

PRESENTATION MATERIAL OF FINANCIAL RESULTS FOR THE FIRST QUARTER OF FY2021 (FROM JANUARY 1, 2021 TO MARCH 31, 2021)

April 28, 2021

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 First Quarter of FY2021

Note:

1. 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.
2. 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.



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1. Consolidated Results for the First Quarter of FY2021

Net sales

Net sales increased, driven by Financial Solutions, Manufacturing Solutions, and Communication IT

Operating profit

Profit increased thanks to an effect of higher sales and an improvement in the gross profit margin

(Unit : Millions of yen)

	1Q of FY2021 (cumulative)	YoY		
		1Q of FY2020 (cumulative)	Variance	% change
Net sales	27,495	26,366	+1,129	+4.3
Gross profit	9,594	8,978	+616	+6.9
Profit margin	34.9%	34.1%	+0.8p	-
Selling, general and administrative expenses	5,867	5,683	+184	+3.2
Operating profit	3,726	3,294	+432	+13.1
Operating margin	13.6%	12.5%	+1.1p	-
Ordinary profit	3,643	3,252	+391	+12.0
Profit attributable to owners of parent	2,521	2,060	+461	+22.4

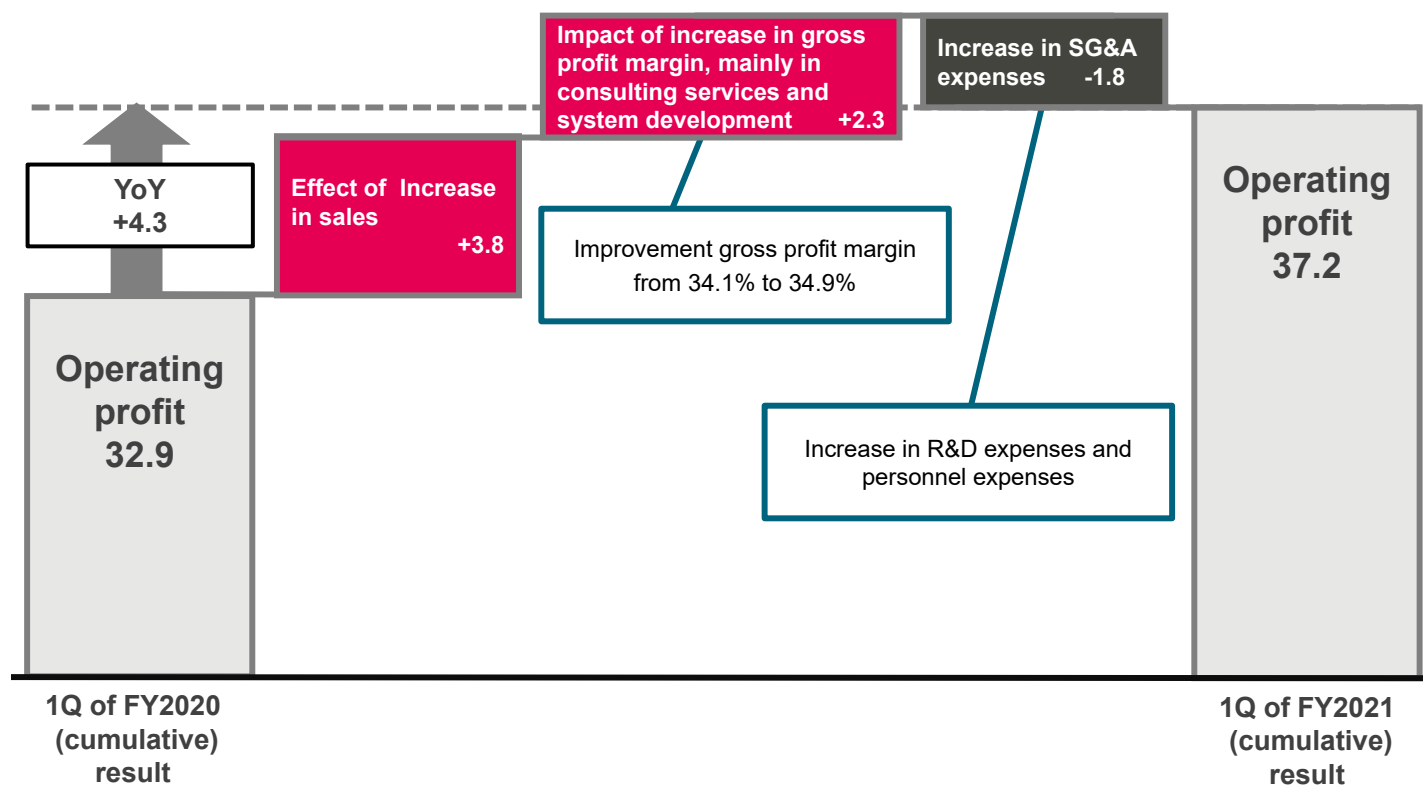
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2. Factors for Increase/Decrease in Operating Profit (YoY)

(Unit: 100 million of yen)



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3. Net Sales and Operating Profit by Reportable Segment

(Unit : Millions of yen)

Reportable segment		1Q of FY2021 (cumulative)	YoY		
			Variance	% change	Overview
Financial Solutions	Net sales	6,333	+343	+5.7	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.
	Operating profit	647	+106	+19.6	
	%	10.2	+1.2p	-	
	Employees	784	+71	+10.0	
Business Solutions	Net sales	3,455	-1,794	-34.2	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 and Ci*X declined.
	Operating profit	309	-512	-62.4	
	%	8.9	-6.7p	-	
	Employees	416	-141	-25.3	
Manufacturing Solutions	Net sales	8,220	+113	+1.4	Net sales and operating profit increased due to steady licensing sales of software products such as PLM and CAE, mainly for the automotive industry.
	Operating profit	1,090	+118	+12.1	
	%	13.3	+1.3p	-	
	Employees	667	+15	+2.3	
Communication IT	Net sales	9,485	+2,467	+35.2	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.
	Operating profit	1,679	+721	+75.3	
	%	17.7	+4.0p	-	
	Employees	709	+264	+59.2	

Employees : average number of employees during the period BANK・R : Next-generation loan solution Ci*X : Accounting solution STRAVIS : Consolidated accounting solution

Ref.) Supplementary information on Reportable Segment

For comparative purposes, the reference figures for the first quarter of FY2020 is adjusted for Enterprise IT division's net sales and operating profit. The comparison with the reference values is as follows.

Business Solutions: Sales and profits declined due to a decrease in software product sales and installation projects.

Communication IT: Sales and profits increased due to expansion of DX projects through collaboration with Dentsu Group.

(Unit : Millions of yen)

Reportable segment		1Q of FY2021 (cumulative)	Comparison with reference figures		
			Reference figures for 1Q of FY2020 (cumulative)	Variance	% change
Business Solutions	Net sales	3,455	3,551	-96	-2.7
	Operating profit	309	657	-348	-53.0
	%	8.9	18.5	-9.6p	-
Communication IT	Net sales	9,485	8,716	+769	+8.8
	Operating profit	1,679	1,122	+557	+49.6
	%	17.7	12.9	+4.8p	-

4. Consolidated Net Sales by Service Category

(Unit : Millions of yen)

Service category	1Q of FY2021 (cumulative)	YoY		Overview
		Variance	% change	
Consulting Services	1,969	+117	+6.3	Increased in Financial Solutions and Communication IT.
Custom System Development	7,112	-429	-5.7	Decreased in Financial Solutions and Communication IT.
In-house Software	5,702	+919	+19.2	Increased in Communication IT (iPLAss) and Financial Solutions (Bank・R).
Third-party Software	8,302	+398	+5.0	Increased in Financial Solutions (Salesforce solutions) and Manufacturing Solutions (software of PLM and CAE).
Outsourcing, Operation and Maintenance Services	2,499	+294	+13.3	Increased in Communication IT.
IT Equipment and Others	1,910	-169	-8.1	Decreased in Manufacturing Solutions and Communication IT.

iPLAss :Marketing Platform

5. Consolidated Net Sales by Industry

(Unit : Millions of yen)

Industry		1Q of FY2021 (cumulative)		YoY	
		Net Sales	Composition Ratio (%)	Variance	% change
Financial	Banks	4,856	17.7	+56	+1.2
	Other financial institutions	1,206	4.4	+185	+18.1
	Financial	6,062	22.1	+241	+4.1
Manufacturing	Transportation equipment	4,435	16.1	-29	-0.6
	Electric appliances Precision instruments	2,660	9.7	+441	+19.9
	Machinery	1,867	6.8	-75	-3.8
	Other products	1,906	6.9	-186	-8.9
Manufacturing		10,868	39.5	+152	+1.4
Services and public offices		8,536	31.0	+617	+7.8
Distributions and others		2,030	7.4	+119	+6.2
Sales to the Dentsu Group					
Dentsu Group Inc. and it's subsidiaries		6,016	21.9	-56	-0.9

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

6. Orders Received and Order Backlog

(Unit : Millions of yen)

		Orders received		Order backlog	
		1Q of FY2021 (cumulative)	YoY (%)	1Q of FY2021 (cumulative)	YoY (%)
Total		32,668	-2.3	40,253	+1.7
Business Segments	Financial Solutions	5,471	+11.9	6,600	-11.2
	Business Solutions	4,110	-33.4	4,945	-40.3
	Manufacturing Solutions	11,843	+8.0	16,026	+18.0
	Communication IT	11,242	-1.4	12,680	+23.7
Service Categories	Consulting Services	1,827	+11.5	649	+2.7
	Custom System Development	6,618	-12.0	5,303	-37.3
	In-house Software	5,600	+7.9	7,123	+0.3
	Third-party Software	12,386	+8.3	18,109	+20.6
	Outsourcing, Operation and Maintenance Services	4,255	-8.2	4,140	+5.2
	IT Equipment Sales and Others	1,980	-34.1	4,926	+11.5

* Year-on-year figures for Business Solutions and Communication IT have not been reclassified according to the terms after the transfer of the division.

Forecast

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 forecasts as a result of changes in the business environment and other factors.

Forecast for FY2021

We maintain unchanged our forecasts, as announced on February 10, 2021.

(Unit : Millions of yen)					(Unit : Millions of yen)			
	FY2021	YoY			1H of FY2021 (Jan.-Jun.)	YoY		
		FY2020	Variance	% change		1H of FY2020	Variance	% change
Net sales	110,000	108,679	+1,321	+1.2	53,300	55,020	-1,720	-3.1
Operating profit	12,500	12,189	+311	+2.6	6,000	6,971	-971	-13.9
Operating margin	11.4%	11.2%	+0.2p	-	11.3%	12.7%	-1.4p	-
Ordinary profit	12,300	11,502	+798	+6.9	5,900	6,862	-962	-14.0
Profit attributable to owners of parent	8,300	7,362	+938	+12.7	4,000	4,512	-512	-11.3

Net Sales Forecast by Reportable Segment

(Unit : Millions of yen)					(Unit : Millions of yen)			
	FY2021	YoY			1H of FY2021 (Jan.-Jun.)	YoY		
		FY2020	Variance	% change		1H of FY2020	Variance	% change
Financial Solutions	24,852	23,888	+964	+4.0	12,222	12,224	-2	-0.0
Business Solutions	15,589	22,100	-6,511	-29.5	7,575	10,885	-3,310	-30.4
Manufacturing Solutions	30,913	30,511	+402	+1.3	15,118	15,531	-413	-2.7
Communication IT	38,643	32,179	+6,464	+20.1	18,384	16,378	+2,006	+12.2
Total	110,000	108,679	+1,321	+1.2	53,300	55,020	-1,720	-3.1

Net Sales Forecast by Service Category

(Unit : Millions of yen)

(Unit : Millions of yen)

	FY2021	YoY			1H of FY2021 (Jan.-Jun.)	YoY		
		FY2020	Variance	% change		1H of FY2020	Variance	% change
Consulting Services	6,471	5,975	+496	+8.3	2,892	3,019	-127	-4.2
Custom System Development	31,542	28,147	+3,395	+12.1	15,755	14,995	+760	+5.1
In-house Software	22,162	20,549	+1,613	+7.8	10,435	10,124	+311	+3.1
Third-party Software	32,262	33,325	-1,063	-3.2	15,716	16,699	-983	-5.9
Outsourcing, Operation and Maintenance Services	11,188	12,462	-1,274	-10.2	5,288	6,090	-802	-13.2
IT Equipment Sales and Others	6,373	8,219	-1,846	-22.5	3,211	4,090	-879	-21.5
Total	110,000	108,679	+1,321	+1.2	53,300	55,020	-1,720	-3.1