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April 28, 2021

Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2021 (Japanese GAAP)

Name of Listed Company: Information Services International-Dentsu, Ltd.
Listed Exchange: Tokyo
Code Number: 4812
URL: <https://www.isid.co.jp/english/index.html>
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: May 12, 2021

Date of scheduled payment of dividends: --

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: No

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

1. Consolidated Business Performance for the First Quarter of FY2021 (from January 1, 2021 to March 31, 2021)

(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 FY2021	27,495	4.3	3,726	13.1	3,643	12.0	2,521	22.4
First Quarter of FY2020	26,366	14.5	3,294	28.8	3,252	26.6	2,060	18.1

* Net profit attributable to parent company's shareholders

Note: Comprehensive profit: First Quarter of FY2021: 2,701 million yen (up35.9%); First Quarter of FY2020: 1,987 million yen (up11.7%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
First Quarter of FY2021	38.70	--
First Quarter of FY2020	31.61	--

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. "Net profit (loss) per share" is calculated as if the stock split had taken place at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of March 31, 2021	94,922	60,689	63.9
As of December 31, 2020	97,147	59,587	61.3

Reference: Total shareholders' equity: As of March 31, 2021: 60,668 million yen; As of December 31, 2020: 59,565 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)
FY2020	--	43.00	--	49.00	92.00
FY2021	--				
FY2021 (forecast)		26.00	--	26.00	52.00

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

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. "Cash dividends" prior to the year ended December 31, 2020 are the actual amount of dividends prior to the stock split.

3. Consolidated Forecasts for FY2021 (from January 1, 2021 to December 31, 2021)

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	53,300	(3.1)	6,000	(13.9)	5,900	(14.0)	4,000	(11.3)	61.38
FY2021	110,000	1.2	12,500	2.6	12,300	6.9	8,300	12.7	127.37

*Net profit attributable to parent company's shareholders

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

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. The impact of the stock split is taken into account for the "EPS" in the forecast for the fiscal year ending December 2021.

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: None
 - ii. Changes in accounting policies other than 1) above: None
 - iii. Changes in accounting estimate: None
 - iv. Restatements: None

(4) Issued and outstanding common stock

i. Number of shares issued and outstanding at the end of the period, including treasury stock	March 31, 2021: 65,182,480 shares	December 31, 2020: 65,182,480 shares
ii. Number of treasury stock at the end of the period	March 31, 2021: 17,898 shares	December 31, 2020: 17,818 shares
iii. Average number of shares outstanding for each period	Three months ended March 31, 2021: 65,164,617 shares	Three months ended March 31, 2020: 65,164,742 shares

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. "Number of shares issued and outstanding at end of period", "Number of treasury stock at end of period", and "Average number of shares outstanding for each period" have been calculated as if the stock split had taken place at the beginning of the previous consolidated fiscal year.

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)

Reportable segment	First quarter of FY2020 (cumulative)	First quarter of FY2021 (cumulative)	YoY	
			Variance	% change
Net sales	26,366	27,495	1,129	4.3%
Operating profit	3,294	3,726	432	13.1%
Operating margin	12.5%	13.6%	1.1p	—
Ordinary profit	3,252	3,643	391	12.0%
Profit attributable to owners of parent	2,060	2,521	461	22.4%

During first quarter of the current consolidated fiscal year under review (from January 1, 2021 to March 31, 2021), the Japanese economy remained severe due to the impact of the Coronavirus Disease 2019 (COVID-19). Although there are some signs of recovery, mainly against the backdrop of improvement in overseas economies, the outlook remains uncertain as there are no prospects for convergence of infectious diseases, such as the application of stricter COVID-19 measures and the re-issuance of state of emergency.

Amid these circumstances, we have been continuing to focus on the three basic policies set out in the medium-term management plan “ISID X (Cross) Innovation 2021”: “core business evolution”, “new business creation”, and “business foundation innovations”, in order to link rising social and corporate IT-investment demand to sustainable growth. In addition, in order to respond swiftly to environmental changes caused by COVID-19 calamity, we are currently continuing to thoroughly implement measures against COVID-19, actively utilize remote work, and review various related systems. At the same time, through the activities of the Business Transformation Project launched last year, we are working to transform the ISID Group.

As a result of these efforts, for the first quarter of the current consolidated fiscal year, net sales was ¥27,495 million (up 4.3% year on year), operating profit was ¥3,726 million (up 13.1% year on year), ordinary profit was ¥3,643 million (up 12.0% year on year) and profit attributable to owners of parent was ¥2,521 million (up 22.4% year on year).

Net sales increased, driven by Financial Solutions segment, Manufacturing Solutions segment, and Communication IT segment. With regard to profits, despite an increase in selling, general and administrative expenses, mainly for research and development expenses and personnel expenses, profits increased at each stage due to the effect of the increase in sales and the improvement in the gross profit margin mainly for consulting services and system development.

As for COVID-19, the impact on business performance was limited in the first quarter of the current consolidated fiscal year, as a result of efforts to ensure smooth business continuity through thorough measures and active utilization of remote work, etc.

Net sales, operating profit, and status of business operations by reportable segment are as follows:

In order to reflect the operating results of each reportable segment more appropriately, the method of allocation of some expenses has been changed to the method of allocation based on rational allocation standards that are appropriate for the actual conditions of each segment since the second quarter of the previous consolidated fiscal year. Also, segment information for the first quarter of the previous consolidated fiscal year has been prepared based on the revised method of calculating profit or loss.

In addition, from the first quarter of the current consolidated fiscal year, the Enterprise IT division, which is engaged in the development and implementation of mission-critical systems, was transferred from the Business Solutions segment to the Communication IT segment, establishing a structure that provides integrated support from the marketing domain to mission-critical operations. The figures for the first quarter of the previous consolidated fiscal year and the first quarter of the current consolidated fiscal year have not been reclassified because it is not practicable to prepare the reportable segments for the same period as the respective comparative periods.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	First quarter of FY2020 (cumulative)			First quarter of FY2021 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	5,990	541	9.0%	6,333	647	10.2%	343	106
Business Solutions	5,249	821	15.6%	3,455	309	8.9%	(1,794)	(512)
Manufacturing Solutions	8,107	972	12.0%	8,220	1,090	13.3%	113	118
Communication IT	7,018	958	13.7%	9,485	1,679	17.7%	2,467	721
Total	26,366	3,294	12.5%	27,495	3,726	13.6%	1,129	432

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 licensing sales and installation of BANK·R, our next-generation loan solution, as well as call center and CRM system development businesses utilizing Salesforce solutions.

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 declined due to the transfer of the Enterprise IT division to Communication IT segment. In addition, licensing sales and installation of STRAVIS, a consolidated accounting solution, and Ci*X, an accounting solution, declined.

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 steady licensing sales of software products such as PLM and CAE, mainly for the automotive 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 and operating profit increased due to the transfer and consolidation of the Enterprise IT division from the Business Solutions segment, as well as the expansion of businesses supporting clients' DX through collaboration with 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 ¥2,225 million from the end of the previous consolidated fiscal year to ¥94,922 million. Current assets decreased by ¥2,492 million from the end of the previous consolidated fiscal year to ¥76,303 million, mainly due to a decrease in notes and accounts receivable-trade as a result of progress in collection of trade receivables as of the end of the previous consolidated fiscal year, payment of income taxes and consumption taxes, and a decrease in deposits paid as a result of dividend payments. Non-current assets increased by ¥268 million from the end of the previous consolidated fiscal year to ¥18,619 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 ¥3,327 million from the end of the previous consolidated fiscal year to ¥34,232 million. Current liabilities decreased by ¥3,176 million from the end of the previous consolidated fiscal year to ¥31,287 million, mainly due to a decrease in advances received, which are advance rentals and maintenance fees received, and a decrease in income taxes payable and other current liabilities mainly due to the payment of various taxes (income taxes, consumption taxes, etc.). Non-current liabilities decreased by ¥152 million from the end of the previous consolidated fiscal year to ¥2,944 million, mainly due to a decrease in lease obligations (the line item presented on the consolidated balance sheet is "Other" in non-current liabilities).

(3) Net assets

Net assets at the end of the first quarter of the current consolidated fiscal year increased by ¥1,102 million from the end of the previous consolidated fiscal year to ¥60,689 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, 2021

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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	3,665	3,276
Notes and accounts receivable - trade	24,486	23,356
Merchandise and finished goods	131	257
Work in process	1,757	1,455
Raw materials and supplies	25	28
Advance payments - trade	11,219	11,618
Deposits paid	36,373	35,095
Other	1,139	1,218
Allowance for doubtful accounts	(2)	(2)
Total current assets	78,795	76,303
Non-current assets		
Property, plant and equipment	4,083	4,009
Intangible assets	4,738	4,664
Investments and other assets		
Investments and other assets	9,730	10,252
Allowance for doubtful accounts	(201)	(307)
Total investments and other assets	9,529	9,945
Total non-current assets	18,351	18,619
Total assets	97,147	94,922
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,778	8,407
Income taxes payable	2,595	1,456
Advances received	12,605	11,060
Provision for loss on order received	305	282
Other	11,177	10,080
Total current liabilities	34,463	31,287
Non-current liabilities		
Retirement benefit liability	52	58
Asset retirement obligations	1,010	1,016
Other	2,033	1,870
Total non-current liabilities	3,096	2,944
Total liabilities	37,559	34,232

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	35,832	36,757
Treasury shares	(30)	(30)
Total shareholders' equity	59,268	60,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	194	243
Foreign currency translation adjustment	102	232
Total accumulated other comprehensive income	297	475
Non-controlling interests	22	20
Total net assets	59,587	60,689
Total liabilities and net assets	97,147	94,922

2. Consolidated Statements of Profit and Consolidated Statements of Comprehensive Profit

[Consolidated Statements of Profit]

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net sales	26,366	27,495
Cost of sales	17,388	17,901
Gross profit	8,978	9,594
Selling, general and administrative expenses	5,683	5,867
Operating profit	3,294	3,726
Non-operating income		
Interest and dividend income	8	10
Dividend income of insurance	56	20
Gain on investments in investment partnerships	-	39
Miscellaneous income	4	27
Total non-operating income	69	97
Non-operating expenses		
Interest expenses	10	9
Share of loss of entities accounted for using equity method	66	44
Loss on investments in investment partnerships	5	-
Provision of allowance for doubtful accounts	5	106
Foreign exchange losses	23	16
Miscellaneous loss	0	3
Total non-operating expenses	111	181
Ordinary profit	3,252	3,643
Extraordinary losses		
Loss on valuation of investment securities	118	-
Total extraordinary losses	118	-
Profit before income taxes	3,133	3,643
Income taxes - current	1,530	1,627
Income taxes - deferred	(458)	(507)
Total income taxes	1,072	1,120
Profit	2,060	2,523
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	2,060	2,521

[Consolidated Statements of Comprehensive Profit]

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Profit	2,060	2,523
Other comprehensive income		
Valuation difference on available-for-sale securities	8	48
Foreign currency translation adjustment	(82)	129
Total other comprehensive income	(73)	178
Comprehensive income	1,987	2,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,986	2,700
Comprehensive income attributable to non-controlling interests	0	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

(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 first quarter cumulative period of FY2020 (from January 1, 2020 to March 31, 2020)

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	5,990	5,249	8,107	7,018	26,366
Inter-segment sales and transfers	–	–	–	–	–
Total	5,990	5,249	8,107	7,018	26,366
Segment profit	541	821	972	958	3,294

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

II. The first quarter cumulative period of FY2021 (from January 1, 2021 to March 31, 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	6,333	3,455	8,220	9,485	27,495
Inter-segment sales and transfers	–	–	–	–	–
Total	6,333	3,455	8,220	9,485	27,495
Segment profit	647	309	1,090	1,679	3,726

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

2. Changes in reportable segments

In order to reflect the operating results of each reportable segment more appropriately, the method of allocation of some expenses has been changed to the method of allocation based on rational allocation standards that are appropriate for the actual conditions of each segment since the second quarter of the previous consolidated fiscal year. Also, segment information for the first quarter of the previous consolidated fiscal year has been prepared based on the revised method of calculating profit or loss.

In addition, from the first quarter of the current consolidated fiscal year, the Enterprise IT division, which is engaged in the development and implementation of mission-critical systems, was transferred from the Business Solutions segment to the Communication IT segment, establishing a structure that provides integrated support from the marketing domain to mission-critical operations. The figures for the first quarter of the previous consolidated fiscal year and the first quarter of the current consolidated fiscal year have not been reclassified because it is not practicable to prepare the reportable segments for the same period as the respective comparative periods.