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October 31, 2023

Consolidated Financial Results for the Third 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: November 2, 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 Third Quarter of FY2023 (from January 1, 2023 to September 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)	(%)
Third Quarter of FY2023	105,267	12.2	15,551	9.6	15,695	10.7	10,838	13.2
Third Quarter of FY2022	93,808	17.4	14,186	48.8	14,184	51.6	9,574	49.1

* Profit attributable to owners of parent

Note: Comprehensive profit: Third Quarter of FY2023: 11,108million yen (up10.5%); Third Quarter of FY2022: 10,056million yen (up 51.7%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
Third Quarter of FY2023	166.56	-
Third Quarter of FY2022	147.05	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of September 30, 2023	131,312	79,155	60.3
As of December 31, 2022	121,892	73,871	60.6

Reference: Total shareholders' equity: As of September 30, 2023: 79,155 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: None

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: None

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	September 30, 2023: 65,182,480 shares	December 31, 2022: 65,182,480 shares
2) Number of treasury stock at the end of the period	September 30, 2023: 112,277 shares	December 31, 2022: 114,680 shares
3) Average number of shares outstanding for each period	Nine months ended September 30, 2023: 65,069,464 shares	Nine months ended September 30, 2022: 65,114,468 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)

	Third quarter of FY2022 (cumulative)	Third quarter of FY2023 (cumulative)	YoY	
			Variance	% change
Net sales	93,808	105,267	11,459	12.2
Operating profit	14,186	15,551	1,365	9.6
Operating margin	15.1%	14.8%	(0.3p)	-
Ordinary profit	14,184	15,695	1,511	10.7
Profit attributable to owners of parent	9,574	10,838	1,264	13.2

During the third quarter of the current consolidated fiscal year (January 1, 2023 to September 30, 2023), the Japanese economy continued to show signs of gradual recovery with the normalization of social activities. As for the business environment surrounding the ISID Group, although there is a risk that a downturn in overseas economies due to global monetary tightening and other factors could put downward pressure on the Japanese economy, 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 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 third quarter of the current consolidated fiscal year, net sales was ¥105,267 million (up 12.2% year on year), operating profit was ¥15,551 million (up 9.6% year on year), ordinary profit was ¥15,695 million (up 10.7% year on year) and profit attributable to owners of parent was ¥10,838 million (up 13.2% 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	Third quarter of FY2022 (cumulative)			Third quarter of FY2023 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	20,710	1,532	7.4%	22,582	2,577	11.4%	1,872	1,045
Business Solutions	13,513	3,665	27.1%	17,466	4,571	26.2%	3,953	906
Manufacturing Solutions	26,529	3,142	11.8%	29,819	3,459	11.6%	3,290	317
Communication IT	33,055	5,846	17.7%	35,398	4,942	14.0%	2,343	(904)
Total	93,808	14,186	15.1%	105,267	15,551	14.8%	11,459	1,365

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 sales and introduction of third-party software in the core banking area, centering on accounting, and customer contact reform area, mainly for the banking industry. Operating profit also increased due to the effect of increase in sales and improved profitability.

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. On the other hand, operating profit decreased due to an increase in cost of sales for some custom system development projects and lower profitability of 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 third quarter of the current consolidated fiscal year increased by ¥9,420 million from the end of the previous consolidated fiscal year to ¥131,312 million. Current assets increased by ¥9,072 million from the end of the previous consolidated fiscal year to ¥112,171 million, mainly due to a collection of trade receivables, an increase in deposits paid due 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. Non-current assets increased by ¥347 million from the end of the previous consolidated fiscal year to ¥19,140 million due to the new acquisition of software and tangible lease assets.

(2) Liabilities

Total liabilities at the end of the third quarter of the current consolidated fiscal year increased by ¥4,135 million from the end of the previous consolidated fiscal year to ¥52,156 million. Current liabilities increased by ¥3,905 million from the end of the previous consolidated fiscal year to ¥49,592 million, mainly due to an increase in trade payables and in contract liabilities associated with the provision of maintenance and subscription-type services. Non-current liabilities increased by ¥231 million from the end of the previous consolidated fiscal year to ¥2,564 million, mainly due to an increase in stock benefit reserves and lease obligations.

(3) Net assets

Net assets at the end of the third quarter of the current consolidated fiscal year increased by ¥5,283 million from the end of the previous consolidated fiscal year to ¥79,155 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 31, 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	4,909	4,808
Notes and accounts receivable - trade, and contract assets	30,377	30,519
Merchandise and finished goods	121	87
Raw materials and supplies	29	24
Advance payments to suppliers	17,315	20,518
Deposits paid	48,846	54,542
Other	1,503	1,675
Allowance for doubtful accounts	(3)	(4)
Total current assets	103,099	112,171
Non-current assets		
Property, plant and equipment	3,098	3,152
Intangible assets	5,903	5,844
Investments and other assets		
Investments and other assets	10,145	10,144
Allowance for doubtful accounts	(354)	(1)
Total investments and other assets	9,791	10,143
Total non-current assets	18,793	19,140
Total assets	121,892	131,312
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,163	15,906
Income taxes payable	3,075	2,487
Contract liabilities	14,296	16,598
Provision for loss on orders received	785	549
Provision for share awards	10	—
Other	13,355	14,050
Total current liabilities	45,687	49,592
Non-current liabilities		
Retirement benefit liability	52	64
Asset retirement obligations	854	859
Provision for share awards	54	105
Other	1,371	1,533
Total non-current liabilities	2,333	2,564
Total liabilities	48,021	52,156

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,270	15,270
Retained earnings	50,045	55,084
Treasury shares	(416)	(406)
Total shareholders' equity	73,080	78,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	234	238
Foreign currency translation adjustment	524	788
Total accumulated other comprehensive income	758	1,027
Non-controlling interests	32	—
Total net assets	73,871	79,155
Total liabilities and net assets	121,892	131,312

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

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	93,808	105,267
Cost of sales	59,790	67,408
Gross profit	34,018	37,859
Selling, general and administrative expenses	19,831	22,307
Operating profit	14,186	15,551
Non-operating income		
Interest and dividend income	37	38
Foreign exchange gains	—	6
Dividend income of insurance	44	47
Subsidy income	17	32
Gain on investments in investment partnerships	19	46
Miscellaneous income	59	10
Total non-operating income	178	180
Non-operating expenses		
Interest expenses	17	19
Loss on investments in investment partnerships	9	—
Provision of allowance for doubtful accounts	29	—
Foreign exchange losses	108	9
Miscellaneous losses	15	6
Total non-operating expenses	180	35
Ordinary profit	14,184	15,695
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	—	75
Loss on valuation of investment securities	65	302
Loss on cancellation of lease contracts	922	—
Total extraordinary losses	988	377
Profit before income taxes	13,497	15,453
Income taxes - current	4,930	5,187
Income taxes - deferred	(1,022)	(573)
Total income taxes	3,907	4,614
Profit	9,589	10,839
Profit attributable to non-controlling interests	14	1
Profit attributable to owners of parent	9,574	10,838

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	9,589	10,839
Other comprehensive income		
Valuation difference on available-for-sale securities	106	4
Foreign currency translation adjustment	359	264
Total other comprehensive income	466	268
Comprehensive income	10,056	11,108
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,041	11,106
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 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 reportable 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

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 FY2023 (from January 1, 2023 to September 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	22,582	17,466	29,819	35,398	105,267
Inter-segment sales and transfers	-	-	-	-	-
Total	22,582	17,466	29,819	35,398	105,267
Segment profit	2,577	4,571	3,459	4,942	15,551

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