vs. initial forecast	
			Variance	% change	Overview	Variance	% change
Financial Solutions	Net sales	14,721	+1,086	+8.0	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.	+87	+0.6
	Operating profit	1,416	+347	+32.5		-	-
	%	9.6	+1.8p	-		-	-
Business Solutions	Net sales	11,653	+2,930	+33.6	Net sales and operating profit increased due to the expansion of the sales and introduction of four key solutions, POSITIVE, STRAVIS, Ci*X, CCH Tagetik mainly in the trading and manufacturing industry.	+1,814	+18.4
	Operating profit	3,152	+875	+38.4		-	-
	%	27.0	+0.9p	-		-	-
Manufacturing Solutions	Net sales	19,795	+2,456	+14.2	Net sales and operating profit increased due to the expansion of NX, 3D CAD, Teamcenter, product lifecycle management solution and iQUAVIS, conceptual design support system, mainly in the transportation equipment and machinery industry.	+1,260	+6.8
	Operating profit	2,171	+126	+6.2		-	-
	%	11.0	-0.8p	-		-	-
Communication IT	Net sales	23,678	+1,919	+8.8	Net sales increased due to an expansion of projects for the implementation of SAP solutions. Operating profit decreased mainly due to lower profitability of custom system development and outsourcing, operation and maintenance services.	-442	-1.8
	Operating profit	3,910	-332	-7.8		-	-
	%	16.5	-3.0p	-		-	-

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

Ref.) Consolidated Results for the 2Q (April - June) of FY2023

■ Consolidated Results

(Unit : Millions of yen)

	2Q of FY2023 (April - June)	YoY		
		2Q of FY2022	Variance	% change
Net sales	35,069	31,476	+3,593	+11.4
Gross profit	12,788	11,681	+1,107	+9.5
Profit margin	36.5%	37.1%	-0.6p	-
Selling, general and administrative expenses	7,812	7,352	+460	+6.2
Operating profit	4,975	4,328	+647	+15.0
Operating margin	14.2%	13.8%	+0.4p	-

■ Reportable Segment

(Unit : Millions of yen)

Reportable segment		2Q of FY2023 (April - June)	YoY	
			Variance	% change
Financial Solutions	Net sales	7,405	+518	+7.5
	Operating profit	893	+601	+205.8
	%	12.1	+7.9p	-
Business Solutions	Net sales	5,978	+1,426	+31.3
	Operating profit	1,581	+443	+38.9
	%	26.4	+1.4p	-
Manufacturing Solutions	Net sales	9,640	+1,008	+11.7
	Operating profit	887	+251	+39.5
	%	9.2	+1.8p	-
Communication IT	Net sales	12,045	+641	+5.6
	Operating profit	1,613	-646	-28.6
	%	13.4	-6.4p	-

5. Net Sales by Service Category and the Dentsu Group

(Unit : Millions of yen)

Service category	2Q of FY2023 (cumulative)	YoY		Vs. initial forecast	
		Variance	% change	Variance	% change
Consulting Services	3,999	+479	+13.6	-36	-0.9
Custom System Development	15,738	-444	-2.7	-956	-5.7
In-house Software	15,054	+3,285	+27.9	+2,044	+15.7
Third-party Software	23,059	+3,447	+17.6	+1,077	+4.9
Outsourcing, Operation and Maintenance Services	8,216	+1,134	+16.0	+117	+1.4
IT Equipment Sales and Others	3,780	+489	+14.9	+472	+14.3

Counterparty	2Q of FY2023 (cumulative)	YoY	
		Variance	% change
Dentsu Group Inc. and its subsidiaries	11,031	-846	-7.1

6. Net Sales by Industry

(Unit : Millions of yen)

Industry	2Q of FY2023 (cumulative)		YoY	
	Net Sales	Composition Ratio (%)	Variance	% change
Banks	10,874	15.6	+1,255	+13.0
Other financial institutions	3,355	4.8	-525	-13.5
Financial	14,229	20.4	+729	+5.4
Transportation equipment	11,031	15.8	+2,014	+22.3
Electric appliances Precision instruments	7,274	10.4	+1,078	+17.4
Machinery	5,172	7.4	+1,301	+33.6
Other products	5,860	8.3	+257	+4.6
Manufacturing	29,339	41.9	+4,650	+18.8
Services and public offices	20,082	28.8	+1,785	+9.8
Distributions and others	6,198	8.9	+1,227	+24.7

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

7. Consolidated Balance Sheets

(Unit : Millions of yen)

	As of June 30, 2023	As of December 31, 2022	Variance	Main Factors for Increase/Decrease
Total current Assets	110,377	103,099	+7,278	Increase in deposits paid (+6,107) Increase in advance payments (+2,675) Decrease in trade receivables and contract assets (-1,690)
Total non-current Assets	17,974	18,793	-819	Decrease in deferred tax assets (-430) Decrease in long-term loans receivable (-352)
Total assets	128,351	121,892	+6,459	
Total current liabilities	47,283	45,687	+1,596	Increase in contract liabilities (+3,895) Decrease in accrued expenses (-549) Decrease in provision for loss on orders received (-487) Decrease in income taxes payable (-462)
Total non-current liabilities	2,494	2,333	+161	Increase in deferred tax liabilities (+107)
Total liabilities	49,777	48,021	+1,756	
Total net assets	78,573	73,871	+4,702	Increase in retained earnings (+4,514)
Total liabilities and net assets	128,351	121,892	+6,459	

8. Consolidated Statements of Cash Flows

(Unit : Millions of yen)

	2Q of FY2023 (cumulative)	Main Factors	YoY	
			2Q of FY2022 (cumulative)	Variance
Cash flows from operating activities	10,136	Quarterly income before income taxes (10,544) Increase in contract liability (3,705) Decrease in trade receivables and contract assets (1,819) Income taxes paid (-3,119) Increase in advance payments (-2,638)	4,358	+5,778
Cash flows from investing activities	-1,130	Purchase of intangible assets (-1,135)	-1,676	+546
Cash flows from financing activities	-3,376	Dividends paid (-2,932) Repayment of lease obligations (-443)	-2,861	-515
Effect of exchange rate change on cash and cash equivalents	246		356	-110
Net increase (decrease) in cash and cash equivalents	5,876		177	+5,699
Cash and cash equivalents at the beginning of period	53,305		49,748	+3,557
Cash and cash equivalents at the end of period	59,181		49,925	+9,256

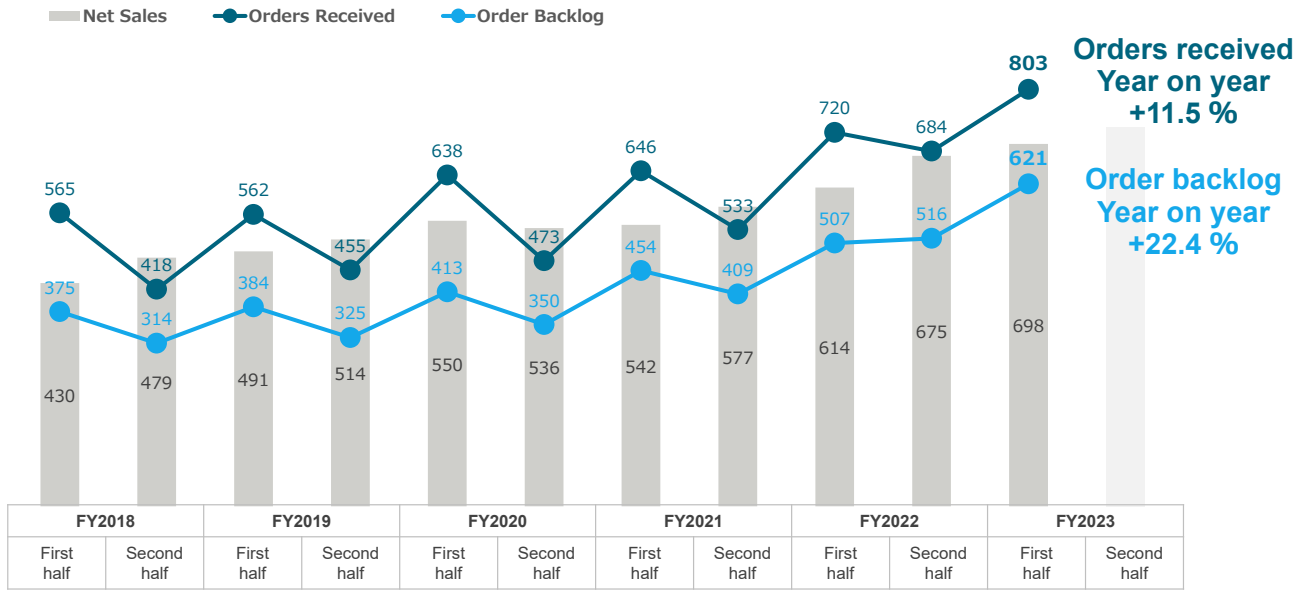
9. Orders Received and Order Backlog

(Unit : Millions of yen)

		Orders received				Order backlog	
		2Q of FY2023 (April - June)	YoY (%)	2Q of FY2023 (cumulative)	YoY (%)	End of 2Q of FY2023	YoY (%)
Total		35,558	+19.3	80,341	+11.5	62,141	+22.4
Reportable Segment	Financial Solutions	8,387	+10.5	15,251	+0.4	8,312	-6.8
	Business Solutions	5,870	+47.0	11,576	+22.0	10,156	+69.9
	Manufacturing Solutions	10,809	+28.5	25,609	+28.1	23,915	+31.5
	Communication IT	10,491	+6.8	27,904	+1.8	19,757	+11.7
Service Category	Consulting Services	2,459	+39.2	4,659	+23.4	1,645	+61.0
	Custom System Development	7,058	-12.0	15,012	-18.2	6,232	-28.1
	In-house Software	8,033	+49.0	15,760	+17.3	13,404	+52.7
	Third-party Software	12,674	+35.9	29,071	+28.2	28,161	+30.9
	Outsourcing, Operation and Maintenance Services	3,833	+3.8	11,344	+9.9	6,638	+22.5
	IT Equipment Sales and Others	1,499	-7.2	4,493	+27.7	6,058	+12.7

10. Trends in Orders Received and Order Backlog

(Unit : 100 million yen)



Forecasts for FY2023

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. Forecasts for FY2023

- Revised the full-year forecasts announced on February 10, 2023.

(Unit : Millions of yen)

	Previous Forecast (Announced on February 10, 2023)	Revised Forecast (Announced on July 31, 2023)	Vs. Previous Forecast		YoY		
			Variance	% change	FY2022	Variance	% change
Net sales	137,000	140,000	+3,000	+2.2	129,054	+10,946	+8.5
Operating profit	20,000	21,000	+1,000	+5.0	18,590	+2,410	+13.0
Operating margin	14.6%	15.0%	+0.4p	—	14.4%	+0.6p	—
Ordinary profit	20,000	21,100	+1,100	+5.5	18,354	+2,746	+15.0
Profit attributable to owners of parent	14,000	14,700	+700	+5.0	12,598	+2,102	+16.7

2. Net Sales Forecast Reference for FY2023

<Reportable segment>

(Unit : Millions of yen)

Reportable segment	Revised Forecast (Announced on July 31, 2023)	YoY	
		Variance	% change
Financial Solutions	29,500	+1,375	+4.9
Business Solutions	21,900	+3,292	+17.7
Manufacturing Solutions	39,400	+2,947	+8.1
Communication IT	49,200	+3,333	+7.3
Total	140,000	+10,946	+8.5

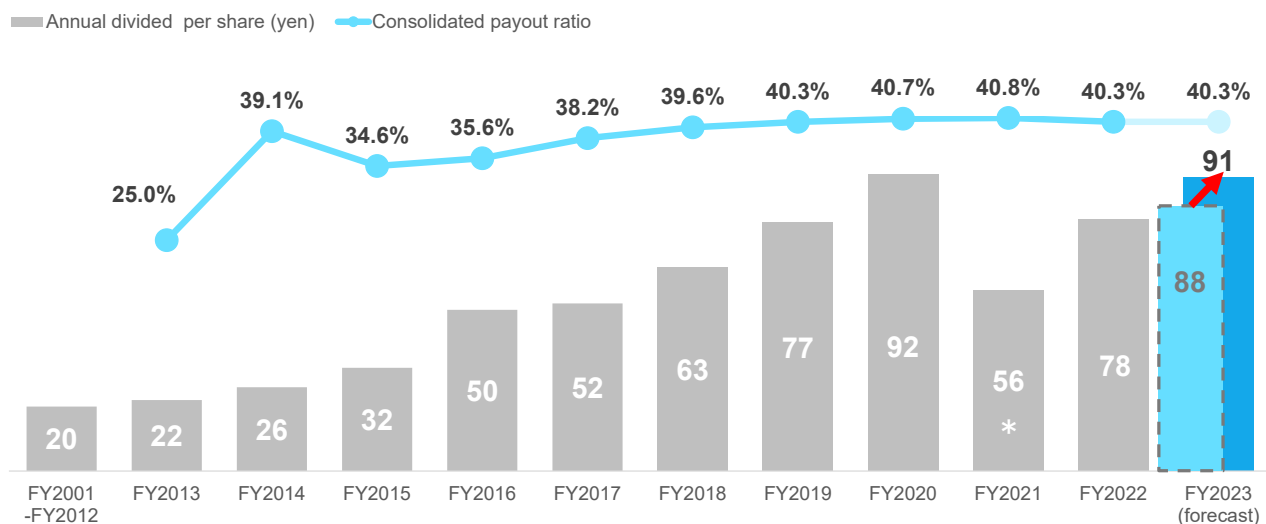
<Service Category>

(Unit : Millions of yen)

Service Category	Revised Forecast (Announced on July 31, 2023)	YoY	
		Variance	% change
Consulting Services	8,580	+1,162	+15.7
Custom System Development	33,006	-101	-0.3
In-house Software	28,141	+3,334	+13.4
Third-party Software	46,371	+6,072	+15.1
Outsourcing, Operation and Maintenance Services	17,082	+1,030	+6.4
IT Equipment Sales and Others	6,817	-552	-7.5
Total	140,000	+10,946	+8.5

3. Dividend Forecasts

- Increase year-end dividend from ¥44 to ¥47
- Annual dividend is expected to be ¥91 per share, for a dividend payout ratio of 40.3%, 11 consecutive years



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

Medium-term Management Plan For FY2022-FY2024

Medium-term Management Plan overview (As of February 2022)

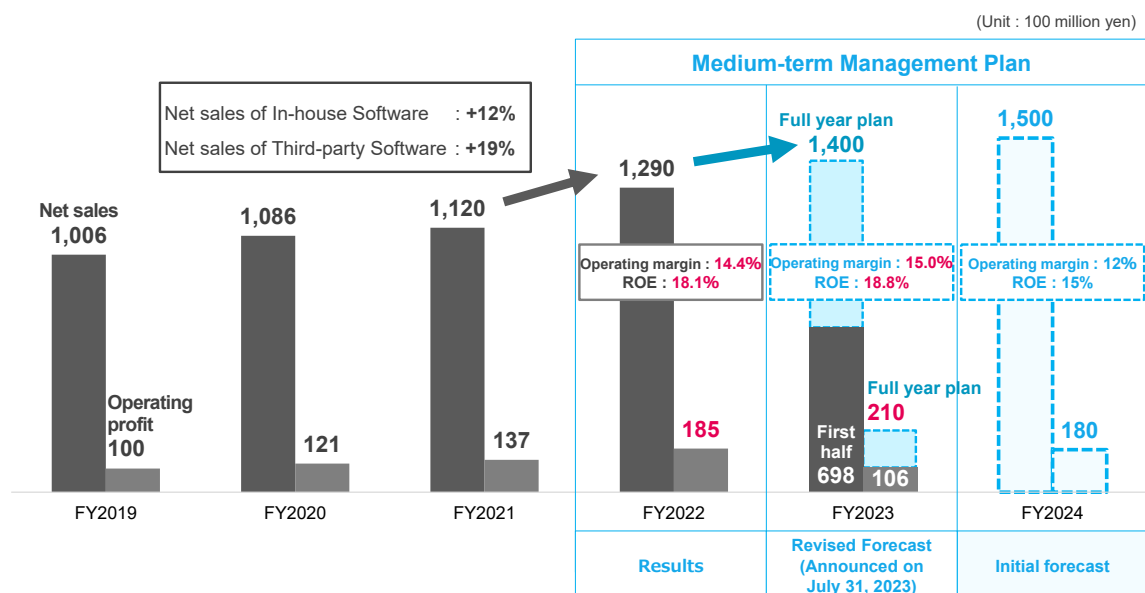
ISID X Innovation 2024

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	Net sales	¥150 billion / 10.2%
	③ Strength and establish corporate and social transformation business	Operating profit	¥18 billion / 9.5%
B. New capability acquisition (TSUKURU)	④ Strengthen human resources	Operating margin	12%
	⑤ Strengthen consulting	ROE	15%
	⑥ Strengthen cutting-edge technology		
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)

Medium-term Management Plan Progress

- Net sales were **extremely steady**, mainly due to the expansion of In-house Software / Third-party Software
- Operating profit, Operating margin, and ROE **have exceeded targets from the first year**



Medium-term Management Plan Business by Reportable Segment

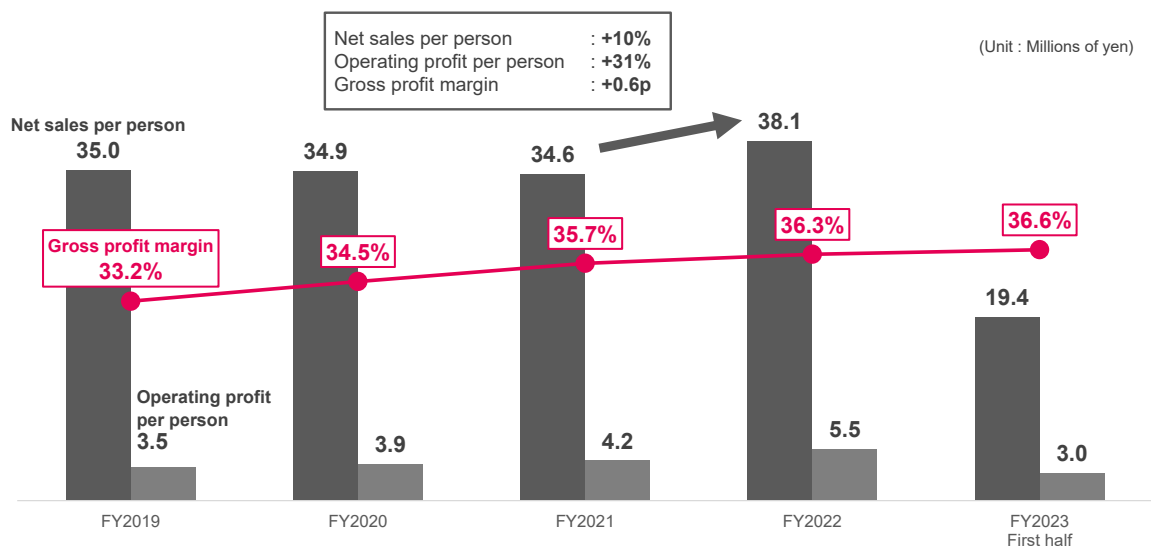
- The Business Solutions segment, which focuses on In-house Software, is on track to achieve one year ahead of schedule

(Unit : 100 million yen)

	Revised Forecast (Announced on July 31, 2023)	FY2024 Medium-term Management Plan targets	GAP
Financial Solutions	295	310	<u>15</u>
Business Solutions	219	220	<u>1</u>
Manufacturing Solutions	394	420	<u>26</u>
Communication IT	492	550	<u>58</u>

Trends in profitability improvement

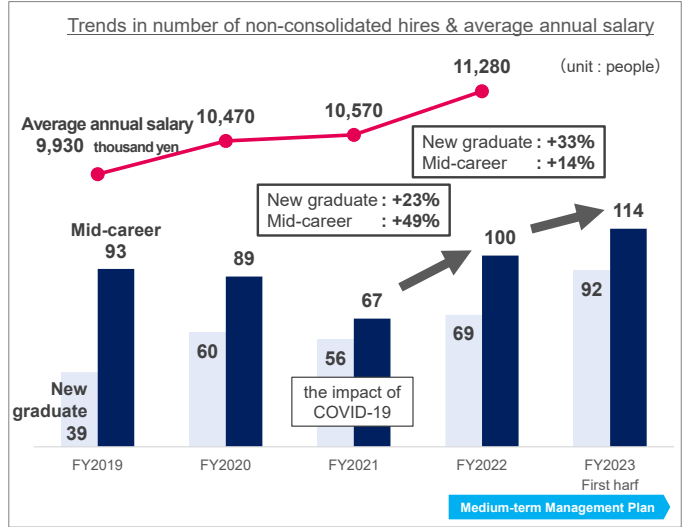
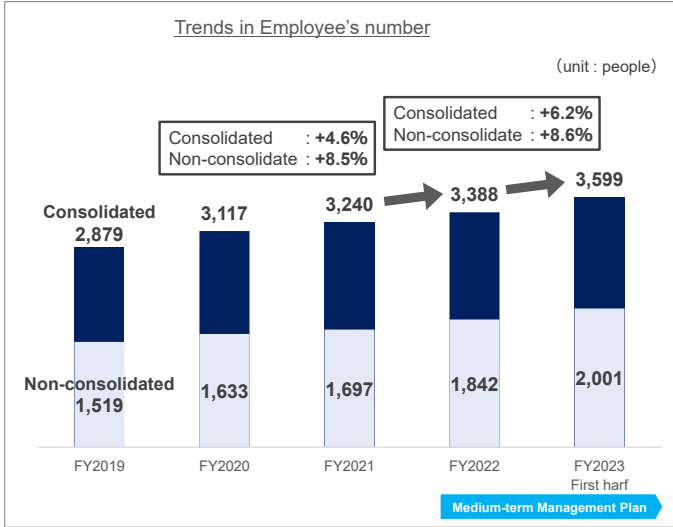
- Increased competitiveness of human support services, expanded sales of In-house software / Third-party software, resulting in improved 'earning power'



Medium-term Management Plan

Investments in human capital

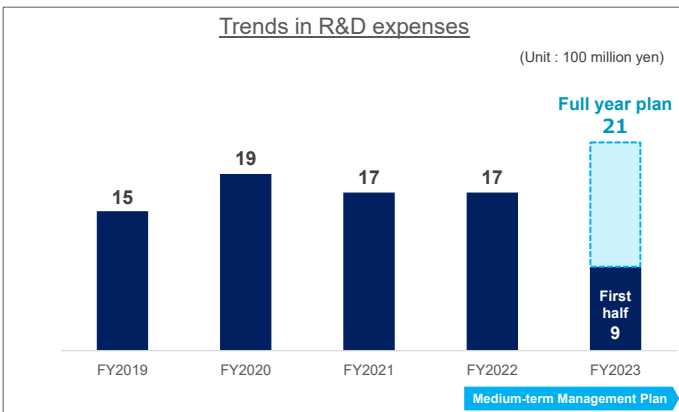
- Steady increase in the number of employees, mainly on a non-consolidated basis, due to the strengthening of the recruitment department structure, expansion of the work system, advertising, etc.
- The number of new graduates in April 2024 is expected to increase by **about 1.5 times year-on-year**



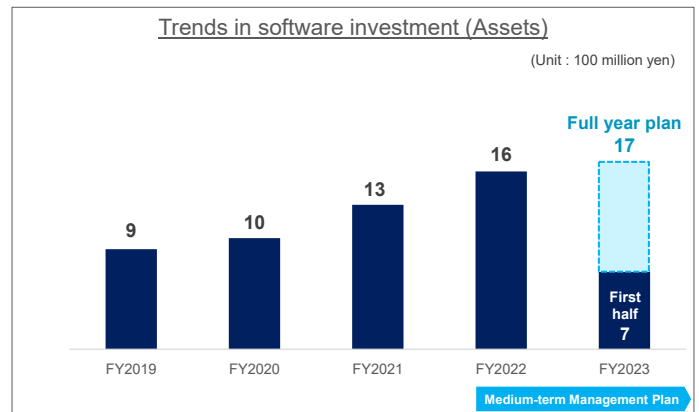
* Number of confirmed entrants as of 30 June

Technology Investments

- Continue to invest in **creating new solutions and enhancing the functionality of existing solutions**



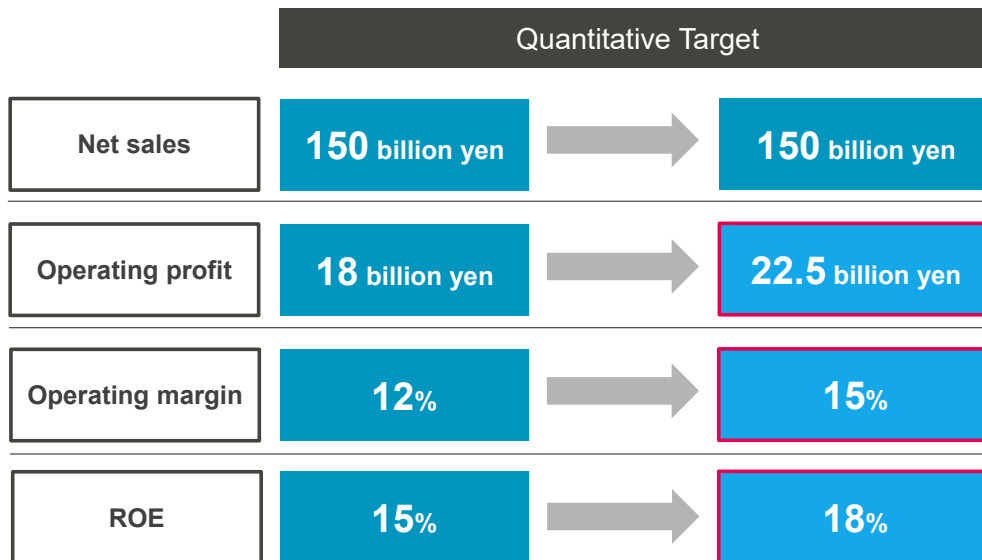
- Development of new modules for the "Ci*X" series
- Development of "minnect", new public administrative platform
- New development of "CIVILIOS", urban OS
- New development of "Money Sherpa", defined contribution pension management support service, etc.



- Enhancement of three existing modules of "Ci*X"
- Enhancement of "POSITIVE", "STRAVIS", "iQUAVIS", and "iPLAss"
- Establishment of "VDX Studio"
- Development of "Stream-R" option, etc.

Quantitative Target Update

- Revised quantitative targets for FY2024 based on the trends of business performance and investment



Towards 2030



Appendix : Sustainability Initiatives

2023

Issue an **Integrated Report**
Strengthen **information disclosure**

STEP
UP! ↑

2022

Identified **material issues**
Disclosed in accordance with **TCFD**

STEP
UP! ↑

2021

Formulated a **sustainability policy**
Established an **internal promoting system**

Evaluation of ESG



FTSE4Good



FTSE Blossom
Japan Index



FTSE Blossom
Japan Sector
Relative Index



2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)